

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

Financial statements for the year ended
31 December 2012
and
Independent Auditor's Report



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Independent Auditor's Report

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

I have audited the accompanying consolidated and Bank only financial statements of Standard Chartered Bank (Thai) Public Company Limited and its subsidiaries, and of Standard Chartered Bank (Thai) Public Company Limited respectively, which comprise the consolidated and Bank only statements of financial position as at 31 December 2012, the consolidated and Bank only statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated and Bank only Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated and Bank only financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and Bank only financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.





Opinion

In my opinion, the consolidated and Bank only financial statements referred to above present fairly, in all material respects, the financial positions as at 31 December 2012 and the financial performance and cash flows for the year then ended of Standard Chartered Bank (Thai) Public Company Limited and its subsidiaries, and of Standard Chartered Bank (Thai) Public Company Limited, respectively, in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to notes 4 and 6 to the financial statements respectively:

- (a) With effect from 1 January 2012 the Bank and its subsidiary has adopted Thai Accounting Standard No.12 "Income Tax".
- (b) On 24 August 2012 the Bank acquired Standard Chartered (Thai) Asset Management Company Limited. The acquisition has been accounted for as a business combination under common control in accordance with the Federation of Accounting Professions ("FAP") Guideline on Business Combinations Involving Entities Under Common Control.

The corresponding figures presented are based on the audited financial statements as at and for the year ended 31 December 2011 after making the adjustments described in notes 4 and 6.

(Wilai Buranakittisophon)
Certified Public Accountant
Registration No. 3920

KPMG Phoomchai Audit Ltd.
Bangkok
20 February 2013

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
Statements of financial position

		Consolidated			Bank only		
	Note	31 December		1 January	31 December		1 January
		2012	2011	2011	2012	2011	2011
			(Restated)	(Restated)		(Restated)	(Restated)
		(in thousand Baht)					
Assets							
Cash		509,835	387,859	487,890	509,832	387,841	487,870
Interbank and money market items, net	10	58,851,057	71,504,020	63,339,918	58,798,371	71,480,375	63,244,221
Claims on security		6,000,000	9,000,000	-	6,000,000	9,000,000	-
Derivative assets	11	28,091,102	35,263,204	40,358,191	28,091,102	35,263,204	40,358,191
Investments, net	12	58,480,879	66,496,664	58,394,126	54,223,340	60,018,670	53,932,124
Investments in subsidiaries	13	-	-	-	698,281	58,746	58,746
Loans to customers and accrued interest receivable, net	14,16						
Loans to customers		105,721,402	93,333,129	91,464,386	109,564,644	98,762,880	96,325,646
Accrued interest receivable		504,033	573,156	405,045	558,437	633,332	425,709
Total loans to customers and accrued interest receivable		106,225,435	93,906,285	91,869,431	110,123,081	99,396,212	96,751,355
Less deferred revenue		-	(2)	(2,078)	-	(2)	(2,078)
Less allowance for doubtful accounts	17	(6,165,907)	(4,770,609)	(3,261,961)	(6,165,907)	(4,770,609)	(3,261,961)
Total loans to customers and accrued interest receivable, net		100,059,528	89,135,674	88,605,392	103,957,174	94,625,601	93,487,316
Properties for sale, net	18	40,024	75,295	79,951	40,024	75,295	79,951
Premises and equipment, net	19	828,518	874,244	1,002,183	828,271	873,770	1,001,088
Intangible assets, net		1,465	6,769	17,018	1,465	6,769	17,018
Deferred tax assets	4,20	543,639	725,808	1,266,904	383,969	611,045	1,244,478
Accounts receivable from sales of investments and debt securities in issue	21	2,408,174	10,780,357	22,875,950	2,408,174	10,780,357	22,875,950
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions		2,825,791	392,038	4,830,393	2,825,791	392,038	4,830,393
Other assets, net	22	1,269,336	1,192,000	1,176,380	1,241,466	1,099,639	698,185
Total assets		259,909,348	285,833,932	282,434,296	260,007,260	284,673,350	282,315,531
Liabilities and equity							
Deposits	23	114,227,936	97,891,946	96,152,663	114,575,922	98,215,408	96,239,419
Interbank and money market items	24	54,909,641	48,265,929	51,401,465	54,909,641	47,125,046	51,401,864
Liabilities payable on demand		2,543,471	1,354,688	1,722,978	2,543,471	1,354,688	1,722,978
Liabilities to deliver security		6,000,000	9,000,000	-	6,000,000	9,000,000	-
Derivative liabilities	11	28,521,657	36,966,558	44,838,170	28,521,657	36,979,026	44,838,170
Debt issued and borrowings	25	6,778,122	36,350,632	21,569,915	6,778,122	36,425,495	21,644,724
Provisions	27,28,29	573,999	565,136	597,273	563,133	555,250	585,412
Accounts payable from purchase of investments	26	1,604,222	12,792,475	24,162,939	1,604,222	12,792,475	24,162,939
Collateral from Credit Support Annex agreements and margin payables from private repo transactions		2,307,903	3,036,665	4,676,467	2,307,903	3,036,665	4,676,467
Accrued expenses		2,421,652	1,858,038	1,658,671	2,284,704	1,710,980	1,607,748
Other liabilities	30	2,024,411	1,251,715	1,476,295	1,615,986	1,143,629	1,446,823
Total liabilities		221,913,014	249,333,782	248,256,836	221,704,761	248,338,662	248,326,544
Equity							
Share capital	31						
Authorised share capital		14,842,627	14,842,627	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	14,837,045	14,837,045
Premium on share capital	34	9,055,819	9,055,819	9,055,819	9,055,819	9,055,819	9,055,819
Reserve arising from business combination under common control	6	(496,906)	25,000	25,000	-	-	-
Other reserves	34	174,315	33,456	(73,474)	174,315	33,456	(73,474)
Retained earnings							
Appropriated							
Legal reserve	34	842,954	688,700	508,727	836,954	682,700	502,727
Unappropriated		13,583,104	11,751,668	9,699,024	13,398,366	11,725,668	9,666,870
Total shareholders' equity		37,996,331	36,391,688	34,052,141	38,302,499	36,334,688	33,988,987
Non-controlling interest		3	108,462	125,319	-	-	-
Total equity		37,996,334	36,500,150	34,177,460	38,302,499	36,334,688	33,988,987
Total liabilities and equity		259,909,348	285,833,932	282,434,296	260,007,260	284,673,350	282,315,531

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
Statements of comprehensive income

