

**Standard Chartered Bank (Thai)
Public Company Limited and its Subsidiary**

Financial statements for the year ended
31 December 2017
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 consolidated and the Bank only financial statements of Standard Chartered Bank (Thai) Public Company Limited and its subsidiary (the "Group") and of Standard Chartered Bank (Thai) Public Company Limited (the "Bank") respectively, which comprise the consolidated and the Bank only statements of financial position as at 31 December 2017, the consolidated and the Bank only 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 consolidated and the Bank only financial statements present fairly, in all material respects, the financial position of the Group and the Bank only, respectively, as at 31 December 2017 and their 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 Consolidated and the Bank only Financial Statements* section of my report. I am independent of the Group and 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 consolidated and the Bank only 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 consolidated and the Bank only 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 consolidated and the Bank only 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 consolidated and the Bank only 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 consolidated and the Bank only financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.



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

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

In preparing the consolidated and the Bank only financial statements, management is responsible for assessing the Group and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and the Bank only Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and the Bank only 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 consolidated and the Bank only 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 consolidated and the Bank only 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 Group and 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 Group and 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 consolidated and the Bank only 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 Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and the Bank only financial statements, including the disclosures, and whether the consolidated and the Bank only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.



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.

Chanchai S.

(Chanchai Sakulkoedsin)
Certified Public Accountant
Registration No. 6827

KPMG Phoomchai Audit Ltd.
Bangkok
23 February 2018

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Statement of financial position

Assets	Note	Consolidated		Bank only	
		31 December		31 December	
		2017	2016	2017	2016
(in thousand Baht)					
Cash		120,605	271,469	120,605	271,469
Interbank and money market items, net	8, 31	51,935,669	56,697,846	51,935,669	56,697,846
Derivative assets	9, 31	15,274,870	23,277,544	15,274,870	23,277,544
Investments, net	10, 29	36,686,851	32,646,309	36,686,851	32,646,309
Investments in subsidiary	11	-	-	48,170	48,170
Loans to customers and accrued interest receivable, net	12, 13, 31				
Loans to customers		49,272,492	38,138,566	49,272,492	38,138,566
Accrued interest receivable		166,813	78,761	166,813	78,761
Total loans to customers and accrued interest receivable		49,439,305	38,217,327	49,439,305	38,217,327
Less allowance for doubtful accounts	12.4, 14	(3,768,152)	(5,854,255)	(3,768,152)	(5,854,255)
Total loans to customers and accrued interest receivable, net		45,671,153	32,363,072	45,671,153	32,363,072
Customer's liability under acceptance		780,242	313,267	780,242	313,267
Premises and equipment, net	15	335,804	432,259	335,804	432,259
Intangible assets, net		-	96,973	-	96,973
Deferred tax assets	16	296,850	925,990	296,850	925,990
Accounts receivable from sales of investments and debt securities in issue	17	294,901	1,147,401	294,901	1,147,401
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	31	3,433,081	2,338,298	3,433,081	2,338,298
Assets of disposal group classified as held for sale	19	25,624	39,653,124	25,624	39,653,124
Other assets, net	20, 31	418,818	495,715	417,156	489,423
Total assets		155,274,468	190,659,267	155,320,976	190,701,145
Liabilities and equity					
Liabilities					
Deposits	21, 31	56,212,035	52,136,653	56,259,386	52,180,497
Interbank and money market items	22, 31	32,197,484	28,047,796	32,197,484	28,047,796
Liabilities payable on demand		1,543,827	1,548,139	1,543,827	1,548,139
Liabilities to deliver security		1,425,832	-	1,425,832	-
Derivative liabilities	9, 31	13,516,763	22,736,229	13,516,763	22,736,229
Debt issued and borrowings	23	-	2,022,600	-	2,022,600
Bank's liability under acceptances		780,242	313,267	780,242	313,267
Provisions	24	278,099	443,979	278,099	443,979
Accounts payable from purchase of investments	25	2,372,226	1,286,799	2,372,226	1,286,799
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	31	3,074,674	3,525,951	3,074,674	3,525,951
Accrued expenses	31	2,129,430	4,332,373	2,128,937	4,330,443
Liabilities of disposal group classified as held for sale	19	-	34,530,261	-	34,530,261
Other liabilities	26, 31	1,154,016	1,289,657	1,153,979	1,289,621
Total liabilities		114,684,628	152,213,704	114,731,449	152,255,582
Equity					
Share capital	27				
Authorised share capital		14,842,627	14,842,627	14,842,627	14,842,627
Issued and paid-up share capital		14,837,045	14,837,045	14,837,045	14,837,045
Premium on share capital	27	9,055,819	9,055,819	9,055,819	9,055,819
Other reserves	28	(11,825)	(197,007)	(11,825)	(197,007)
Retained earnings					
Appropriated					
Legal reserve	28	1,218,491	1,102,086	1,212,491	1,096,086
Unappropriated		15,490,310	13,647,620	15,495,997	13,653,620
Total equity		40,589,840	38,445,563	40,589,527	38,445,563
Total liabilities and equity		155,274,468	190,659,267	155,320,976	190,701,145

(นาย พลากร หวังหลี)
(Mr.Plakorn Wanglee)
กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

(นายอชิษ แจน)
(Mr. Ashish Jain)
กรรมการและรองกรรมการผู้จัดการใหญ่

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Statements of profit or loss and other comprehensive income

		Consolidated		Bank only	
		For the year ended 31 December		For the year ended 31 December	
	Note	2017	2016	2017	2016
		(in thousand Baht)			
Continued operations					
Interest income	31, 34	2,931,483	3,016,262	2,931,483	2,525,408
Interest expenses	35	1,278,548	1,234,707	1,278,658	1,234,945
Net interest income		1,652,935	1,781,555	1,652,825	1,290,463
Fees and service income		988,090	852,030	988,090	852,030
Fees and service expenses		151,110	183,033	151,110	150,505
Net fees and service income	36	836,980	668,997	836,980	701,525
Gains on trading and foreign exchange transactions, net	31, 37	1,310,921	1,444,182	1,310,921	1,444,079
Gains on investments, net	38	20,843	258,178	20,843	470,279
Other operating income	31	485,843	495,895	485,843	472,726
Total operating income		4,307,522	4,648,807	4,307,412	4,379,072
Other operating expenses					
Employee expenses	39	1,554,863	1,698,905	1,554,723	1,654,149
Directors' remuneration		7,800	7,893	7,800	7,893
Premises and equipment expenses		129,440	141,378	129,440	135,005
Taxes and duties		94,159	90,294	94,159	71,471
Service agreements		601,404	603,481	601,404	603,481
Others		461,634	566,916	461,977	375,551
Total other operating expenses		2,849,300	3,108,867	2,849,503	2,847,550
Impairment loss of loans and debt securities (reversal of)	14, 40	26,175	(35,351)	26,175	(32,408)
Profit from continuing operations before income tax					
		1,432,047	1,575,291	1,431,734	1,563,930
Income tax	41	320,376	438,005	320,376	350,858
Profit from continuing operations		1,111,671	1,137,286	1,111,358	1,213,072
Discontinued operation					
Profit (loss) from discontinued operation, net of tax	18	1,216,744	(753,259)	1,216,744	(793,562)
Profit for the year		2,328,415	384,027	2,328,102	419,510
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Gains (losses) on remeasuring available-for-sale investments		225,559	(294,356)	225,559	(294,356)
Gains (losses) on cash flow hedges of derivatives revaluation		5,918	(10,018)	5,918	(10,018)
Income tax relating to other comprehensive income	41	(46,295)	60,875	(46,295)	60,875
<i>Items that will never be reclassified to profit or loss</i>					
Defined benefit plans actuarial gains		20,554	82,542	20,554	82,542
Income tax relating to other comprehensive income	41	(4,111)	(16,257)	(4,111)	(16,508)
Total other comprehensive income for the year, net of tax		201,625	(177,214)	201,625	(177,465)
Total comprehensive income for the year		2,530,040	206,813	2,529,727	242,045
Profit attributable to:					
Shareholders of the Bank		2,328,415	384,023	2,328,102	419,510
Non-controlling interest		-	4	-	-
Profit for the year		2,328,415	384,027	2,328,102	419,510
Total comprehensive income attributable to :					
Shareholders of the Bank		2,530,040	206,809	2,529,727	242,045
Non-controlling interest		-	4	-	-
Total comprehensive income for the year		2,530,040	206,813	2,529,727	242,045
Earnings per share					
Basic earnings per share (in Baht)	42	1.57	0.26	1.57	0.28

(นาย พลากร หวังหลี)
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(นายอชิช เจน)
(Mr. Ashish Jain)
กรรมการและรองกรรมการผู้จัดการใหญ่

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Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Statements of changes in equity

Consolidated											
Note	Issued and paid-up share capital	Premium on share capital	Reserve arising from business combination under common control	Other reserves			Retained earnings		Total shareholders' equity	Non-controlling interest	Total equity
				Fair value change in available-for-sale investments	Cash flow hedges	Total other reserves	Legal reserve	Unappropriated			
Year ended 31 December 2016											
Balance as at 1 January 2016	14,837,045	9,055,819	(496,906)	43,701	2,791	46,492	1,083,609	13,890,740	38,416,799	14	38,416,813
Transactions with owners, recorded directly in equity											
Distribution to owners of the Bank											
Dividends	43	-	-	-	-	-	-	(178,045)	(178,045)	-	(178,045)
Total distribution to owners of the Bank		-	-	-	-	-	-	(178,045)	(178,045)	-	(178,045)
Comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	384,023	384,023	4	384,027
Other comprehensive income											
Available-for-sale investments											
Net change in fair value recognised in equity, net of tax		-	-	-	(235,485)	-	(235,485)	-	-	(235,485)	-
Cash flow hedges											
Net change of effective portion of fair value of cash flow hedges, net of tax		-	-	-	-	(8,014)	(8,014)	-	-	(8,014)	-
Actuarial gains on defined benefit plan, net of tax		-	-	-	-	-	-	66,285	66,285	-	66,285
Total other comprehensive income		-	-	-	(235,485)	(8,014)	(243,499)	-	66,285	(177,214)	-
Total comprehensive income for the year		-	-	-	(235,485)	(8,014)	(243,499)	-	450,308	206,809	4
Sold investment in subsidiary		-	-	-	-	-	-	-	-	(18)	(18)
Transfer to retained earnings		-	-	496,906	-	-	-	(2,500)	(494,406)	-	-
Transfer to legal reserve		-	-	-	-	-	-	20,977	(20,977)	-	-
Balance as at 31 December 2016		14,837,045	9,055,819	-	(191,784)	(5,223)	(197,007)	1,102,086	13,647,620	38,445,563	-
Year ended 31 December 2017											
Balance as at 1 January 2017		14,837,045	9,055,819	-	(191,784)	(5,223)	(197,007)	1,102,086	13,647,620	38,445,563	-
Transactions with owners, recorded directly in equity											
Distribution to owners of the Bank											
Dividends	43	-	-	-	-	-	-	(385,763)	(385,763)	-	(385,763)
Total distribution to owners of the Bank		-	-	-	-	-	-	(385,763)	(385,763)	-	(385,763)
Comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	2,328,415	2,328,415	-	2,328,415
Other comprehensive income											
Available-for-sale investments											
Net change in fair value recognised in equity, net of tax		-	-	-	180,447	-	180,447	-	-	180,447	-
Cash flow hedges											
Net change of effective portion of fair value of cash flow hedges, net of tax		-	-	-	-	4,735	4,735	-	-	4,735	-
Actuarial gains on defined benefit plan, net of tax		-	-	-	-	-	-	16,443	16,443	-	16,443
Total other comprehensive income		-	-	-	180,447	4,735	185,182	-	16,443	201,625	-
Total comprehensive income for the year		-	-	-	180,447	4,735	185,182	-	2,344,858	2,530,040	-
Transfer to legal reserve		-	-	-	-	-	-	116,405	(116,405)	-	-
Balance as at 31 December 2017		14,837,045	9,055,819	-	(11,337)	(488)	(11,825)	1,218,491	15,490,310	40,589,840	-