		Consolidated		Bank only	
		For the year ended 31 December		For the year ended 31 December	
	Note	2012	2011	2012	2011
			(Restated)		(Restated)
		(in thousand Baht)			
Interest income	36,40	13,711,077	12,611,518	13,271,619	12,388,912
Interest expenses	36,41	5,066,089	4,455,770	5,014,497	4,453,371
Net interest income		8,644,988	8,155,748	8,257,122	7,935,541
Fees and service income	36	1,911,640	1,509,172	1,909,459	1,508,900
Fees and service expenses	36	927,753	730,419	1,063,187	844,808
Net fees and service income	42	983,887	778,753	846,272	664,092
Gains on trading and foreign exchange transactions	36,43	2,072,669	2,136,203	2,087,262	2,141,407
Gains on investments	44	177,072	175,456	129,060	47,928
Other operating income	36	97,171	66,172	151,824	145,273
Total operating income		11,975,787	11,312,332	11,471,540	10,934,241
Other operating expenses	36				
Employee expenses	45	2,852,462	2,631,836	2,769,753	2,526,828
Directors' remuneration		9,550	9,340	9,550	9,340
Premises and equipment expenses		578,610	536,169	565,508	521,878
Taxes and duties		393,976	355,319	370,204	335,124
Service agreements		483,853	462,016	483,853	462,016
Others		1,416,677	1,444,297	1,276,828	1,306,152
Total other operating expenses		5,735,128	5,438,977	5,475,696	5,161,338
Impairment loss of loans and debt securities	46	1,927,080	1,811,582	1,914,564	1,771,609
Profit from operations before income tax expense		4,313,579	4,061,773	4,081,280	4,001,294
Income tax expenses	4,47	1,059,567	1,080,809	996,216	997,543
Profit for the year		3,254,012	2,980,964	3,085,064	3,003,751
Other comprehensive income					
Gains on remeasuring available-for-sale investments		119,515	116,551	119,515	116,551
Actuarial losses on defined benefit plans		(16,052)	(10,642)	(14,696)	(10,418)
Gains on cash flow hedges		56,561	30,231	56,561	30,231
Income tax relating to other comprehensive income	4,47	(32,006)	(37,725)	(32,321)	(37,725)
Total other comprehensive income, net		128,018	98,415	129,059	98,639
Total comprehensive income for the year		3,382,030	3,079,379	3,214,123	3,102,390
Profit attributable to:					
Shareholders of the Bank		3,244,843	2,997,821	3,085,064	3,003,751
Non-controlling interest	6	9,169	(16,857)	-	-
Profit for the year		3,254,012	2,980,964	3,085,064	3,003,751
Total comprehensive income attributable to:					
Shareholders of the Bank		3,372,861	3,096,236	3,214,123	3,102,390
Non-controlling interest	6	9,169	(16,857)	-	-
Total comprehensive income for the year		3,382,030	3,079,379	3,214,123	3,102,390
Earnings per share					
Basic earnings per share (in Baht)	32	2.19	2.02	2.08	2.02

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

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

	Consolidated						
	(in thousand Bahr)						
				Other reserves		Retained earnings	
Note	Issued and paid-up share capital	Premium on share capital	Reserve arising from business combination under common control	Fair value change in available-for-sale investments	Cash flow hedges	Total other reserves	Total shareholders' equity
						Legal reserve	Unappropriated
Year ended 31 December 2011							
	14,837,045	9,055,819	-	(79,361)	(25,602)	(104,963)	8,484,409
Balance as at 1 January 2011 - as reported							32,781,037
Effect from business combination							-
under common control			25,000	-	-	-	25,000
Impact of change in accounting policy			-	23,808	7,681	31,489	1,246,104
Balance as at 1 January 2011 - restated	14,837,045	9,055,819	25,000	(65,553)	(17,921)	(73,474)	34,052,141
Transfer to legal reserve	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(756,689)
Comprehensive income for the year	-	-	-	-	-	-	2,997,821
Profit for the year	-	-	-	-	-	-	(16,857)
Other comprehensive income	-	-	-	-	-	-	-
Available-for-sale investments	-	-	-	-	-	-	-
Net change in fair value recognised in equity, net of tax	-	-	-	85,305	-	85,305	85,305
Cash flow hedges	-	-	-	-	-	-	-
Net change of effective portion of fair value of cash flow hedges, net of tax	-	-	-	-	21,625	21,625	21,625
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	(8,515)
Total other comprehensive income	-	-	-	85,305	21,625	106,930	98,415
Total comprehensive income for the year	-	-	-	85,305	21,625	106,930	3,079,379
Balance as at 31 December 2011 - restated	14,837,045	9,055,819	25,000	29,752	3,704	33,456	36,391,688
Year ended 31 December 2012							
	14,837,045	9,055,819	-	37,190	4,629	41,819	35,754,499
Balance as at 1 January 2012 - as reported							-
Effect from business combination							-
under common control			25,000	-	-	-	25,000
Impact of change in accounting policy			-	(7,438)	(925)	(8,363)	612,189
Balance as at 1 January 2012 - restated	14,837,045	9,055,819	25,000	29,752	3,704	33,456	36,391,688
Transfer to legal reserve	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(1,246,312)
Reserve arising from business combination under common control	-	-	(521,906)	-	-	-	(521,906)
Non-controlling interest decreased from business combination	-	-	-	-	-	-	-
under common control	-	-	-	-	-	-	(117,628)
Comprehensive income for the year	-	-	-	-	-	-	9,169
Profit for the year	-	-	-	-	-	-	3,244,843
Other comprehensive income	-	-	-	-	-	-	-
Available-for-sale investments	-	-	-	-	-	-	-
Net change in fair value recognised in equity, net of tax	-	-	-	95,612	-	95,612	95,612
Cash flow hedges	-	-	-	-	-	-	-
Net change of effective portion of fair value of cash flow hedges, net of tax	-	-	-	-	45,247	45,247	45,247
Actuarial losses on defined benefit plans, net of tax	-	-	-	-	-	-	(12,841)
Total other comprehensive income	-	-	-	95,612	45,247	140,859	128,018
Total comprehensive income for the year	-	-	-	95,612	45,247	140,859	3,372,861
Balance as at 31 December 2012	14,837,045	9,055,819	(496,906)	125,364	48,951	174,315	37,996,334

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

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

Bank only									
(in thousand Baht)									

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

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

	Consolidated		Bank only	
	For the year ended 31 December		For the year ended 31 December	
	2012	2011	2012	2011
		(Restated)		(Restated)
	(in thousand Baht)			
Cash flows from operating activities				
Profit from operations before income tax expense	4,313,579	4,061,773	4,081,280	4,001,294
Adjustments to reconcile net profit to net cash provided by (used in) operating activities				
Depreciation and amortisation	144,926	135,123	144,661	134,314
Impairment loss of loans and debt securities	2,673,602	2,464,311	2,660,788	2,423,942
(Reversal of) Impairment loss of investments	(199)	78	(199)	78
Amortisation of discount (premium) of debt instruments	121,297	(495,907)	121,297	(495,907)
Amortisation of discount of debt issued and borrowings	420,723	756,161	422,692	758,382
Gains on disposal of investments	(129,060)	(102,144)	(129,060)	(48,006)
Losses on disposal of premises and equipment	11,336	9,996	11,186	9,996
(Reversal of) impairment loss of properties for sale	(16,199)	11,656	(16,199)	11,656
Provisions made	17,983	207,857	14,223	206,486
Net interest income	(8,644,988)	(8,155,748)	(8,257,122)	(7,935,541)
Interest received	13,763,900	12,436,177	13,330,214	12,174,059
Interest paid	(5,076,194)	(4,319,258)	(5,019,404)	(4,321,671)
Income tax paid	(852,755)	(1,482,827)	(735,742)	(1,376,884)
Profit from operations before changes in operating assets and liabilities	6,747,951	5,527,248	6,628,615	5,542,198
(Increase) decrease in operating assets				
Interbank and money market items	12,652,963	(8,164,102)	12,682,004	(8,236,155)
Derivative assets and liabilities, net	(1,203,477)	(2,693,350)	(1,215,629)	(2,680,883)
Trading investments	2,018,006	2,946,813	2,018,006	2,946,813
Investments in receivables	2,207,844	(2,056,728)	-	-
Loans to customers	(13,620,185)	(2,757,786)	(12,033,474)	(3,326,031)
Properties for sale	51,470	19,431	51,470	19,431
Other assets	(2,563,052)	4,864,805	(2,627,549)	4,424,219
Increase (decrease) in operating liabilities				
Deposits	16,335,990	1,739,283	16,360,514	1,975,989
Interbank and money market items	6,643,712	(3,135,537)	7,784,595	(4,276,819)
Liabilities payable on demand	1,188,783	(368,289)	1,188,783	(368,289)
Short-term debt issued and borrowings	(29,575,240)	13,606,563	(29,652,072)	13,604,397
Provisions used	(21,962)	(248,506)	(18,141)	(244,938)
Other liabilities	593,216	(1,307,275)	288,725	(1,407,548)
Net cash provided by operating activities	1,456,019	7,972,570	1,455,847	7,972,384
Cash flows from investing activities				
Purchase of premises and equipment	(105,737)	(31,021)	(105,550)	(30,833)
Proceeds from disposals of premises and equipment	2,773	134	2,773	134
Purchase of investments in subsidiary	(639,535)	-	(639,535)	-
Purchase of available-for-sale investments	(66,307,389)	(104,909,213)	(66,307,389)	(104,909,213)
Purchase of investments in receivables	(386,995)	-	(386,995)	-
Proceeds from available-for-sale investments	67,178,860	97,411,914	67,178,860	97,411,914
Proceeds from investments in receivables	165,362	189,485	165,362	189,485
Proceeds from disposal of general investments	4,930	22,789	4,930	22,789
Net cash used in investing activities	(87,731)	(7,315,912)	(87,544)	(7,315,724)
Cash flows from financing activities				
Dividends paid	(1,246,312)	(756,689)	(1,246,312)	(756,689)
Net cash used in financing activities	(1,246,312)	(756,689)	(1,246,312)	(756,689)
Net increase (decrease) in cash	121,976	(100,031)	121,991	(100,029)
Cash at beginning of the year	387,859	487,890	387,841	487,870
Cash at end of the year	509,835	387,859	509,832	387,841

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

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Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

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 20 February 2013.

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 individual and corporate customers. Details of the Bank’s subsidiaries as at 31 December 2012 and 2011 are given in notes 13 and 36.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 11/2553, directive dated 3 December 2010, 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 adoption of the new and revised TFRS has resulted in changes in the Bank and its subsidiaries’ accounting policy. The effects of these changes are disclosed in note 4.

As at 31 December 2012, the FAP has issued a number of new and revised TFRS which are expected to be effective for financial statements beginning on or after 1 January 2013 and have not been adopted in the preparation of these financial statements. These new and revised TFRS are disclosed in note 38.

Significant inter-office transactions between the Bank’s head office and all its branches have been eliminated.

(b) Basis of measurement

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

- Derivatives instruments are measured at fair value
- Trading investments are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Liabilities for cash-settled share-based payment arrangement are measured at fair value

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

(c) *Presentation currency*

The financial statements are prepared and presented in Thai Baht. All financial information presented in Thai Baht has been rounded to the nearest thousand, unless otherwise stated.

(d) *Use of estimates and judgements*

The preparation of financial statements in conformity with TFRS requires management to make judgements, 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 in the period in which estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 5, and in the following notes.

Note 3	Impact of severe flooding in Thailand
Note 7	Risk management
Note 8	Fair value of financial instruments
Note 12	Investments
Note 17	Allowance for doubtful accounts
Note 20	Deferred tax
Note 27	Employee benefit obligations
Note 28	Share-based payment
Note 29	Provisions
Note 47	Income tax expenses

3 **Impact of severe flooding in Thailand**

The unusually severe flooding which was experienced in parts of Thailand has continued to affect certain customers throughout 2012. The Bank provided assistance to the affected customers under the guidance detailed within the Bank of Thailand circular ForNorSor. (23) Wor. 1564/2554 dated 19 October 2011.

As at 31 December 2012, the Bank has granted relief to customers with aggregate amounts due totalling Baht 1,683 million in accordance with the guidance detailed in the circular dated 19 October 2011 (*2011: Baht 18,473 million*).

The Bank continues to monitor the underlying performance of flood affected customers, and make the appropriate impairment provisions when considered necessary.

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

4 Change in accounting policy

Accounting for income tax expense

From 1 January 2012, the Bank and its subsidiary have early adopted TAS 12 Income tax. The change in accounting policy has been applied retrospectively and the Bank and its subsidiary's 2011 financial statements, have been restated accordingly.

The impact on the 2012 and 2011 financial statements was as follows:

	Consolidated*		Bank only	
	2012	2011	2012	2011
	<i>(in million Baht)</i>			
Statement of financial position				
Equity at 1 January – as reported	35,755	32,781	35,724	32,745
Change as a result of the adoption retrospectively of:				
TAS 12 Income tax	612	1,246	611	1,244
Equity at 1 January – restated before acquisition	36,367	34,027	36,335	33,989
Retained earnings at 1 January				
- as reported	11,820	8,993	11,789	8,957
Increase in deferred tax assets	620	1,215	619	1,213
Increase in retained earnings	620	1,215	619	1,213
Retained earnings at 1 January - restated before acquisition	12,440	10,208	12,408	10,170
Other reserves at 1 January – as reported	41	(104)	41	(104)
(Decrease) increase in deferred tax assets	(8)	31	(8)	31
(Decrease) increase in other reserves	(8)	31	(8)	31
Other reserves at 1 January - restated before acquisition	33	(73)	33	(73)

*The consolidated financial statements in this note to financial statements consist of the Bank and TEL.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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	<i>Note</i>	Consolidated* 2011 (in million Baht)	Bank only
Statement of comprehensive income for the year ended 31 December			
Profit before income tax – as reported		4,004	4,001
Income tax expense – as reported		411	402
Change to income tax expense as a result of the adoption retrospectively of:			
TAS 12 Income tax			
Increase in deferred tax	20	596	595
Income tax expense – restated before acquisition		1,007	997
Profit – restated before acquisition		2,997	3,004
Other comprehensive income – as reported		136	137
Decrease in deferred tax	20	(38)	(38)
Other comprehensive income – restated before acquisition		98	99
Decrease in earnings per share			
- Basic earnings per share (in Baht)		0.40	0.40
	<i>Note</i>	Consolidated* 2012 (in million Baht)	Bank only
Statement of comprehensive income for the year ended 31 December			
Profit before income tax – as before changes in accounting policy		4,123	4,081
Income tax expense – as before changes in accounting policy		816	801
Change to income tax expense as a result of the adoption retrospectively of:			
TAS 12 Income tax			
Increase in deferred tax	20	195	195
Income tax expense – restated before acquisition		1,011	996
Profit – restated before acquisition		3,112	3,085
Other comprehensive income – as before changes in accounting policy		160	161
Decrease in deferred tax	20	(32)	(32)
Other comprehensive income – restated before acquisition		128	129
Decrease in earnings per share			
- Basic earnings per share (in Baht)		0.13	0.13

*The consolidated financial statements in this note to financial statements consist of the Bank and TEL.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

5 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 4, which addresses changes in accounting policies.