(นาย พลภกร หวังเหล็ก)
(Mr.Plakorn Wanglee)
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Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Statements of changes in equity

		Bank only				Retained earnings			
				Fair value change in available-for-sale investments	Cash flow hedges	Total other reserves	Legal reserve	Unappropriated	Total equity
	Note	Issued and paid-up share capital	Premium on share capital			(in thousand Baht)			
Year ended 31 December 2016									
Balance as at 1 January 2016		14,837,045	9,055,819	43,701	2,791	46,492	1,075,109	13,367,098	38,381,563
Transactions with owners, recorded directly in equity									
<i>Distribution to owners of the Bank</i>									
Dividends	43	-	-	-	-	-	-	(178,045)	(178,045)
Total distribution to owners of the Bank		-	-	-	-	-	-	(178,045)	(178,045)
Comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	419,510	419,510
Other comprehensive income									
Available-for-sale investments									
Net change in fair value recognised in equity, net of tax		-	-	(235,485)	-	(235,485)	-	-	(235,485)
Cash flow hedges									
Net change of effective portion of fair value of cash flow hedges, net of tax		-	-	-	(8,014)	(8,014)	-	-	(8,014)
Actuarial gains on defined benefit plans, net of tax		-	-	-	-	-	-	66,034	66,034
Total other comprehensive income		-	-	(235,485)	(8,014)	(243,499)	-	66,034	(177,465)
Total comprehensive income for the year		-	-	(235,485)	(8,014)	(243,499)	-	485,544	242,045
Transfer to legal reserve		-	-	-	-	-	20,977	(20,977)	-
Balance as at 31 December 2016		14,837,045	9,055,819	(191,784)	(5,223)	(197,007)	1,096,086	13,653,620	38,445,563
Year ended 31 December 2017									
Balance as at 1 January 2017		14,837,045	9,055,819	(191,784)	(5,223)	(197,007)	1,096,086	13,653,620	38,445,563
Transactions with owners, recorded directly in equity									
<i>Distribution to owners of the Bank</i>									
Dividends	43	-	-	-	-	-	-	(385,763)	(385,763)
Total distribution to owners of the Bank		-	-	-	-	-	-	(385,763)	(385,763)
Comprehensive income for the year									
Profit for the year		-	-	-	-	-	-	2,328,102	2,328,102
Other comprehensive income									
Available-for-sale investments									
Net change in fair value recognised in equity, net of tax		-	-	180,447	-	180,447	-	-	180,447
Cash flow hedges									
Net change of effective portion of fair value of cash flow hedges, net of tax		-	-	-	4,735	4,735	-	-	4,735
Actuarial gains on defined benefit plans, net of tax		-	-	-	-	-	-	16,443	16,443
Total other comprehensive income		-	-	180,447	4,735	185,182	-	16,443	201,625
Total comprehensive income for the year		-	-	180,447	4,735	185,182	-	2,344,545	2,529,727
Transfer to legal reserve		-	-	-	-	-	116,405	(116,405)	-
Balance as at 31 December 2017		14,837,045	9,055,819	(11,337)	(488)	(11,825)	1,212,491	15,495,997	40,589,527

(นาย พลภกร หวังผลี)
(Mr. Plakorn Wanglee)
กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

(นายอชิษฐ์ เจน)
(Mr. Ashish Jain)
กรรมการและรองกรรมการผู้จัดการใหญ่

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Statements of cash flows

	Consolidated		Bank only	
	For the year ended 31 December 2017	2016	For the year ended 31 December 2017	2016
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit from operations before income tax expense	2,970,997	646,866	2,970,683	595,224
<i>Adjustments to reconcile profit from operations before income tax expense to net cash provided by (used in) operating activities</i>				
Depreciation and amortisation	84,059	97,876	84,059	97,845
Impairment loss of loans and debt securities	820,812	1,430,828	820,812	1,430,828
Impairment loss of investments (reversal)	(3,943)	(2,942)	(3,943)	9,177
Amortisation of (discount) premium of debt instruments	(564,509)	47,463	(564,509)	47,463
Amortisation of discount of debt issued and borrowings	21,898	22,672	21,898	22,672
Gains on disposal of investments	(16,900)	(114,451)	(16,900)	(453,975)
Losses on disposal and write off of premises and equipment	1,837	3,381	1,837	3,381
Losses on write off of intangible assets	95,742	139,732	95,742	139,732
Gains on disposal of asset held for sales	(476,311)	-	(476,311)	-
Impairment loss of properties for sale	-	562	-	-
Impairment loss of asset held for sales	5,634	-	5,634	-
Provisions made	44,724	19,269	44,724	18,355
Net interest income	(3,849,109)	(5,153,606)	(3,848,999)	(4,662,514)
Interest received	5,513,172	6,898,080	5,513,172	6,427,184
Interest paid	(1,594,420)	(1,813,165)	(1,594,530)	(1,826,265)
Income tax paid	(235,168)	(362,214)	(239,603)	(284,089)
Profit from operations before changes in operating assets and liabilities	2,818,515	1,860,351	2,813,766	1,565,018
<i>Decrease (increase) in operating assets</i>				
Interbank and money market items	4,762,177	(7,200,915)	4,762,177	(6,527,734)
Derivative assets and liabilities, net	(1,217,502)	(93,047)	(1,217,502)	(93,047)
Trading investments	(7,956,292)	791,251	(7,956,292)	791,251
Investments in receivables	-	(155,691)	-	-
Loans to customers	25,332,130	9,207,790	25,332,130	10,770,983
Properties for sale	-	109,506	-	17,511
Other assets	(929,007)	3,380,069	(929,202)	3,377,984
<i>Increase (decrease) in operating liabilities</i>				
Deposits	(29,547,672)	(12,565,779)	(29,544,165)	(12,956,307)
Interbank and money market items	4,149,687	8,899,071	4,149,687	7,309,071
Liabilities payable on demand	(19,468)	286,106	(19,468)	286,106
Short-term debt issued and borrowings	(2,019,502)	320,796	(2,019,502)	320,796
Provisions used	(190,050)	(27,695)	(190,050)	(19,588)
Other liabilities	(3,541,425)	(2,220,049)	(3,539,988)	(2,235,317)
Net cash provided by (used in) operating activities	(8,358,409)	2,591,764	(8,358,409)	2,606,727
<i>Cash flows from investing activities</i>				
Purchase of premises and equipment	(10,909)	(29,813)	(10,909)	(29,813)
Purchase of intangible assets	-	(28,193)	-	(28,193)
Proceeds from disposals of premises and equipment	5,654	464	5,654	464
Proceeds from disposals of assets held for sales	481,806	-	481,806	-
Purchase of available-for-sale investments	(12,307,662)	(30,383,013)	(12,307,662)	(30,383,013)
Proceeds from available-for-sale investments	20,378,835	27,101,931	20,378,835	27,101,931
Purchase of general investment	(364)	-	(364)	-
Proceeds from disposal of investments in subsidiaries	-	860,813	-	860,813
Net cash provided by (used in) investing activities	8,547,360	(2,477,811)	8,547,360	(2,477,811)
<i>Cash flows from financing activities</i>				
Dividends paid	(385,763)	(178,045)	(385,763)	(178,045)
Net cash used in financing activities	(385,763)	(178,045)	(385,763)	(178,045)
Net decrease in cash	(196,812)	(64,092)	(196,812)	(49,129)
Cash at beginning of the year	271,469	381,509	271,469	366,546
Cash included in asset held for sales at beginning of period	45,948	-	45,948	-
Cash transfer to assets of disposal group classified as held for sales	-	(45,948)	-	(45,948)
Cash at end of the year	120,605	271,469	120,605	271,469
<i>Non-cash transactions</i>				
Gains (losses) on remeasuring available-for-sale investment, net of deferred tax	180,447	(235,485)	180,447	(235,485)
Gains (losses) on cash flow hedges of derivatives revaluation, net of deferred tax	4,735	(8,014)	4,735	(8,014)
Defined benefit plans actuarial gains, net of deferred tax	16,443	66,285	16,443	66,034

(นาย พลากร หวังหลี่)
(Mr. Plakorn Wanglee)
กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

Note Contents

1	General information
2	Basis of preparation of the financial statements
3	Changes in accounting policies
4	Significant accounting policies
5	Financial risk management
6	Fair value of financial assets and liabilities
7	Maintenance of capital fund
8	Interbank and money market items, net (assets)
9	Derivatives
10	Investments, net
11	Investments in subsidiary
12	Loans to customers and accrued interest receivable, net
13	Troubled debt restructuring
14	Allowance for doubtful accounts
15	Premises and equipment
16	Deferred tax
17	Accounts receivable from sales of investments and debt securities in issue
18	Discontinued operation
19	Assets and liabilities of disposal group classified as held for sales
20	Other assets
21	Deposits
22	Interbank and money market items (liabilities)
23	Debt issued and borrowings
24	Provisions
25	Accounts payable from purchase of investments
26	Other liabilities
27	Share capital
28	Reserves
29	Assets pledged as collateral
30	Contingent liabilities
31	Related parties
32	Non-cancellable operating lease agreements
33	Segment information
34	Interest income
35	Interest expenses
36	Net fees and service income
37	Gains on trading and foreign exchange transactions, net
38	Gains on investments, net
39	Employee expenses
40	Impairment loss of loans and debt securities (reversal of)
41	Income tax
42	Basic earnings per share
43	Dividends

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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 23 February 2018.