5.1 Basis of consolidation

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

Acquisitions from entities under common control

Business combinations of entities or businesses under common control are accounted for using a method similar to the pooling of interest method and in accordance with the Guideline issued in 2009 by the FAP.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Bank are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Bank controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Bank equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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.

5.2 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.

The asset management subsidiary recognised interest income on investments in receivables and loans on a cash basis.

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

5.3 Expenses

Interest expenses and non-interest expenses are recognised on an accrual basis. The interest component of finance lease payments is recognised in profit or loss using the effective interest rate method.

5.4 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 bills, net of deferred revenue.

5.5 Finance lease receivables

Finance lease receivables are stated at cost net of deferred revenue and allowance for doubtful accounts.

5.6 Allowance for doubtful accounts

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

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

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

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

Any allowances for doubtful accounts established during the period are recorded as impairment loss of loans and debt securities. The Bank and its subsidiaries 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.

5.7 Troubled debt restructuring

Where the troubled debt restructuring of loans involves modification of the terms 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 subsidiaries' risk criteria applicable to such loans as at the restructuring date.

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

Losses on troubled debt restructuring are recognised in profit or loss.

5.8 Investments

Investments in subsidiaries

Investments in subsidiaries 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 stated at fair value, with any resultant gain or loss recognised in profit or loss.

Debt securities that the Bank and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities and marketable equity securities other than those securities held for trading or intended to be held to maturity, 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 on monetary items 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.

Investments in receivables stated at the acquisition cost, net of allowance for impairment.

When the debts of the asset management subsidiary are restructured, SCTAMC will record the account for the restructuring by record a transfer of investments in receivables to loans to customers, at the fair value on the transfer date, but not normally exceeding the carrying value.

The fair value of investments and loans to customers are the expected recoverable amount determined based on the net present value of expected future cash collections calculated using discount rates equivalent to the market interest rate, adjusted by a risk premium. In cases the discount rates cannot be reasonably estimated, the discount rates are equivalent to the rates that make the net present value of expected future cash flow equals to the carrying value of investment in the receivable. The difference between the carrying value and fair value on transfer date is recognised in profit or loss.

Initial recognition

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

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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 subsidiaries 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.

5.9 Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities measured at cost in foreign currencies at the reporting date are translated to Thai Baht using the foreign exchange rates ruling at the date of the transactions.

The Bank enters into forward foreign exchange contracts for both trading and hedging purposes. Trading and hedging contracts are stated at fair value. Outstanding forward foreign exchange contracts 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 reflected in profit or loss.

5.10 Premises and equipment

Owned assets

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

Leased assets

Leases for which the Bank assumes substantially all the risk and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit or loss.

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
Leased assets	life of lease, not exceed the period of the lease of the associated property

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Notes to the financial statements

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

Disposals of premises and equipment

Gains and losses on disposals of premises and equipment are determined by comparing proceeds with the carrying amount and are included in profit or loss.

5.11 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 exceeds the shorter of 50 years or the term of the lease agreement.

5.12 Properties for sale

Properties for sale, which comprise land, buildings and vehicles, are measured at the lower of their carrying value and fair value less costs to sell. The fair value is based on independent appraisals.

Loss on impairment of properties for sale is recognised in profit or loss. Gains or losses on the disposal of properties for sale are reflected in profit or loss.

5.13 Claims on security and liability to deliver security

The Bank records claims on security and liability to deliver security in the statements of financial position as assets and liabilities, respectively, according to the BoT's guidance.

5.14 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 fair value is positive as "Derivative assets" and as liabilities when 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.

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 and presented as gains (losses) on cash flow hedges in equity. Any ineffective portion is recognised immediately in profit or loss.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

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 existing 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.

5.15 Deposit or borrowing transactions with embedded derivatives

The Bank records and assesses fair value relating to deposit or borrowing transactions with embedded derivatives in accordance with the BoT notification regarding the permission for commercial banks to undertake deposit or borrowing transactions with embedded derivatives dated 3 August 2008. 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 fair value recognised in profit or loss.

5.16 Impairment

The carrying amounts of the Bank and its subsidiaries' 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.

Calculation of recoverable amount

The recoverable amount of investments in receivables is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

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 is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to determine the recoverable amount. The reversal of impairment loss is recognised in profit or loss.

5.17 Employee benefits

The Bank and its subsidiaries operate post-retirement benefit plans, including defined contribution plans and defined benefit plans.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

Defined contribution plans

For defined contribution plans, the Bank and its subsidiaries pay contributions to provident funds on a voluntary basis, and such amounts are charged to employee expenses. The Bank and its subsidiaries have no further payment obligations once the contributions have been paid.

Defined benefit plans

For unfunded defined benefit plans, the liability recognised at the reporting date is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on high quality government bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised and presented in other comprehensive income in the period they arise. Past service costs are recognised immediately to the extent that benefits are vested and are otherwise recognised over the average period until benefits are vested on a straight line basis. Current service costs and any past service costs, together with the unwinding of the discount on plan liabilities, are charged to employee expenses.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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.

5.18 Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiaries 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, including the provision for employee benefit obligations, share-based payment and a reliable estimate can be made of the amount of the obligation.

A provision for contingent liabilities is recognised when the transactions relate to loans to customers 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

5.19 Reserve arising from business combination under common control

The reserve arising from business combination under common control arises from the merger of businesses under the common control of the ultimate parent company of the Bank. The reserve represents the difference between the cost of the combination and the carrying amounts of net identifiable assets at the date of combination. The Bank recognises the difference arising from common control transactions under shareholders' equity until disposal of the investment.

5.20 Income tax

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 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

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 measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Bank and its subsidiaries take into account the impact of uncertain tax positions (if any) and whether additional taxes and interest may be due. The Bank and its subsidiaries believe that its accruals for tax liabilities are adequate for all tax years based on its assessment of many factors, including interpretations of tax law and prior experience and a series of judgements about future events, 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 utilized. 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 realized.

5.21 Earnings per share

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

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Notes to the financial statements

6 Acquisition of Standard Chartered (Thai) Asset Management Company Limited

Acquisition of Standard Chartered (Thai) Asset Management Company Limited

At the annual general meeting (“AGM”) of the shareholders on 25 April 2012, the shareholders approved the purchase of 249,997 shares (equivalent to 99.9988%) in Standard Chartered (Thai) Asset Management Company Limited (“SCTAMC”) at a price no higher than Baht 750 million from Standard Chartered Bank (Hong Kong) Limited (“SCB-HK”), a company under common control of the ultimate parent company.

The price limit was determined based on forecast cash flows under an applied discounted cash flows model as per the report of an Independent Financial Advisor (IFA) dated 2 April 2012, which was distributed to shareholders in the AGM. The IFA had opined that the purchase at a price within this limit is fair, reasonable, and beneficial to the Bank’s shareholders.

The Bank obtained approval from the Bank of Thailand (“BoT”) on 22 August 2012 for the acquisition. On 23 August 2012, the Bank entered into the share purchase agreement at the purchase price of Baht 639 million, with the shares being transferred to the Bank on the following day.

In the Bank only financial statements, the investment in subsidiary is accounted at cost subject to annual impairment testing. As at 31 December 2012, this investment is stated at its cost of Baht 639 million and in the opinion of management, no indication of impairment existed.

In the consolidated financial statements, the acquisition has been accounted as a transaction between entities under common control in accordance with the FAP guideline on Business Combinations Involving Entities under Common Control. This guideline requires the acquisition to be recorded in the consolidated financial statements at the net book value of the assets acquired and liabilities assumed.

Identifiable assets acquired and liabilities assumed

The statement of financial position of SCTAMC as of 31 July 2012, the agreed book value date, consisted of the following:

	<i>(in million Baht)</i>
Investments, net	5,164
Loans to customers	796
Other assets	482
Interbank and money market items	(5,912)
Other liabilities	(388)
Total equity (net assets)	142
Total consideration paid	639
Reserve arising from business combination under common control	497

The resulting difference of Baht 497 million between the purchase price and the net book value of assets acquired and liabilities assumed has been recognised directly in equity as a reserve arising from business combination under common control according to the FAP guideline on Business Combinations Involving Entities under Common Control.

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Notes to the financial statements

The assets acquired and liabilities assumed approximate their fair value, except for the investments in receivables. Investments in receivables are stated at their acquisition cost net of allowance for impairment, in accordance with the Bank of Thailand Notification No. SorNorSor. 67/2551. The SCTAMC recognises income on its investment in receivables in the statutory financial statements on a cash basis and not an accrual basis. The fair value of investments in receivables, which is reflected in the purchase price is based upon the expected future cash flows discounted at an appropriate market rate.

The consolidated statement of financial position as at 1 January and 31 December 2011, and the consolidated statements of comprehensive income for the year ended 31 December 2011 have been restated accordingly. The effect of the restatements are summarised as follows:

	Balance* previously reported	Consolidated Effect of the acquisition restatement (in million Baht)	Balance after the acquisition restatement
Statement of financial position			
1 January 2011			
Investments, net	53,932	4,462	58,394
Loans and accrued interest receivable, net	93,487	(4,882)	88,605
Other assets, net	134,841	594	135,435
Total assets	282,260	174	282,434
Interbank and money market items	51,401	-	51,401
Others liabilities	196,832	24	196,856
Total liabilities	248,233	24	248,257
Reserve arising from business combination			
under common control	-	25	25
Non-controlling interest	-	125	125
Total equity	34,027	150	34,177
Statement of financial position			
31 December 2011			
Investments, net	60,019	6,478	66,497
Loans and accrued interest receivable, net	94,626	(5,490)	89,136
Other assets, net	129,973	228	130,201
Total assets	284,618	1,216	285,834
Interbank and money market items	47,125	1,141	48,266
Others liabilities	201,126	(58)	201,068
Total liabilities	248,251	1,083	249,334
Reserve arising from business combination			
under common control	-	25	25
Non-controlling interest	-	108	108
Total equity	36,367	133	36,500

* Amount includes the impact of deferred tax.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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*Statement of comprehensive income
for the year ended 31 December 2011*

	Balance* previously reported	Effect of the deferred tax restatement	Consolidated Balance previously reported after the deferred tax restatement (in million Baht)	Effect of the acquisition restatement	Balance after the acquisition restatement
Interest income	12,389	-	12,389	223	12,612
Interest expenses	4,451	-	4,451	5	4,456
Total operating expenses	5,231	-	5,231	208	5,439
Profit for the year	3,594	(596)	2,998	(17)	2,981
Total comprehensive income for the year	3,730	(651)	3,079	-	3,079
Basic earnings per share (in Baht)	2.42	(0.4)	2.02	-	2.02

* Amount is before the impact of deferred tax.

Acquisition-related costs

The Bank incurred acquisition-related costs of approximately Baht 1 million mainly related to external advisor fees. The costs have been included in administrative expenses in the Bank's consolidated statement of comprehensive income

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Notes to the financial statements

7 Risk management

Financial instruments

Accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 5.

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 creditworthy 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, is 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 statements 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.

Market risk

The Bank recognises market risk as the exposure created by potential changes in market prices and rates. The Bank is exposed to market risk arising principally from customer driven transactions.

The Bank undertakes transactions in the money markets, foreign exchange markets, and capital markets giving rise to market risk exposure.

Other financial instruments undertaken include debt and other securities and certain off-balance sheet financial instruments (derivative). Derivative instruments are contracts whose characteristics and value derived from underlying financial instruments, interest and exchange rates or indices. They include forwards, swaps, and options transactions in the foreign exchange and interest rate markets. The Bank enters derivative positions to meet customer demand or for hedging purposes. Derivative contracts entered into by the Bank are primarily over-the-counter derivatives.

The Bank has established standards, principles, policies, and techniques for managing market risk. Market risk limits are proposed by the business within the terms of agreed policy. Market Risk function, which is independent from the business, monitors exposure against these limits approved by Board of Directors.

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Historical simulation is used to measure Value at Risk (VaR) on trading exposure by applying actual historical market rate movements based on a one-day holding period and a 97.5% confidence level. Additional limits are placed on specific instruments and currency concentrations where appropriate. Sensitivity measures are used in addition to Value at Risk (VaR) as part of the overall risk management tools. Market risk exposures are measured and monitored against approved limits or triggers to ensure the Bank's market risk exposures are within acceptable levels.

Foreign exchange risk

The Bank is exposed to foreign exchange risk through transactions in foreign currencies and through the translation of assets and liabilities denominated in foreign currencies into Thai Baht at each reporting date. Details in respect of these significant exposures are described in notes 10, 11, 14, 23 and 24.

Interest rate risk

Interest rate risk in the statements of financial position arises from the potential for a change in interest rates to have an effect on the net interest income of the Bank in the current reporting period and future years. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities and equity, and in the mismatch in repricing dates of its assets and liabilities.