1 General information

Standard Chartered Bank (Thai) Public Company Limited (the “Bank”), is incorporated in Thailand and has its Head Office located at 90 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 retail and corporate and institutional clients. Details of the Bank’s subsidiary as at 31 December 2017 and 2016 are given in notes 11 and 31. 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 (Note 18).

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 2017. The initial application of these new and revised TFRSs has resulted in changes in certain of the Bank’s account 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 other new and revised TFRSs which are effective for annual financial periods beginning on or after 1 January 2018 and have not been adopted in the preparation of these financial statements.

The Bank has made a preliminary assessment of the potential initial impact on the financial statements of these new and revised TFRSs and expect that these will be no material impact on the financial statements in the period of initial application.

(b) Basis of measurement

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

<i>Items</i>	<i>Measurement bases</i>
Derivative instruments	Fair value
Trading and available-for-sale financial assets	Fair value

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

(c) *Functional and presentation currency*

The financial statements are prepared and presented in Thai Baht, which is the Bank and its subsidiary' 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 significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustments to the amount recognised in the financial statements is included in the following notes:

Note 6	Fair value of financial assets and liabilities
Note 9	Derivatives
Note 14	Allowance for doubtful accounts

Measurement of fair values

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

The Bank and its subsidiary have 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 are 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 and its subsidiary 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 6 Fair value of financial assets and liabilities

3 *Changes in accounting policies*

In December 2017, the Bank changed its accounting policy for the recognition of collateral from private reverse repo transactions and repledged for private repo transactions which were presented in "Claims on securities" on assets and "Liabilities to deliver securities" on liabilities by excluding those items from the statement of financial position, and disclosing liabilities items as commitment in note 30, in compliance with relevant accounting guideline.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

In accordance with Thai Accounting Standard (“TAS”) No. 8 (revised 2016), *Accounting policies, changes in accounting estimates and errors*, these changes in accounting policy have been applied retrospectively to the consolidated and the Bank only financial statements. There was no impact to the financial statements as at 31 December 2016 and 1 January 2016 as there was no outstanding balance.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in Note 3, which addresses changes in accounting policies.

(a) Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiary.

Subsidiary

Subsidiary is entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the Group. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accounting policies of the subsidiary have been changed where necessary to align them with the policies adopted by the Bank.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Significant intra-group balances and transactions, and any unrealised income or expense arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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 4(k)).

(c) Cash

Cash comprises cash on hand and cash in transit.

(d) Investments

Investments in subsidiary

Investments in subsidiary in the Bank only 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 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 and its subsidiary commit 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 and its subsidiary dispose 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

(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 and its subsidiary' 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 and its subsidiary raise 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 and debt securities. The Bank and its subsidiary write off bad debts against the allowance for doubtful accounts for uncollectible amounts. Bad debts recovered are presented net of impairment loss of loans and debt securities 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 and its subsidiary' risk criteria applicable to such loans as at the restructuring date.

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

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

(h) *Premises and equipment*

Recognition and measurement

Owned assets

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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 difference between the proceeds from disposal and 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 subsidiary, 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 - 50 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) *Leasehold premises*

Leasehold premises included in other assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis not exceeding the shorter of 50 years or the term of the lease agreement.

(j) *Impairment*

The carrying amounts of the Bank and its subsidiary' 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.

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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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 in order to 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.

(k) 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.

Hedging

Fair value hedge

Where a derivative financial instrument 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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 financial instrument is recognised in other comprehensive income, presented as gains or loss on cash flow hedges in equity and transferred to profit or loss when the risk on the hedge item impacts profit or loss. 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.

(l) *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.

(m) *Employee benefits*

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

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

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognized immediately in other comprehensive income. The Bank and its subsidiary 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 year, 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 recognized in profit or loss.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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 and its subsidiary 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 recognizes 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 and its subsidiary 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.

(n) Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiary have 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.

(o) 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

(p) Expenses

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

(q) 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 and its subsidiary expect, 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 and its subsidiary take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. In order to assess the adequacy of accruals for tax liabilities are adequate for all tax years, the Bank and its subsidiary based its assessment on 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 and its subsidiary 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.

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. 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.

(r) 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 recognized in profit or loss.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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

(s) Discontinued operations

A discontinued operation is a component of the Bank and its subsidiary' 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.

(t) Earnings per share

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

(u) Segment information

Segment results that are reported to the management of the Bank and its subsidiary include 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.

(v) Offsetting

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

5 Financial risk management

5.1 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

5.2 Market risk

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

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

Market risk governance

The Bank has established standards, principles, policies and techniques for managing market risk. The Board of Directors approve the Bank's market risk 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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.

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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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 and its subsidiary receive both fixed and floating rate interest on their interest bearing assets which can be analysed as follows:

	Consolidated 2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
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	-	-	295	295
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	3,433	-	-	3,433
Other assets	-	-	168	168
Total financial assets	12,337	125,007	5,515	142,859
Financial liabilities				
Deposits	39,947	10,014	6,251	56,212
Interbank and money market items	7,655	17,077	7,465	32,197
Liabilities payable on demand	-	-	1,544	1,544
Liabilities to deliver security	-	-	1,426	1,426
Bank's liability under acceptances	-	-	780	780
Accounts payable from purchase of investments	-	-	2,372	2,372
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,075	-	-	3,075
Other liabilities	-	-	92	92
Total financial liabilities	50,677	27,091	19,930	97,698
Off-financial reporting items, net	1,180	(1,180)	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

		Consolidated 2016		
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	271	271
Interbank and money market items, net	3,267	48,868	4,563	56,698
Investments, net	10,471	22,161	14	32,646
Loans to customers and accrued interest receivable	10,869	22,675	4,673	38,217
Customer's liability under acceptance	-	-	313	313
Accounts receivable from sales of investments and debt securities in issue	-	-	1,147	1,147
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	2,338	-	-	2,338
Other assets	-	-	182	182
Total financial assets	26,945	93,704	11,163	131,812
<i>Financial liabilities</i>				
Deposits	41,285	7,494	3,358	52,137
Interbank and money market items	7,750	12,118	8,180	28,048
Liabilities payable on demand	-	-	1,548	1,548
Debt issued and borrowings	-	2,023	-	2,023
Bank's liability under acceptances	-	-	313	313
Accounts payable from purchase of investments	-	-	1,287	1,287
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,526	-	-	3,526
Other liabilities	-	-	98	98
Total financial liabilities	52,561	21,635	14,784	88,980
Off-financial reporting items, net	27,643	(27,643)	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Bank only 2017			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
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	-	-	295	295
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	3,433	-	-	3,433
Other assets	-	-	168	168
Total financial assets	12,337	125,007	5,515	142,859
<i>Financial liabilities</i>				
Deposits	39,994	10,014	6,251	56,259
Interbank and money market items	7,655	17,077	7,465	32,197
Liabilities payable on demand	-	-	1,544	1,544
Liabilities to deliver security	-	-	1,426	1,426
Bank's liability under acceptances	-	-	780	780
Accounts payable from purchase of investments	-	-	2,372	2,372
Collateral from Credit Support Annex agreements and margin payables from 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	(1,180)	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Bank only 2016			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Cash	-	-	271	271
Interbank and money market items, net	3,267	48,868	4,563	56,698
Investments, net	10,471	22,161	14	32,646
Loans to customers and accrued interest receivable	10,869	22,675	4,673	38,217
Customer's liability under acceptance	-	-	313	313
Accounts receivable from sales of investments and debt securities in issue	-	-	1,147	1,147
Collateral from Credit Support Annex agreements and margin receivables from and repo transaction	2,338	-	-	2,338
Other assets	-	-	182	182
Total financial assets	26,945	93,704	11,163	131,812
<i>Financial liabilities</i>				
Deposits	41,328	7,494	3,358	52,180
Interbank and money market items	7,750	12,118	8,180	28,048
Liabilities payable on demand	-	-	1,548	1,548
Debt issued and borrowings	-	2,023	-	2,023
Bank's liability under acceptances	-	-	313	313
Accounts payable from purchase of investments	-	-	1,287	1,287
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,526	-	-	3,526
Other liabilities	-	-	98	98
Total financial liabilities	52,604	21,635	14,784	89,023
Off-financial reporting items, net	27,643	(27,643)	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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

	Consolidated					
	2017		Average interest rate (% per annum)	2016		Average interest rate (% per annum)
	Average balance (in million Baht)	Interest		Average balance (in million Baht)	Interest	
<i>Financial assets</i>						
Interbank and money market items	61,363	1,051	1.71	69,076	1,016	1.47
Investments	32,938	669	2.03	25,143	697	2.77
Loans to customers	69,835	3,672	5.26	74,199	5,206	7.02
Total	164,136	5,392	3.29	168,418	6,919	4.11
<i>Financial liabilities</i>						
Deposits	80,650	1,192	1.48	90,435	1,470	1.62
Interbank and money market items	24,013	324	1.35	19,136	273	1.43
Debt issued and borrowings	2,779	28	1.00	3,056	23	0.75
Total	107,442	1,544	1.44	112,627	1,766	1.57
Bank only						
	2017		Average interest rate (% per annum)	2016		Average interest rate (% per annum)
	Average balance (in million Baht)	Interest		Average balance (in million Baht)	Interest	
<i>Financial assets</i>						
Interbank and money market items	61,363	1,051	1.71	69,076	1,016	1.47
Investments	32,938	669	2.03	23,939	429	1.79
Loans to customers	69,835	3,672	5.26	75,466	4,983	6.60
Total	164,136	5,392	3.29	168,481	6,428	3.82
<i>Financial liabilities</i>						
Deposits	80,694	1,192	1.48	90,844	1,470	1.62
Interbank and money market items	24,013	324	1.35	19,136	273	1.43
Debt issued and borrowings	2,779	28	1.00	3,056	23	0.75
Total	107,486	1,544	1.44	113,036	1,766	1.56

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 31 December 2017 and 2016 are as follows:

	Consolidated 2017							
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Non- interest bearing	Non accrual	Total
	<i>(in million Baht)</i>							
<i>Financial assets</i>								
Cash	-	-	-	-	-	121	-	121
Interbank and money market items, net	19,332	30,828	47	327	-	1,402	-	51,936
Investments, net	-	18,470	-	18,199	-	18	-	36,687
Loans to customers and accrued interest receivable	1,798	39,888	1,125	3,897	-	167	2,564	49,439
Customer's liability under acceptance	-	-	-	-	-	780	-	780
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	-	295	-	295
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	3,433	-	-	-	-	-	-	3,433
Other assets	-	-	-	-	-	168	-	168
Total financial assets	24,563	89,186	1,172	24,423	-	2,951	2,564	142,859
<i>Financial liabilities</i>								
Deposits	40,565	9,267	129	-	-	6,251	-	56,212
Interbank and money market items	14,827	2,427	327	5,698	1,453	7,465	-	32,197
Liabilities payable on demand	-	-	-	-	-	1,544	-	1,544
Liabilities to deliver security	-	-	-	-	-	1,426	-	1,426
Bank's liability under acceptances	-	-	-	-	-	780	-	780
Accounts payable from purchase of investments	-	-	-	-	-	2,372	-	2,372
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,075	-	-	-	-	-	-	3,075
Other liabilities	-	-	-	-	-	92	-	92
Total financial liabilities	58,467	11,694	456	5,698	1,453	19,930	-	97,698
Off-financial reporting items, net	-	(5,805)	8,167	(3,527)	1,165	-	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Consolidated 2016							
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Non- interest bearing	Non accrual	Total
	<i>(in million Baht)</i>							
<i>Financial assets</i>								
Cash	-	-	-	-	-	271	-	271
Interbank and money market items, net	20,848	25,632	5,297	358	-	4,563	-	56,698
Investments, net	-	6,732	-	22,548	3,352	14	-	32,646
Loans to customers and accrued interest receivable	10,869	21,616	602	457	-	79	4,594	38,217
Customer's liability under acceptance	-	-	-	-	-	313	-	313
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	-	1,147	-	1,147
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	2,338	-	-	-	-	-	-	2,338
Other assets	-	-	-	-	-	182	-	182
Total financial assets	34,055	53,980	5,899	23,363	3,352	6,569	4,594	131,812
<i>Financial liabilities</i>								
Deposits	41,285	7,399	95	-	-	3,358	-	52,137
Interbank and money market items	9,750	5,100	-	3,592	1,426	8,180	-	28,048
Liabilities payable on demand	-	-	-	-	-	1,548	-	1,548
Debt issued and borrowings	-	2,023	-	-	-	-	-	2,023
Bank's liability under acceptances	-	-	-	-	-	313	-	313
Accounts payable from purchase of investments	-	-	-	-	-	1,287	-	1,287
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,526	-	-	-	-	-	-	3,526
Other liabilities	-	-	-	-	-	98	-	98
Total financial liabilities	54,561	14,522	95	3,592	1,426	14,784	-	88,980
Off-financial reporting items, net	-	(11,582)	14,280	(5,106)	2,408	-	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Bank only 2017							
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Non- interest bearing	Non accrual	Total
	<i>(in million Baht)</i>							
<i>Financial assets</i>								
Cash	-	-	-	-	-	121	-	121
Interbank and money market items, net	19,332	30,828	47	327	-	1,402	-	51,936
Investments, net	-	18,470	-	18,199	-	18	-	36,687
Loans to customers and accrued interest receivable	1,798	39,888	1,125	3,897	-	167	2,564	49,439
Customer's liability under acceptance	-	-	-	-	-	780	-	780
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	-	295	-	295
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	3,433	-	-	-	-	-	-	3,433
Other assets	-	-	-	-	-	168	-	168
Total financial assets	24,563	89,186	1,172	24,423	-	2,951	2,564	142,859
<i>Financial liabilities</i>								
Deposits	40,612	9,267	129	-	-	6,251	-	56,259
Interbank and money market items	14,827	2,427	327	5,698	1,453	7,465	-	32,197
Liabilities payable on demand	-	-	-	-	-	1,544	-	1,544
Liabilities to deliver security	-	-	-	-	-	1,426	-	1,426
Bank's liability under acceptances	-	-	-	-	-	780	-	780
Accounts payable from purchase of investments	-	-	-	-	-	2,372	-	2,372
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,075	-	-	-	-	-	-	3,075
Other liabilities	-	-	-	-	-	92	-	92
Total financial liabilities	58,514	11,694	456	5,698	1,453	19,930	-	97,745
Off-financial reporting items, net	-	(5,805)	8,167	(3,527)	1,165	-	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Bank only 2016							
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	Non- interest bearing	Non accrual	Total
	<i>(in million Baht)</i>							
<i>Financial assets</i>								
Cash	-	-	-	-	-	271	-	271
Interbank and money market items, net	20,848	25,632	5,297	358	-	4,563	-	56,698
Investments, net	-	6,732	-	22,548	3,352	14	-	32,646
Loans to customers and accrued interest receivable	10,869	21,616	602	457	-	79	4,594	38,217
Customer's liability under acceptance	-	-	-	-	-	313	-	313
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	-	1,147	-	1,147
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	2,338	-	-	-	-	-	-	2,338
Other assets	-	-	-	-	-	182	-	182
Total financial assets	34,105	53,980	5,899	23,363	3,352	6,569	4,594	131,812
<i>Financial liabilities</i>								
Deposits	41,328	7,399	95	-	-	3,358	-	52,180
Interbank and money market items	9,750	5,100	-	3,592	1,426	8,180	-	28,048
Liabilities payable on demand	-	-	-	-	-	1,548	-	1,548
Debt issued and borrowings	-	2,023	-	-	-	-	-	2,023
Bank's liability under acceptances	-	-	-	-	-	313	-	313
Accounts payable from purchase of investments	-	-	-	-	-	1,287	-	1,287
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,526	-	-	-	-	-	-	3,526
Other liabilities	-	-	-	-	-	98	-	98
Total financial liabilities	54,604	14,522	95	3,592	1,426	14,784	-	89,023
Off-financial reporting items, net	-	(11,582)	14,280	(5,106)	2,408	-	-	-

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

(b) Currency exchange rate risk

As at 31 December 2017 and 2016, net open position assets (liabilities) denominated in various currencies were as follows:

	Consolidated and Bank only	
	2017	2016
	<i>(in million USD)</i>	
Net foreign currency exposure		
US Dollar	(56)	82
Euro ^(*)	3	5
Others ^(*)	(3)	-

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

5.3 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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.

As at 31 December 2017, the loan to deposits ratio of the Bank is 60% (2016: 71%).

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

The remaining periods to maturity of significant financial assets and financial liabilities as at 31 December 2017 and 2016 based on contractual maturity is as follows:

	Consolidated 2017						
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	No maturity	Total
	<i>(in million Baht)</i>						
<i>Financial assets</i>							
Cash	121	-	-	-	-	-	121
Interbank and money market items, net	20,684	30,847	47	327	31	-	51,936
Investments, net	-	3,367	3	19,937	13,362	18	36,687
Loans to customers and accrued interest receivables	11,101	15,041	1,206	17,558	4,533	-	49,439
Customer's liability under acceptance	4	776	-	-	-	-	780
Accounts receivable from sales of investments and debt securities in issue	295	-	-	-	-	-	295
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	3,433	-	-	-	-	-	3,433
Other assets	-	-	-	168	-	-	168
Total financial assets	35,638	50,031	1,256	37,990	17,926	18	142,859
<i>Financial liabilities</i>							
Deposits	46,198	9,871	143	-	-	-	56,212
Interbank and money market items	22,292	1,000	-	7,452	1,453	-	32,197
Liabilities payable on demand	1,544	-	-	-	-	-	1,544
Liabilities to delivery security	1,426	-	-	-	-	-	1,426
Bank's liability under acceptances	4	-	776	-	-	-	780
Accounts payable from purchase of investments	2,372	-	-	-	-	-	2,372
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,075	-	-	-	-	-	3,075
Other liabilities	92	-	-	-	-	-	92
Total financial liabilities	77,003	10,871	919	7,452	1,453	-	97,698
Net liquidity gap	(41,365)	39,160	337	30,538	16,473	18	45,161

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

				Consolidated 2016			
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	271	-	-	-	-	-	271
Interbank and money market items, net	21,819	29,452	5,069	358	-	-	56,698
Investments, net	-	2,485	-	23,847	6,300	14	32,646
Loans to customers and accrued interest receivables	14,322	9,234	1,341	8,295	5,025	-	38,217
Customer's liability under acceptance	6	307	-	-	-	-	313
Accounts receivable from sales of investments and debt securities in issue	1,147	-	-	-	-	-	1,147
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	2,338	-	-	-	-	-	2,338
Other assets	-	-	-	182	-	-	182
Total financial assets	39,903	41,478	6,410	32,682	11,325	14	131,812
<i>Financial liabilities</i>							
Deposits	44,642	7,222	241	32	-	-	52,137
Interbank and money market items	17,930	4,000	-	3,592	2,526	-	28,048
Liabilities payable on demand	1,548	-	-	-	-	-	1,548
Debt issued and borrowings	-	2,023	-	-	-	-	2,023
Bank's liability under acceptances	6	307	-	-	-	-	313
Accounts payable from purchase of investments	1,287	-	-	-	-	-	1,287
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,526	-	-	-	-	-	3,526
Other liabilities	98	-	-	-	-	-	98
Total financial liabilities	69,037	13,552	241	3,624	2,526	-	88,980
Net liquidity gap	(29,134)	27,926	6,169	29,058	8,799	14	42,832

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

				Bank only			
				2017			
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years	No maturity	Total
				(in million Baht)			
<i>Financial assets</i>							
Cash	121	-	-	-	-	-	121
Interbank and money market items, net	20,684	30,847	47	327	31	-	51,936
Investments, net	-	3,367	3	19,937	13,362	18	36,687
Loans to customers and accrued interest receivables	11,101	15,041	1,206	17,558	4,533	-	49,439
Customer's liability under acceptance	4	776	-	-	-	-	780
Accounts receivable from sales of investments and debt securities in issue	295	-	-	-	-	-	295
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	3,433	-	-	-	-	-	3,433
Other assets	-	-	-	168	-	-	168
Total financial assets	35,638	50,031	1,256	37,990	17,926	18	142,859
<i>Financial liabilities</i>							
Deposits	46,245	9,871	143	-	-	-	56,259
Interbank and money market items	22,292	1,000	-	7,452	1,453	-	32,197
Liabilities payable on demand	1,544	-	-	-	-	-	1,544
Liabilities to delivery security	1,426	-	-	-	-	-	1,426
Bank's liability under acceptances	4	-	776	-	-	-	780
Accounts payable from purchase of investments	2,372	-	-	-	-	-	2,372
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,075	-	-	-	-	-	3,075
Other liabilities	92	-	-	-	-	-	92
Total financial liabilities	77,050	10,871	919	7,452	1,453	-	97,745
Net liquidity gap	(41,412)	39,160	337	30,538	16,473	18	45,114