The Bank and its subsidiaries receive both fixed and floating rate interest on its interest bearing assets which can be analysed as follows:

	Consolidated		Bank only	
	2012	2011	2012	2011
	(Restated)			
	(in million Baht)			
Fixed interest rate	157,271	170,624	162,188	176,187
Floating interest rate	59,613	55,104	54,282	48,493
Total	216,884	225,728	216,470	224,680

As at 31 December 2012, for hedging purposes, the Bank entered into interest rate contracts with a notional value of Baht 15,020 million (2011: Baht 13,070 million).

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

	Consolidated					
	2012			2011 (Restated)		
	Average balance (in million Baht)	Interest	Average rate (% per annum)	Average balance (in million Baht)	Interest	Average rate (% per annum)
<i>Interest-bearing financial assets</i>						
Interbank and money market items	62,177	1,901	3.06%	100,453	2,930	2.92%
Investments	68,229	2,382	3.49%	48,384	1,525	3.15%
Loans to customers	94,470	9,428	9.98%	91,205	8,157	8.94%
Total	224,876	13,711	6.10%	240,042	12,612	5.25%
<i>Interest-bearing financial liabilities</i>						
Deposits	106,860	2,938	2.75%	97,526	2,240	2.30%
Interbank and money market items	56,216	1,536	2.73%	63,731	1,428	2.24%
Debt issued and borrowings	17,730	592	3.34%	29,952	788	2.63%
Total	180,806	5,066	2.80%	191,209	4,456	2.33%
	Bank only					
	2012			2011		
	Average balance (in million Baht)	Interest	Average rate (% per annum)	Average balance (in million Baht)	Interest	Average rate (% per annum)
<i>Interest-bearing financial assets</i>						
Interbank and money market items	62,173	1,901	3.06%	100,357	2,930	2.92%
Investments	62,774	2,072	3.30%	43,922	1,185	2.70%
Loans to customers	99,264	9,299	9.37%	96,066	8,274	8.61%
Total	224,211	13,272	5.92%	240,345	12,389	5.15%
<i>Interest-bearing financial liabilities</i>						
Deposits	107,235	2,939	2.74%	91,313	2,240	2.45%
Interbank and money market items	55,657	1,481	2.66%	63,731	1,423	2.23%
Debt issued and borrowings	17,788	594	3.34%	30,030	790	2.63%
Total	180,680	5,014	2.77%	185,074	4,453	2.41%

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Notes to the financial statements

Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 31 December 2012 and 2011 are as follows:

	Consolidated 2012						
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year	Non- interest bearing	Non accrual	Total
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	510	-	510
Interbank and money market items, net	190	57,001	-	613	1,047	-	58,851
Derivative assets	-	-	-	-	28,091	-	28,091
Investments, net	4,257	47,800	451	5,951	22	-	58,481
Loans to customers	54,858	23,436	10,427	11,900	55	5,045	105,721
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	2,408	-	2,408
Total financial assets	59,305	128,237	10,878	18,464	32,133	5,045	254,062
Financial liabilities							
Deposits	76,749	25,803	7,479	1,142	3,055	-	114,228
Interbank and money market items	6,608	37,487	49	2,756	8,010	-	54,910
Liabilities payable on demand	-	-	-	-	2,543	-	2,543
Derivative liabilities	-	-	-	-	28,522	-	28,522
Debt issued and borrowings	-	6,772	6	-	-	-	6,778
Accounts payable from purchase of investments	-	-	-	-	1,604	-	1,604
Total financial liabilities	83,357	70,062	7,534	3,898	43,734	-	208,585
Notional							
Interest rate swap contacts	-	243,790	232,979	1,148,762	-	-	1,625,531
Interest rate option contacts	-	-	1,550	15,419	-	-	16,969

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	Consolidated 2011 (Restated)						
	Immediate Repricing	Within 6 months	Over 6 months to 1 year	Over 1 year (in million Baht)	Non- interest bearing	Non accrual	Total
Financial assets							
Cash	-	-	-	-	388	-	388
Interbank and money market items, net	611	69,326	-	317	1,250	-	71,504
Derivative assets	-	-	-	-	35,263	-	35,263
Investments, net	6,478	22,261	19,185	18,540	33	-	66,497
Loans to customers	47,947	33,150	6,566	1,347	44	4,279	93,333
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	10,780	-	10,780
Total financial assets	55,036	124,737	25,751	20,204	47,758	4,279	277,765
Financial liabilities							
Deposits	47,718	32,824	8,432	1,141	7,777	-	97,892
Interbank and money market items	2,876	39,106	571	1,164	4,549	-	48,266
Liabilities payable on demand	-	-	-	-	1,355	-	1,355
Derivative liabilities	-	-	-	-	36,967	-	36,967
Debt issued and borrowings	-	35,616	735	-	-	-	36,351
Accounts payable from purchase of investments	-	-	-	-	12,792	-	12,792
Total financial liabilities	50,594	107,546	9,738	2,305	63,440	-	233,623
Notional							
Interest rate swap contacts	-	295,925	197,202	975,238	-	-	1,468,365
Interest rate option contacts	-	500	1,480	11,509	-	-	13,489

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	Bank only 2012						
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year (in million Baht)	Non- interest bearing	Non accrual	Total
Financial assets							
Cash	-	-	-	-	510	-	510
Interbank and money market items, net	190	57,001	-	613	994	-	58,798
Derivative assets	-	-	-	-	28,091	-	28,091
Investments, net	-	47,799	451	5,951	22	-	54,223
Loans to customers	53,785	25,668	12,912	12,100	55	5,045	109,565
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	2,408	-	2,408
Total financial assets	53,975	130,468	13,363	18,664	32,080	5,045	253,595
Financial liabilities							
Deposits	77,002	25,896	7,479	1,142	3,057	-	114,576
Interbank and money market items	6,608	37,487	49	2,756	8,010	-	54,910
Liabilities payable on demand	-	-	-	-	2,543	-	2,543
Derivative liabilities	-	-	-	-	28,522	-	28,522
Debt issued and borrowings	-	6,772	6	-	-	-	6,778
Accounts payable from purchase of investments	-	-	-	-	1,604	-	1,604
Total financial liabilities	83,610	70,155	7,534	3,898	43,736	-	208,933
Notional							
Interest rate swap contacts	-	243,790	232,979	1,148,762	-	-	1,625,531
Interest rate option contacts	-	-	1,550	15,419	-	-	16,969

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	Bank only 2011						
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year	Non- interest bearing	Non accrual	Total
	(in million Baht)						
Financial assets							
Cash	-	-	-	-	388	-	388
Interbank and money market items, net	611	69,326	-	317	1,226	-	71,480
Derivative assets	-	-	-	-	35,263	-	35,263
Investments, net	-	22,261	19,185	18,540	33	-	60,019
Loans to customers	47,814	34,181	7,993	4,452	44	4,279	98,763
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	10,780	-	10,780
Total financial assets	48,425	125,768	27,178	23,309	47,734	4,279	276,693
Financial liabilities							
Deposits	48,035	32,824	8,432	1,141	7,783	-	98,215
Interbank and money market items	2,876	38,536	-	1,164	4,549	-	47,125
Liabilities payable on demand	-	-	-	-	1,355	-	1,355
Derivative liabilities	-	-	-	-	36,979	-	36,979
Debt issued and borrowings	-	35,690	735	-	-	-	36,425
Accounts payable from purchase of investments	-	-	-	-	12,792	-	12,792
Total financial liabilities	50,911	107,050	9,167	2,305	63,458	-	232,891
Notional							
Interest rate swap contacts	-	295,925	197,202	975,238	-	-	1,468,365
Interest rate option contacts	-	500	1,480	11,509	-	-	13,489

Liquidity risk

Liquidity risk is the risk that bank either does not have sufficient financial resources available to meet all its obligations as they fall due, or can only secure these financial resources at excessive cost.