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

				Bank only			
				2016			
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
<i>Financial assets</i>							
Cash	271	-	-	-	-	-	271
Interbank and money market items, net	21,819	29,452	5,069	358	-	-	56,698
Investments, net	-	2,485	-	23,847	6,300	14	32,646
Loans to customers and accrued interest receivables	14,322	9,234	1,341	8,295	5,025	-	38,217
Customer's liability under acceptance	6	307	-	-	-	-	313
Accounts receivable from sales of investments and debt securities in issue	1,147	-	-	-	-	-	1,147
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	2,338	-	-	-	-	-	2,338
Other assets	-	-	-	182	-	-	182
Total financial assets	39,903	41,478	6,410	32,682	11,325	14	131,812
<i>Financial liabilities</i>							
Deposits	44,685	7,222	241	32	-	-	52,180
Interbank and money market items	17,930	4,000	-	3,592	2,526	-	28,048
Liabilities payable on demand	1,548	-	-	-	-	-	1,548
Debt issued and borrowings	-	2,023	-	-	-	-	2,023
Bank's liability under acceptances	6	307	-	-	-	-	313
Accounts payable from purchase of investments	1,287	-	-	-	-	-	1,287
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,526	-	-	-	-	-	3,526
Other liabilities	98	-	-	-	-	-	98
Total financial liabilities	69,080	13,552	241	3,624	2,526	-	89,023
Net liquidity gap	(29,177)	27,926	6,169	29,058	8,799	14	42,789

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 31 December 2017 and 2016 are as follows:

	Consolidated and Bank only		
	2017		
	Within 1 year	Over 1 year	Total
	<i>(in million Baht)</i>		
<i>Foreign currency related</i>			
Forward exchange contracts	329,486	7,606	337,092
Cross currency swap contracts	50,347	142,193	192,540
Currency option contracts	14,272	-	14,272
<i>Interest rate related</i>			
Interest rate swap contracts	143,157	444,544	587,701
Interest rate option contracts	-	17,978	17,978
<i>Others</i>			
Bond forward contracts	2,590	9,383	11,973
Commodities	14,585	-	14,585
Total	554,437	621,704	1,176,141

	Consolidated and Bank only		
	2016		
	Within 1 year	Over 1 year	Total
	<i>(in million Baht)</i>		
<i>Foreign currency related</i>			
Forward exchange contracts	303,980	9,407	313,387
Cross currency swap contracts	59,113	181,381	240,494
Currency option contracts	5,290	-	5,290
<i>Interest rate related</i>			
Interest rate swap contracts	199,836	540,862	740,698
Interest rate option contracts	-	10,404	10,404
<i>Others</i>			
Bond forward contracts	1,263	2,434	3,697
Commodities	9,228	1,565	10,793
Total	578,710	746,053	1,324,763

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

6 Fair value of financial assets and liabilities

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Bank and its subsidiary use market observable 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 within 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).

6.1 Financial assets and liabilities measured at fair value

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

Consolidated and Bank only				
Fair value				
	Level 1	Level 2	Level 3	Total
	<i>(in million Baht)</i>			
31 December 2017				
<i>Financial assets</i>				
Derivatives				
- Foreign currency related	1	6,790	-	6,791
- Interest rate related	-	7,056	-	7,056
- Bond forward contracts	-	122	-	122
- Commodities contracts	-	1,306	-	1,306
Debt securities held for trading	-	18,318	-	18,318
Debt securities available-for-sale	-	18,351	-	18,351
<i>Financial liabilities</i>				
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
Consolidated and Bank only				
Fair value				
	Level 1	Level 2	Level 3	Total
	<i>(in million Baht)</i>			
31 December 2016				
<i>Financial assets</i>				
Derivatives				
- Foreign currency related	2	14,038	-	14,040
- Interest rate related	-	8,176	-	8,176
- Bond forward contracts	-	275	-	275
- Commodities contracts	-	787	-	787
Debt securities held for trading	-	6,429	-	6,429
Debt securities available-for-sale	-	26,203	-	26,203

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Consolidated and Bank only			
	Fair value			
	Level 1	Level 2	Level 3	Total
31 December 2016	(in million Baht)			
Financial liabilities				
Derivatives				
- Foreign currency related	2	15,169	-	15,171
- Interest rate related	-	6,597	-	6,597
- Bond forward contracts	-	180	-	180
- Commodities contracts	-	788	-	788

The Bank and its subsidiary determine 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 and its subsidiary recognise 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 2017 and 2016.

The Bank and its subsidiary have 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.

6.2 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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.

Debts issued and borrowings

The fair value of debts issued and borrowings 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.

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.

7 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 2017 and 2016, the Bank's total capital funds can be categorised as follows:

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Bank only	
	2017	2016
	<i>(in million Baht)</i>	
<i>Tier 1 capital</i>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital and share premium	23,893	23,893
Legal reserve	1,096	1,075
Net profit after appropriation	13,202	13,189
Other reserves	(10)	(115)
Less capital deduction items on CET1	(297)	(984)
Total Tier 1 Capital Base	37,884	37,058
<i>Tier 2 capital</i>		
Provision for normal classified assets	52	238
Surplus of provision	397	498
Total Tier 2 Capital Base	449	736
Total Capital Base	38,333	37,794
Total Risk-Weighted Assets	104,419	143,630

	The BoT's regulation minimum requirement*			
	2017	2016	2017	2016
			(%)	
Capital Adequacy Ratio	9.75	9.125	36.71	26.31
Tier-1 Capital ratio	7.25	6.625	36.28	25.80
Tier-1 Common Equity ratio	5.75	5.125	36.28	25.80
Tier-2 Capital ratio	-	-	0.43	0.51
Capital after deducting capital add-on arising from Single Lending Limit <i>(in million Baht)</i>	-	-	38,333	37,794
Capital after deducting capital add-on arising from Single Lending Limit to total risk-weighted assets ratio	-	-	36.71	26.31

*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 2017 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

8 Interbank and money market items, net (assets)

	Consolidated and Bank only					
	At call	2017 Term	Total	At call	2016 Term	Total
	<i>(in million Baht)</i>					
Domestic						
Bank of Thailand	4,691	14,999	19,690	8,154	2,355	10,509
Commercial banks	14,324	1,490	15,814	5,373	15,532	20,905
Other financial institutions	1,300	4,000	5,300	270	294	564
Total	20,315	20,489	40,804	13,797	18,181	31,978
Add accrued interest receivable	5	9	14	1	3	4
Less allowance for doubtful accounts	(13)	-	(13)	(3)	(26)	(29)
Total domestic, net	20,307	20,498	40,805	13,795	18,158	31,953
Foreign						
US Dollar	127	10,728	10,855	2,256	16,677	18,933
Japanese Yen	32	-	32	3,330	-	3,330
Euro	81	16	97	2,032	15	2,047
Chinese Yuan	33	-	33	16	-	16
Other currencies	103	-	103	391	-	391
Total	376	10,744	11,120	8,025	16,692	24,717
Add accrued interest receivable	1	39	40	-	71	71
Less allowance for doubtful accounts	-	(29)	(29)	(1)	(42)	(43)
Total foreign, net	377	10,754	11,131	8,024	16,721	24,745
Total domestic and foreign, net	20,684	31,252	51,936	21,819	34,879	56,698

9 Derivatives

9.1 Derivatives held for trading

As at 31 December 2017 and 2016, the fair value and notional amount of derivatives classified by type of risks are as follows:

Type of risks	Consolidated and Bank only					
	2017			2016		
	Fair value		Notional	Fair value		Notional
	Assets	Liabilities	amount	Assets	Liabilities	amount
			(in million Baht)			
Foreign currency related	6,784	6,352	543,250	14,040	15,171	559,171
Interest rate related	7,056	5,402	603,229	8,176	6,535	746,052
Others						
- Bond forward contracts	122	422	11,973	275	180	3,697
- Commodities	1,306	1,318	14,585	787	788	10,793
	<u>1,428</u>	<u>1,740</u>	<u>26,558</u>	<u>1,062</u>	<u>968</u>	<u>14,490</u>
Total	15,268	13,494	1,173,037	23,278	22,674	1,319,713

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

As at 31 December 2017 and 2016, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	Consolidated and Bank only	
	2017	2016
	(%)	
Counterparties		
Financial institutions	66.3	65.2
Related parties	24.5	27.0
Other parties	9.2	7.8
Total	100.0	100.0

9.2 Derivatives held for hedging

9.2.1 Fair value hedges

Type of risks	Consolidated and Bank only					
	2017			2016		
	Fair value Assets	Liabilities	Notional amount	Fair value Assets	Liabilities	Notional amount
	(in million Baht)					
Interest rate related	-	23	2,450	-	17	750
Total	-	23	2,450	-	17	750

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 2017, the Bank recognised gain on fair value hedges in profit or loss amounted to Baht 0.003 million (2016: gain on fair value hedges Baht 0.4 million).

9.2.2 Cash flow hedges

Type of risks	Consolidated and Bank only					
	2017			2016		
	Fair value Assets	Liabilities	Notional amount	Fair value Assets	Liabilities	Notional amount
	(in million Baht)					
Foreign currency related	7	-	654	-	-	-
Interest rate related	-	-	-	-	45	4,300
Total	7	-	654	-	45	4,300

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 2017, the Bank recognised gains on

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

cash flow hedges in other comprehensive income amounted to Baht 6 million (2016: loss on cash flow hedges Baht 10 million) and gain on cash flow hedges in profit or loss amounted to Baht 39 million (2016: loss on cash flow hedges Baht 23 million).

As at 31 December 2017 and 2016, the time periods in which cash flows of hedged items are expected to impact in profit or loss are as follows:

Consolidated and Bank only				
2017				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Total
	<i>(in million Baht)</i>			
Cash flows				
Cash inflows	1	4	5	10
Cash outflows	-	-	-	-
Net cash flows	1	4	5	10

Consolidated and Bank only				
2016				
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Total
	<i>(in million Baht)</i>			
Cash flows				
Cash inflows	17	52	323	392
Cash outflows	(6)	-	-	(6)
Net cash flows	11	52	323	386

10 Investments, net

10.1 As at 31 December 2017 and 2016, the Bank and its subsidiary classify investment types, as follows:

Consolidated and Bank only		
	2017	2016
	<i>(in million Baht)</i>	
<i>Trading investments - Fair value</i>		
Government bonds	14,955	4,040
Private debt instruments	3,363	2,389
Total	18,318	6,429
<i>Available-for-sale investments - Fair value</i>		
Government bonds	18,351	26,203
Total	18,351	26,203
<i>General investments - Cost</i>		
Domestic non-marketable equity securities	24	23
Foreign non-marketable equity securities	-	1
Total	24	24
<i>Less allowance for impairment</i>	(6)	(10)
Net	18	14
Total investments, net	36,687	32,646

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
<i>Fair value changes in available-for-sale investments</i>		
Debt securities	9	(223)
Less fair value changes in fair value hedged investments	(23)	(17)
Less deferred tax	3	48
Net	(11)	(192)

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

Consolidated and Bank only					
2017					
	No. of companies	Cost	Fair value	Allowance for revaluation	Allowance for impairment
	<i>(in million Baht)</i>				
Non-listed companies in SET	2	13	7	-	6
Total	2	13	7	-	6