It is the Bank policy to maintain adequate liquidity at all times, and hence to be in a position to meet obligations as they fall due. The Bank manages liquidity risk both on a short-term and medium-term basis. In the short term, the Bank's focus is on ensuring that the cash flow demands can be met where required. In the medium term the focus is on ensuring that the statement of financial position remains structurally sound and aligned to the strategy.

The Asset & Liability Committee (ALCO) is the responsible governing body to ensure that the financial position of the Bank is managed in accordance with the policies of the Standard Chartered Group and any other applicable regulatory requirements relating to management of liquidity, capital adequacy and structural market risks.

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Financial Markets is responsible for the day-to-day management of all the liquidity risk arising in the Bank, executing liquidity directives and operating within the liquidity policy and approved limits. Liquidity limits are regularly monitored by the Market Risk function that is independent from the business. Liquidity profiles are reviewed by ALCO on a regular basis.

Liquidity risk management framework of the Bank requires limits to be set for prudent liquidity management. All limits are reviewed at least annually, and more frequently if required, to ensure that they remain relevant given market conditions and business strategy. Compliance with limits is monitored independently on regular basis by Market Risk and Finance.

In addition, under liquidity stress scenarios, the Bank has to ensure that cash inflows exceed outflows under all stress scenarios. Liquidity stress tests are carried out daily on the Bank-specific scenario, and quarterly on the Market-wide scenario and Combined scenarios; as at 31 December 2012, the Bank passed liquidity stress tests on all scenarios.

A substantial portion of the Bank's assets is funded by customer deposit made up of current and saving accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. The ALCO monitors trends in the statement of financial position and ensure that any issues that might impact the stability of these deposits are addressed effectively. The ALCO also reviews the statement of financial position plans to ensure that projected asset growth is matched by growth in the stable funding base.

The Bank also has access to wholesale funding markets including commercial paper issuance to ensure that it has flexibility around maturity transformation, market intelligence and can obtain optimal pricing when performing interest rate risk management activities.

As at 31 December 2012, the loan to deposits ratio of the Bank is 83% (2011: 79%).

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

The remaining period to maturity of significant financial assets and financial liabilities as at 31 December 2012 and 2011 based on contractual maturity are as follows:

	At call	Within 6 months	Consolidated 2012		No maturity	Total
			Over 6 months to 1 year	Over 1 year		
			<i>(in million Baht)</i>			
Financial assets						
Cash	510	-	-	-	-	510
Interbank and money market items, net	1,143	57,098	-	610	-	58,851
Derivative assets	14	6,223	2,095	19,759	-	28,091
Investments in debt securities	-	3,209	7,920	43,073	-	54,202
Investments in equity securities, net	-	-	-	-	22	22
Investments in receivables	4,257	-	-	-	-	4,257
Loans to customers	19,567	19,483	8,128	58,543	-	105,721
Accounts receivable from sales of investments and debt securities in issue	2,408	-	-	-	-	2,408
Total financial assets	27,899	86,013	18,143	121,985	22	254,062
Financial liabilities						
Deposits	79,803	23,825	8,989	1,611	-	114,228
Interbank and money market items	14,618	35,387	49	4,856	-	54,910
Liabilities payable on demand	2,543	-	-	-	-	2,543
Derivative liabilities	68	6,249	2,111	20,094	-	28,522
Debt issued and borrowings	-	5,772	6	1,000	-	6,778
Accounts payable from purchase of investments	1,604	-	-	-	-	1,604
Total financial liabilities	98,636	71,233	11,155	27,561	-	208,585

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Notes to the financial statements

	Consolidated 2011 (Restated)					
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year	No maturity	Total
	<i>(in million Baht)</i>					
<i>Financial assets</i>						
Cash	388	-	-	-	-	388
Interbank and money market items, net	1,811	69,062	-	631	-	71,504
Derivative assets	-	9,385	4,026	21,852	-	35,263
Investments in debt securities	-	9,525	19,207	31,254	-	59,986
Investments in equity securities, net	-	-	-	-	33	33
Investments in receivables	6,478	-	-	-	-	6,478
Loans to customers	13,264	20,972	3,080	56,017	-	93,333
Accounts receivable from sales of investments and debt securities in issue	10,780	-	-	-	-	10,780
Total financial assets	32,721	108,944	26,313	109,754	33	277,765
<i>Financial liabilities</i>						
Deposits	55,495	30,139	10,906	1,352	-	97,892
Interbank and money market items	7,425	39,106	571	1,164	-	48,266
Liabilities payable on demand	1,355	-	-	-	-	1,355
Derivative liabilities	108	10,471	3,615	22,773	-	36,967
Debt issued and borrowings	19	34,597	735	1,000	-	36,351
Accounts payable from purchase of investments	12,792	-	-	-	-	12,792
Total financial liabilities	77,194	114,313	15,827	26,289	-	233,623

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Bank only						
2012						
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year	No maturity	Total
	<i>(in million Baht)</i>					
<i>Financial assets</i>						
Cash	510	-	-	-	-	510
Interbank and money market items, net	1,090	57,098	-	610	-	58,798
Derivative assets	14	6,223	2,095	19,759	-	28,091
Investments in debt securities	-	3,209	7,920	43,072	-	54,201
Investments in equity securities, net	-	-	-	-	22	22
Loans to customers	19,482	21,716	9,782	58,585	-	109,565
Accounts receivable from sales of investments and debt securities in issue	2,408	-	-	-	-	2,408
Total financial assets	23,504	88,246	19,797	122,026	22	253,595

<i>Financial liabilities</i>						
Deposits	80,058	23,918	8,989	1,611	-	114,576
Interbank and money market items	14,618	35,387	49	4,856	-	54,910
Liabilities payable on demand	2,543	-	-	-	-	2,543
Derivative liabilities	68	6,249	2,111	20,094	-	28,522
Debt issued and borrowings	-	5,772	6	1,000	-	6,778
Accounts payable from purchase of investments	1,604	-	-	-	-	1,604
Total financial liabilities	98,891	71,326	11,155	27,561	-	208,933