Consolidated and Bank only					
2016					
	No. of companies	Cost	Fair value	Allowance for revaluation	Allowance for impairment
	<i>(in million Baht)</i>				
Non-listed companies in SET	5	23	13	-	10
Total	5	23	13	-	10

11 Investment in subsidiary

Bank only							
Companies	Type of business	Type of investment	Percentage of ownership interest	At cost		Dividend income for the year ended	
				2017	2016	2017	2016
				<i>(in million Baht)</i>			
Thai Exclusive Leasing Company Limited (TEL) (*)	Debt collection business	Ordinary shares	99.99	59	59	-	-
Less allowance for impairment				(11)	(11)	-	-
Net				48	48	-	-

(*) The entity registered for dissolution on 23 December 2016 and is currently under liquidation process.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

12 Loans to customers and accrued interest receivable, net

12.1 Classified by type of loans

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Overdrafts	41	186
Loans	43,139	31,944
Bills	6,092	6,008
Total	49,272	38,138
Add accrued interest receivable	167	79
Total loans and accrued interest receivable	49,439	38,217
Less allowance for doubtful accounts		
- Minimum allowance as BoT's regulations		
- Individual approach	(2,718)	(4,288)
- Excess allowance	(1,050)	(1,566)
Total	(3,768)	(5,854)
Total loans to customers and accrued interest receivable, net	45,671	32,363

12.2 Classified by currency and residence of debtors

	Consolidated and Bank only					
	2017		2016			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	27,927	-	27,927	25,556	20	25,576
US Dollar	11,793	7,910	19,703	6,774	5,769	12,543
Other currencies	988	654	1,642	19	-	19
Total	40,708	8,564	49,272	32,349	5,789	38,138

12.3 Classified by industry and loan classification

	Consolidated and Bank only					
	2017					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
	<i>(in million Baht)</i>					
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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

Consolidated and Bank only						
2016						
	Pass	Special mention	Substandard (in million Baht)	Doubtful	Doubtful of loss	Total
Agriculture and mining	1,039	-	-	-	-	1,039
Manufacturing and commerce	23,365	265	35	-	4,559	28,224
Property development and construction	430	-	-	-	-	430
Infrastructure and services	4,628	-	-	-	-	4,628
Others	3,817	-	-	-	-	3,817
Total	33,279	265	35	-	4,559	38,138

12.4 Classified by loan classification

Consolidated and Bank only				
2017				
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts* (in million Baht)	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	46,757	40,345	1	403
Special mention	118	101	2	2
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful of loss	2,564	2,313	100	2,313
Total	49,439	42,759		2,718
Excess allowance				1,050
Total				3,768

Consolidated and Bank only				
2016				
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts* (in million Baht)	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	33,358	29,494	1	295
Special mention	265	245	2	5
Substandard	35	20	100	20
Doubtful	-	-	100	-
Doubtful of loss	4,559	3,968	100	3,968
Total	38,217	33,727		4,288
Excess allowance				1,566
Total				5,854

* 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

12.5 Non-performing loans

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 2017 and 2016, NPL net (including financial institutions) based on the above directive can be summarised as follows:

	Consolidated and Bank only	
	2017	2016
Non-performing loans, net (<i>in million Baht</i>)	150	1,541
Total loans used for NPL net ratio calculation (<i>in million Baht</i>)	89,356	109,984
Ratio of total loans (%)	0.17	1.40

As at 31 December 2017 and 2016, NPL gross (including financial institutions) based on the above directive can be summarised as follows:

	Consolidated and Bank only	
	2017	2016
Non-performing loans, gross (<i>in million Baht</i>)	2,564	6,466
Total loans used for NPL gross ratio calculation (<i>in million Baht</i>)	91,769	114,910
Ratio of total loans (%)	2.79	5.63

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 and loan to retail banking customer as included in assets of disposal group classified as held for sales. As at 31 December 2017, the Bank and its subsidiary had no outstanding balance of loan to retail banking customer as included in assets of disposal group classified as held for sales.

As at 31 December 2017 and 2016, NPL net (including financial institutions) exclude assets of disposal group classified as held for sales based on the above directive can be summarised as follows:

	Consolidated and Bank only	
	2017	2016
Non-performing loans, net (<i>in million Baht</i>)	150	335
Total loans used for NPL net ratio calculation (<i>in million Baht</i>)	89,356	68,918
Ratio of total loans (%)	0.17	0.49

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

As at 31 December 2017 and 2016, NPL gross (including financial institutions) exclude assets of disposal group classified as held for sales based on the above directive can be summarised as follows:

	Consolidated and Bank only	
	2017	2016
Non-performing loans, gross (<i>in million Baht</i>)	2,564	4,594
Total loans used for NPL gross ratio calculation (<i>in million Baht</i>)	91,769	73,178
Ratio of total loans (%)	2.79	6.28

13 Troubled debt restructuring

During the years ended 31 December 2017 and 2016, details of restructured debts as at the date of restructuring, classified by the restructuring method were as follows:

Consolidated and Bank only				
2017				
Restructuring method	Terms of debt restructuring agreements	No. of customers	Amount of debt before restructuring (<i>in million Baht</i>)	Amount of debt after restructuring
Modification of terms and conditions	1 year to 7 years and 2 months	188	174	170
Total		188	174	170

Consolidated and Bank only				
2016				
Restructuring method	Terms of debt restructuring agreements	No. of customers	Amount of debt before restructuring (<i>in million Baht</i>)	Amount of debt after restructuring
Modification of terms and conditions	1 year to 7 years	353	349	347
Total		353	349	347

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 and its subsidiary had outstanding balances of restructured debt as follows:

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Troubled restructured debt	2,132	5,510

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
The loss incurred arising from restructuring, before allowance for doubtful accounts	<u>4</u>	<u>2</u>

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 and its subsidiary had no loss on debt restructuring for the years ended 31 December 2017 and 2016.

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

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Interest income	<u>101</u>	<u>115</u>

Restructured debts are a part of loans to customers as presented in the statement of financial position and loan to retail banking customer as included in assets of disposal group classified as held for sales.

14 Allowance for doubtful accounts

	Consolidated and Bank only						
	2017						
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance	Total
	<i>(in million Baht)</i>						
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	<u>403</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>2,313</u>	<u>1,050</u>	<u>3,768</u>
	Consolidated						
	2016						
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance	Total
	<i>(in million Baht)</i>						
Beginning balance	530	23	425	36	5,387	2,935	9,336
Allowance for doubtful accounts	(99)	(9)	(188)	(23)	1,499	251	1,431
Bad debt written off	-	-	-	-	(2,480)	-	(2,480)
Reclassification to disposal group of assets held for sale	(136)	(9)	(217)	(13)	(436)	(1,554)	(2,365)
Others	-	-	-	-	(2)	(66)	(68)
Ending balance	<u>295</u>	<u>5</u>	<u>20</u>	<u>-</u>	<u>3,968</u>	<u>1,566</u>	<u>5,854</u>

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Bank only 2016						
	Pass	Special mention	Sub standard	Doubtful (in million Baht)	Doubtful of loss	Excess allowance	Total
Beginning balance	550	23	425	36	5,387	2,915	9,336
Allowance for doubtful accounts	(119)	(9)	(188)	(23)	1,499	271	1,431
Bad debt written off	-	-	-	-	(2,480)	-	(2,480)
Reclassification to disposal group of assets held for sale	(136)	(9)	(217)	(13)	(436)	(1,554)	(2,365)
Others	-	-	-	-	(2)	(66)	(68)
Ending balance	295	5	20	-	3,968	1,566	5,854

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Allowance for doubtful accounts	26	(32)	26	(32)
Less impairment of investment in receivables (reversal of)	-	(3)	-	-
Impairment loss of loans and debt securities (reversal of)	26	(35)	26	(32)

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

15 Premises and equipment

As at 31 December 2017 and 2016, changes in premises and equipment are as follows:

	Consolidated and Bank only												
	2017												
	Net book value as of 1 January 2017	Cost					Accumulated depreciation						Net book value as of 31 December 2017
		Beginning balance	Purchases and transfers in	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Beginning balance	Depreciation	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Allowance for impairment	
(in million Baht)													
Land	11	20	-	-	(20)	-	-	-	-	-	-	-	-
Buildings	353	1,683	-	-	(208)	1,475	929	40	-	(187)	782	(394)	299
Equipment	68	436	11	(75)	(43)	329	368	29	(73)	(32)	292	-	37
Total	432	2,139	11	(75)	(271)	1,804	1,297	69	(73)	(219)	1,074	(394)	336

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Consolidated 2016												
	Cost						Accumulated depreciation						
	Net book value as of 1 January 2016	Beginning balance	Purchases and transfers in	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Beginning balance	Depreciation	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Allowance for impairment	Net book value as of 31 December 2016
	<i>(in million Baht)</i>												
Land	11	20	-	-	-	20	-	-	-	-	-	(9)	11
Buildings	416	1,830	2	(149)	-	1,683	1,013	48	(132)	-	929	(401)	353
Equipment	107	1,156	19	(695)	(44)	436	1,049	47	(690)	(38)	368	-	68
Total	534	3,006	21	(844)	(44)	2,139	2,062	95	(822)	(38)	1,297	(410)	432

	Bank only 2016												
	Cost						Accumulated depreciation						
	Net book value as of 1 January 2016	Beginning balance	Purchases and transfers in	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Beginning balance	Depreciation	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Allowance for impairment	Net book value as of 31 December 2016
	<i>(in million Baht)</i>												
Land	11	20	-	-	-	20	-	-	-	-	-	(9)	11
Buildings	416	1,830	2	(149)	-	1,683	1,013	48	(132)	-	929	(401)	353
Equipment	107	1,153	19	(692)	(44)	436	1,046	47	(687)	(38)	368	-	68
Total	534	3,003	21	(841)	(44)	2,139	2,059	95	(819)	(38)	1,297	(410)	432

The gross amount of the Bank and its subsidiary' fully depreciated premises and equipment that was still in use as at 31 December 2017 amounted Baht 350 million (2016: Baht 461 million).

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

16 Deferred tax

Deferred tax assets and liabilities were as follows:

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Deferred tax assets	297	926

Movements in total deferred tax assets and liabilities during the years ended 31 December 2017 and 2016 were as follows:

	Consolidated and Bank only			
	(Charged) / Credited to:			
	At 1 January 2017	Profit or loss	Other comprehensive income	At 31 December 2017
		<i>(note 41)</i>		
		<i>(in million Baht)</i>		
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	-	64
Total	926	(579)	(50)	297

	Consolidated			
	(Charged) / Credited to:			
	At 1 January 2016	Profit or loss	Other comprehensive income	At 31 December 2016
		<i>(note 41)</i>		
		<i>(in million Baht)</i>		
Deferred tax assets				
Investments	261	36	59	73
Loans and accrued interest receivable	144	25	-	169
Premises and equipment	71	(4)	-	67
Intangible assets	1	(1)	-	-
Other assets	71	-	-	71
Provisions	110	(2)	(16)	91
Other liabilities	186	270	-	453
Cash flow hedges	-	-	2	2
Taxable loss carry forward	4	(4)	-	-
Total	848	320	45	926

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	At 1 January 2016	Bank only (Charged) / Credited to:		At 31 December 2016
		Profit or loss	Other comprehensive income	
		(note 41) (in million Baht)		
Deferred tax assets				
Investments	(12)	26	59	73
Loans and accrued interest receivable	144	26	-	170
Premises and equipment	71	(4)	-	67
Intangible assets	1	(1)	-	-
Other assets	72	(1)	-	71
Provisions	106	(1)	(17)	88
Other liabilities	181	274	-	455
Cash flow hedges	-	-	2	2
Total	563	319	44	926

17 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.

18 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.

The details of assets and liabilities of the discontinued operation classified as held for sale are disclosed in note 19.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

An analysis of the results of the discontinued operation for the years ended 31 December 2017 and 2016 was as follows:

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Interest income	2,461	3,903	2,461	3,903
Interest expense	265	531	265	531
Net interest income	2,196	3,372	2,196	3,372
Fees and service income	395	672	395	672
Fees and service expenses	188	318	188	359
Net fees and service income	207	354	207	313
Losses on trading and foreign exchange transactions	(12)	(14)	(12)	(14)
Other operating income	359	4	359	5
Total operating income	2,750	3,716	2,750	3,676
Employee expense	170	2,847	170	2,847
Premises and equipment expenses	181	261	181	261
Taxes and duties	93	146	93	146
Other operating expense	464	511	464	511
Total other operating expenses	908	3,765	908	3,765
Impairment loss of loans and debt securities	303	879	303	879
Operating profit (loss) before income tax from discontinued operations	1,539	(928)	1,539	(968)
Income tax	322	(175)	322	(175)
Net profit (loss) from discontinued operations	1,217	(753)	1,217	(793)

Cash flows provided by the discontinued operation during the years ended 31 December 2017 and 2016 were as follows:

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Net cash provided by operating activities	6,779	424	6,779	424
Net cash provided by investing activities	6	-	6	-
	6,785	424	6,785	424

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

19 Assets and liabilities of disposal group classified as held for sale

The details of assets and liabilities of discontinued operation classified as held for sale as of 31 December 2017 and 2016 were as follows:

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
<i>Assets of disposal group classified as held for sale - Retail Banking</i>		
Cash	-	46
Loans to customers and accrued interest receivables - net	-	39,579
Premises and equipment, net	-	6
Other assets, net	-	22
	<u>-</u>	<u>39,653</u>
<i>Assets of disposal group classified as held for sale - other</i>	26	-
Total	<u>26</u>	<u>39,653</u>
<i>Liabilities of disposal group classified as held for sale- Retail Banking</i>		
Deposits	-	33,623
Liability payable on demand	-	15
Other liabilities	-	892
Total	<u>-</u>	<u>34,530</u>

Cumulative income or expense recognised in other comprehensive income

There is no cumulative income or expense recognised in other comprehensive income relating to the disposal group classified as held for sale.

20 Other assets

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Accrued interest and income receivable	168	182	168	182
Prepayments	7	50	7	50
Leasehold premises, net	-	14	-	14
Advance income tax	143	61	141	55
Other receivable	81	152	81	152
Others	20	37	20	36
Total	<u>419</u>	<u>496</u>	<u>417</u>	<u>489</u>

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

21 Deposits

21.1 Classified by type of deposits

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Current	6,246	3,594	6,246	3,595
Savings	39,952	41,049	39,999	41,091
Term				
- Less than 6 months	9,871	4,677	9,871	4,677
- 6 months to less than 1 year	143	1,807	143	1,807
- 1 year and over	-	1,010	-	1,010
Total	56,212	52,137	56,259	52,180

21.2 Classified by currency and residence of depositors

Consolidated						
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	42,347	4,912	47,259	39,701	1,380	41,081
US Dollar	7,577	1,276	8,853	9,488	807	10,295
Other currencies	77	23	100	597	164	761
Total	50,001	6,211	56,212	49,786	2,351	52,137

Bank only						
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	42,394	4,912	47,306	39,744	1,380	41,124
US Dollar	7,577	1,276	8,853	9,488	807	10,295
Other currencies	77	23	100	597	164	761
Total	50,048	6,211	56,259	49,829	2,351	52,180

22 Interbank and money market items (liabilities)

Consolidated and Bank only						
	2017		2016			
	At call	Term	Total	At call	Term	Total
	<i>(in million Baht)</i>					
Domestic						
Commercial banks	1,200	3,595	4,795	310	1,592	1,902
Special financial institutions	221	1,000	1,221	2,000	4,000	6,000
Other financial institutions	8,223	4,493	12,716	7,073	4,526	11,599
Total domestic	9,644	9,088	18,732	9,383	10,118	19,501

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Consolidated and Bank only					
	At call	2017 Term	Total (in million Baht)	At call	2016 Term	Total
Foreign						
US Dollar	4,904	817	5,721	406	-	406
Thai Baht	7,733	-	7,733	8,138	-	8,138
Japanese Yen	11	-	11	3	-	3
Total foreign	12,648	817	13,465	8,547	-	8,547
Total domestic and foreign	22,292	9,905	32,197	17,930	10,118	28,048

As at 31 December 2017, structured notes that are not designated at fair value in the consolidated and Bank only financial statements amounted to Baht 4,493 million (2016: Baht 4,525 million).

23 Debt issued and borrowings

As at 31 December 2017 and 2016, debt issued and borrowings balances are denominated in Thai Baht with terms as follows:

	Consolidated and Bank only					
	Maturity	2017 Interest rate (%)	Amount (in million Baht)	Maturity	2016 Interest rate (%)	Amount (in million Baht)
Debentures	-	-	-	2017	0.90	1,826
Structured notes	-	-	-	2017	0.93-1.20	197
Total			-			2,023

As at 31 December 2017, there was no structured note that are not designated at fair value in the consolidated and Bank only financial statements (2016: Baht 197 million).

24 Provisions

	Employee benefits	Consolidated Contingent liabilities (in million Baht)	Total
At 1 January 2016	444	97	541
Provisions made	57	4	61
Provisions used	(10)	(18)	(28)
Provision reversed	(83)	(41)	(124)
Transfer to liabilities of disposal group classified as held for sale	(6)	-	(6)
At 31 December 2016 and 1 January 2017	402	42	444
Provisions made	50	3	53
Provisions used	(190)	-	(190)
Provision reversed	(21)	(8)	(29)
At 31 December 2017	241	37	278

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Bank only		
	Employee benefits obligation	Contingent liabilities (in million Baht)	Total
At 1 January 2016	431	97	528
Provisions made	64	4	68
Provisions used	(10)	(18)	(28)
Provision reversed	(83)	(41)	(124)
At 31 December 2016 and 1 January 2017	402	42	444
Provisions made	50	3	53
Provisions used	(190)	-	(190)
Provision reversed	(21)	(8)	(29)
At 31 December 2017	241	37	278

25 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.

26 Other liabilities

	Consolidated and Bank only	
	2017	2016
	(in million Baht)	
Withholding tax payables	168	160
VAT payable	11	11
Other payables	169	420
Accrued interest payable	92	92
Others	714	607
Total	1,154	1,290

27 Share capital

	Consolidated and Bank only				
	Par value per share (in Baht)	2017 Number	2017 Amount	2016 Number	2016 Amount
		(in million shares / million Baht)			
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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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.

28 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

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 and its subsidiary 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.

Cash flow hedges

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

29 Assets pledged as collateral

Assets pledged as collateral as of 31 December 2017 and 2016 consisted of:

		Consolidated and Bank only	
	<i>Note</i>	2017	2016
		<i>(in million Baht)</i>	
Government bonds			
- Pledged as collateral against repurchase transactions		-	313
- Pledged as collateral for derivatives	31	-	1,971
Total		-	2,284

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

30 Contingent liabilities

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Guarantees of loans	273	217
Letters of credit	597	1,057
Other contingencies		
- Unused credit line of overdrafts	-	785
- Other letters of guarantee	21,972	22,933
- Committed line	9,411	34,052
- Others ^(*)	1,663	-
	<u>33,046</u>	<u>57,770</u>
Total	<u>33,916</u>	<u>59,044</u>

^(*) As at 31 December 2017, 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 1,211 million (2016: nil) and collateral per Credit Support Annex for derivative transaction amounting to Baht 452 million (2016: nil).

Litigation

As at 31 December 2017, the Bank has received claims in respect of letters of guarantee and other items from the Bank's customers totaling Baht 63 million (excluding interest) (2016: Baht 46 million) and the lawsuit is under court process. As at 31 December 2017, the Bank has recorded provision for possible loss from these claims of Baht 4 million (2016: Baht 0.2 million).

31 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 personnel	Thailand / Foreign	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiary
Standard Chartered PLC	United Kingdom	Ultimate parent company of the Bank and its subsidiary
Standard Chartered Bank Thai Exclusive Leasing Company Limited ^(*)	United Kingdom Thailand	Immediate parent company of the Bank Subsidiary, 99.9% shareholding

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

Name of entity/Personnel	Country of incorporation/nationality	Nature of relationship
Standard Chartered (Thailand) Company Limited (*)	Thailand	Affiliated company of Standard Chartered Group
Resolution Alliance Limited	Thailand	Affiliated company of Standard Chartered Group
Scope International Private Limited	India	Affiliated company of Standard Chartered Group
Scope International (Malaysia) Sendirian Berhad	Malaysia	Affiliated company of Standard Chartered Group
Scope International (China) Company Limited	China	Affiliated company of Standard Chartered Group

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

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 2017 and 2016 with key management and other related parties were as follows:

	Consolidated		Bank only	
	2017	2016	2017	2016
		<i>(in million Baht)</i>		
Interest income	211	169	211	236
Gains (Losses) on trading and foreign exchange transactions, net	(1,043)	447	(1,043)	447
Service agreements	601	603	601	603
Other operating expenses	138	129	138	151

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 2017 and 2016 were as follows:

	Consolidated and Bank only			
	2017		2016	
	Ending balance	Average	Ending balance	Average
		<i>(in million Baht)</i>		
<i>Loans to customers and accrued interest receivable</i>				
To key management, including their related parties	<u>1,851</u>	<u>1,870</u>	<u>1,893</u>	<u>1,890</u>

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Consolidated and Bank only			
	2017		2016	
	Ending balance	Average (in million Baht)	Ending balance	Average
<i>Deposits</i>				
To key management, including their related parties	-	-	107	136
	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<i>Interbank and money market items (assets)</i>				
Standard Chartered Group	8,648	20,381	8,648	20,381
<i>Derivative assets (fair value)</i>				
Standard Chartered Group	4,498	5,214	4,498	5,214
<i>Governments bonds - Pledged as collateral for derivatives</i>				
Standard Chartered Group	-	1,971	-	1,971
<i>Collateral from Credit Support Annex agreements and margin receivables from private repo transactions</i>				
Standard Chartered Group	728	-	728	-
<i>Other assets</i>				
Standard Chartered Group	5	53	5	53
<i>Deposits</i>				
Others	355	364	402	408
<i>Interbank and money market items (liabilities)</i>				
Standard Chartered Group	5,799	988	5,799	988
<i>Derivative liabilities (fair value)</i>				
Standard Chartered Group	3,642	6,795	3,642	6,795
<i>Collateral from Credit Support Annex agreements and margin payables from private repo transactions</i>				
Standard Chartered Group	1,684	-	1,684	-
<i>Accrued expenses</i>				
Standard Chartered Group	1,266	1,572	1,266	1,572
Others	14	10	14	10
Total	1,280	1,582	1,280	1,582
<i>Other liabilities</i>				
Standard Chartered Group	7	161	7	161

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<i>Other letters of guarantee</i>				
Standard Chartered Group	11,900	13,086	11,900	13,086
<i>Derivatives (notional amount) - Foreign currency related</i>				
Standard Chartered Group	69,248	116,922	69,248	116,922
<i>Derivatives (notional amount) - Interest rate related</i>				
Standard Chartered Group	204,860	235,923	204,860	235,923
<i>Derivatives (notional amount) - Commodities</i>				
Standard Chartered Group	13,061	5,209	13,061	5,209
	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
<i>Key management personnel</i>				
Short-term employee benefits	323	414	323	398
Post-employment benefits	11	14	11	13
Share-based payments	17	26	17	25
Termination benefits	-	6	-	6
Total key management personnel compensation	351	460	351	442

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) Shared support function

The Bank entered into a services agreement with Standard Chartered (Thailand) Company Limited and Thai Exclusive Leasing Company Limited related to the provision of support functions. The Bank will provide support service functions in the areas of Human Resources, Finance and Accounting, Information Technology, Legal, Compliance, Secretariat, Consumer Banking Operations and other upon request services for Internal Audit and Corporate Affairs. The fees are charged monthly and are based on the actual costs incurred plus a margin, in accordance with the terms in the agreement. In 2017, no charge is made due to dissolution of both entities.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

(c) *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.

32 Non-cancellable operating lease agreements

The Bank and its subsidiary have entered into operating lease and service agreements of branches office, office equipments and vehicles for the periods ranging from 1 year to 4 years. (2016: from 1 year to 30 years) The period to maturity of long-term lease payments is as follows:

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Within one year	6	65
After one year but within five years	6	99
After five years	-	8
Total	12	172

33 Segment information

Client segments

The business in Thailand, consists of three client segments, namely Corporate and Institutional Banking (CIB), Commercial Banking (CB), and Retail Banking (RB) 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
- “Retail Banking” (RB) comprises Priority Clients, managing and servicing high value segment customers and delivering a distinct and differentiated customer experience to them; Personal & Preferred clients, providing banking products and services to a broader consumer market; and Small Business Clients, serving small business clients, sole proprietors and private companies, offering solutions such as working capital, business expansion, businesses protection and yield enhancement.

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 and its subsidiary operate only in Thailand. Accordingly, no geographical segment information is disclosed.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

By client segment

	Corporate and Institutional Banking		Commercial Banking		Retail Banking(*)		Central and other items		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	<i>(in million Baht)</i>											
Net interest income	874	1,175	270	251	1,931	3,103	773	624	-	-	3,848	5,153
Other income	1,849	1,733	154	171	617	338	589	994	-	(25)	3,209	3,211
Operating income	2,723	2,908	424	422	2,548	3,441	1,362	1,618	-	(25)	7,057	8,364
Operating expenses	(1,759)	(1,568)	(590)	(630)	(1,242)	(2,415)	(166)	(2,285)	-	25	(3,757)	(6,873)
Operating profit (loss) before impairment loss of loans and debt securities and taxation	964	1,340	(166)	(208)	1,306	1,026	1,196	(667)	-	-	3,300	1,491
Impairment loss of loans and debt securities (reversal of)	64	28	(90)	7	(303)	(879)	-	-	-	-	(329)	(844)
Profit (loss) from operations before income tax	1,028	1,368	(256)	(201)	1,003	147	1,196	(667)	-	-	2,971	647
Segment assets as at 31 December	71,050	59,063	13,736	11,689	26	39,986	70,462	79,921	-	-	155,274	190,659

(*) Classification as discontinued operation (Note 18). The segment numbers have been arrived after taking into account the internal transfer pricing applied by treasury market.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

34 Interest income

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Interbank and money market items	1,051	1,016	1,051	1,016
Investments and trading transactions	259	141	259	141
Investments in debt securities	410	288	410	288
Investments in receivables	-	268	-	-
Loans to customers	1,211	1,303	1,211	1,080
Total	2,931	3,016	2,931	2,525

35 Interest expenses

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Deposits	459	428	459	428
Interbank and money market items	324	273	324	273
Contribution to Deposits Protection Agency and Financial Institutions Development Fund	468	511	468	511
Debt issued and borrowings	28	23	28	23
Total	1,279	1,235	1,279	1,235

36 Net fees and service income

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptance, avals and guarantees	110	127	110	127
- Transaction fees	450	202	450	202
- Others	428	523	428	523
	988	852	988	852
Fees and service expenses				
- Commission fees	8	8	8	8
- Collection service	-	33	-	-
- Others	143	142	143	142
	151	183	151	150
Net	837	669	837	702

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

37 Gains on trading and foreign exchange transactions, net

	Consolidated and Bank only	
	2017	2016
	<i>(in million Baht)</i>	
Gains (losses) on trading and foreign exchange transactions		
- Foreign currencies and foreign currency related derivatives	550	1,429
- Interest rate related derivatives	593	(29)
- Debt securities	606	(85)
- Others	(477)	151
Total	1,272	1,466
Gains (losses) on hedging transactions	39	(22)
Total	1,311	1,444

38 Gains on investments, net

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Gains on sales				
- Available-for-sale investments	17	258	17	258
- Investments in a subsidiary	-	-	-	221
Impairment on investments in subsidiary	-	-	-	(9)
Reversal of impairment on general investment	4	-	4	-
Total	21	258	21	470

39 Employee expenses

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Management				
Wages and salaries	188	216	188	210
Post - employment benefits - defined benefit plans	9	11	9	11
Share-based payment transactions	16	28	16	27
Others	106	146	106	136
	319	401	319	384
Other employees				
Wages and salaries	830	878	830	863
Post - employment benefits - defined benefit plans	25	27	25	26
Share-based payment transactions	3	(2)	3	(2)
Others	378	395	378	383
	1,236	1,298	1,236	1,270
Total	1,555	1,699	1,555	1,654

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

The Bank and its subsidiary have 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 and its subsidiary at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by licensed Fund Managers.

40 Impairment loss of loans and debt securities (reversal of)

	Consolidated		Bank only	
	2017	2016	2017	2016
	<i>(in million Baht)</i>			
Interbank and money market items	(30)	67	(30)	67
Investment in receivables	-	(3)	-	-
Loans to customers	56	(99)	56	(99)
Total	26	(35)	26	(32)

41 Income tax

Income tax recognised in profit or loss

	<i>Note</i>	Consolidated		Bank only	
		2017	2016	2017	2016
		<i>(in million Baht)</i>			
Current tax expense					
Current year		-	465	-	373
Under provided in prior years		63	118	63	122
		63	583	63	495
Deferred tax expense					
Movements in temporary differences		607	(312)	607	(310)
Over provided in prior years		(28)	(8)	(28)	(9)
	16	579	(320)	579	(319)
Total		642	263	642	176
Distribution to					
- Income tax from continuing operation		320	438	320	351
- Income tax from discontinued operation		322	(175)	322	(175)

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

Income tax recognised in other comprehensive income

Consolidated						
	Before Tax	2017 Tax (expense) benefit (Note 16)	Net of tax	Before tax	2016 Tax (expense) benefit (Note 16)	Net of Tax
			<i>(in million Baht)</i>			
Cash flow hedges	6	(1)	5	(10)	2	(8)
Available-for-sale investments	225	(45)	180	(295)	59	(236)
Defined benefit plans	21	(4)	17	83	(16)	67
Total	252	(50)	202	(222)	45	(177)

Bank only						
	Before Tax	2017 Tax (expense) benefit (Note 16)	Net of tax	Before tax	2016 Tax (expense) benefit (Note 16)	Net of Tax
			<i>(in million Baht)</i>			
Cash flow hedges	6	(1)	5	(10)	2	(8)
Available-for-sale investments	225	(45)	180	(295)	59	(236)
Defined benefit plans	21	(4)	17	83	(17)	66
Total	252	(50)	202	(222)	44	(178)

Reconciliation of effective tax rate

Consolidated				
	2017 Rate (%)	2017 (in million Baht)	2016 Rate (%)	2016 (in million Baht)
Profit before income tax		2,971		647
Income tax using the Thai corporation tax rate	20	594	20	129
Effect of income tax from loss on sold subsidiary		-		73
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		13		(49)
Under provided in prior years		35		110
Total	22	642	41	263

Bank only				
	2017 Rate (%)	2017 (in million Baht)	2016 Rate (%)	2016 (in million Baht)
Profit before income tax		2,971		595
Income tax using the Thai corporation tax rate	20	594	20	120
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		13		(57)
Under provided in prior years		35		113
Total	22	642	30	176

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2017

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.

42 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2017 and 2016 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:

	Consolidated		Bank only	
	2017	2016	2017	2016
Profit for the years attributable to equity holders of the Bank (basic) <i>(million Baht)</i>	2,328	384	2,328	420
Number of ordinary shares outstanding <i>(million shares)</i>	1,484	1,484	1,484	1,484
Basic earnings per share (in Baht)	1.57	0.26	1.57	0.28
Distribution to				
- Basic earnings from continued operation per share	0.75	0.77	0.75	0.82
- Basic earnings (loss) from discontinued operation per share	0.82	(0.51)	0.82	(0.54)

43 Dividends

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.

At the annual general meeting of the shareholders of the Bank held on 22 April 2016, the shareholders approved the appropriation of a dividend of Baht 0.12 per share, amounting to Baht 178 million. The dividends were paid to shareholders in May 2016.