Bank only						
2011						
	At call	Within 6 months	Over 6 months to 1 year	Over 1 year	No maturity	Total
	<i>(in million Baht)</i>					
<i>Financial assets</i>						
Cash	388	-	-	-	-	388
Interbank and money market items, net	1,787	69,062	-	631	-	71,480
Derivative assets	-	9,385	4,026	21,852	-	35,263
Investments in debt securities	-	9,525	19,207	31,254	-	59,986
Investments in equity securities, net	-	-	-	-	33	33
Loans to customers	13,181	21,965	4,495	59,122	-	98,763
Accounts receivable from sales of investments and debt securities in issue	10,780	-	-	-	-	10,780
Total financial assets	26,136	109,937	27,728	112,859	33	276,693
<i>Financial liabilities</i>						
Deposits	55,818	30,139	10,906	1,352	-	98,215
Interbank and money market items	7,425	38,536	-	1,164	-	47,125
Liabilities payable on demand	1,355	-	-	-	-	1,355
Derivative liabilities	108	10,471	3,627	22,773	-	36,979
Debt issued and borrowings	19	34,671	735	1,000	-	36,425
Accounts payable from purchase of investments	12,792	-	-	-	-	12,792
Total financial liabilities	77,517	113,817	15,268	26,289	-	232,891

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Derivatives

The remaining period to maturity of the notional amount of derivatives as at 31 December 2012 and 2011 are as follows:

	Within 1 year	Consolidated 2012 Over 1 year (in million Baht)	Total
<i>Foreign currency related</i>			
Forward exchange contracts	622,296	22,903	645,199
Cross currency swap contracts	84,772	249,929	334,701
Currency option contracts	4,116	8,500	12,616
<i>Interest rate related</i>			
Interest rate swap contracts	476,769	1,148,762	1,625,531
Interest rate option contracts	1,550	15,419	16,969
<i>Others</i>			
- Equity option	-	1	1
- Commodities	25,231	2,419	27,650
		Consolidated 2011 (Restated)	
	Within 1 year	Over 1 year (in million Baht)	Total
<i>Foreign currency related</i>			
Forward exchange contracts	680,084	6,379	686,463
Cross currency swap contracts	82,151	223,643	305,794
Currency option contracts	6,492	-	6,492
<i>Interest rate related</i>			
Interest rate swap contracts	493,127	975,238	1,468,365
Interest rate option contracts	1,980	11,509	13,489
<i>Others</i>			
- Equity option	-	1	1
- Commodities	21,793	300	22,093

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		Bank only 2012	
	Within 1 year	Over 1 year	Total
		(in million Baht)	
<i>Foreign currency related</i>			
Forward exchange contracts	622,296	22,903	645,199
Cross currency swap contracts	84,772	249,929	334,701
Currency option contracts	4,116	8,500	12,616
<i>Interest rate related</i>			
Interest rate swap contracts	476,769	1,148,762	1,625,531
Interest rate option contracts	1,550	15,419	16,969
<i>Others</i>			
- Equity option	-	1	1
- Commodities	25,231	2,419	27,650
		Bank only 2011	
	Within 1 year	Over 1 year	Total
		(in million Baht)	
<i>Foreign currency related</i>			
Forward exchange contracts	680,084	6,379	686,463
Cross currency swap contracts	83,292	223,643	306,935
Currency option contracts	6,492	-	6,492
<i>Interest rate related</i>			
Interest rate swap contracts	493,127	975,238	1,468,365
Interest rate option contracts	1,980	11,509	13,489
<i>Others</i>			
- Equity option	-	1	1
- Commodities	21,793	300	22,093

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8 Fair value of financial instruments

Fair value is the estimated value that the Bank and its subsidiaries could receive from selling its financial assets or the estimated cost for redeeming its financial liabilities based on market values, or estimated values that can be derived from using general market principles of calculation.

The following is a summary of the carrying amount and estimated fair values of financial assets and financial liabilities.

	Consolidated			
	2012		2011	
	Carrying amount	Fair value (in million Baht)	Carrying amount (Restated)	Fair value
<i>Financial assets</i>				
Cash	510	510	388	388
Interbank and money market items, net	58,851	58,851	71,504	71,504
Derivative assets	28,091	28,091	35,263	35,263
Investments, net	58,481	58,481	66,497	66,497
Loans to customers	105,721	107,064	93,333	94,348
Accounts receivable from sales of investments and debt securities in issue	2,408	2,408	10,780	10,780
Total financial assets	254,062	255,405	277,765	278,780
<i>Financial liabilities</i>				
Deposits	114,228	114,228	97,892	97,892
Interbank and money market items	54,910	54,947	48,266	48,291
Liabilities payable on demand	2,543	2,543	1,355	1,355
Derivative liabilities	28,522	28,522	36,967	36,967
Debt issued and borrowings	6,778	6,793	36,351	36,337
Accounts payable from purchase of investments	1,604	1,604	12,792	12,792
Total financial liabilities	208,585	208,637	233,623	233,634

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	Bank only			
	2012		2011	
	Carrying amount	Fair value (in million Baht)	Carrying amount	Fair value
<i>Financial assets</i>				
Cash	510	510	388	388
Interbank and money market items, net	58,798	58,798	71,480	71,480
Derivative assets	28,091	28,091	35,263	35,263
Investment, net	54,224	54,224	60,019	60,019
Loans to customers	109,565	110,908	98,763	99,777
Accounts receivable from sales of investments and debt securities in issue	2,408	2,408	10,780	10,780
Total financial assets	253,596	254,939	276,693	277,707
<i>Financial liabilities</i>				
Deposits	114,576	114,576	98,215	98,215
Interbank and money market items	54,910	54,947	47,125	47,150
Liabilities payable on demand	2,543	2,543	1,355	1,355
Derivative liabilities	28,522	28,522	36,979	36,979
Debt issued and borrowings	6,778	6,793	36,425	36,412
Accounts payable from purchase of investments	1,604	1,604	12,792	12,792
Total financial liabilities	208,933	208,985	232,891	232,903

Methods and assumptions in estimating fair value of financial instruments

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

Cash, interbank and money market items (assets)

The fair value of cash, short-term instruments and floating rate instruments is their carrying amounts presented in the statements of financial position. The estimated fair value of fixed interest bearing items is based on discounted cash flows using the prevailing money market rates on similar instruments.

Trading securities, available-for-sale securities and held-to-maturity debt instruments

The fair value is based on quoted market prices, where available. If quoted market prices are not available, market value is based on quoted market prices of comparable instruments after adjustment for the risk involved or the net asset values of such securities.

General investments

The fair value of general investments is based on the carrying amount presented in the statements of financial position.

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Investments in receivables

The fair value of investments in receivables are the expected recoverable amount determined based on the net present value of expected future cash collections calculated using discount rates equivalent to the market interest rate, adjusted by a risk premium. In cases the discount rates cannot be reasonably estimated, the discount rates are equivalent to the rates that make the net present value of expected future cash flow equals to the carrying value of investments in the receivables.

Loans to customers

For variable-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 variable-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.

Interbank and money market items (liabilities) and debts issued and borrowings

The fair value of interbank and money market items and 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.

Derivatives

The fair values of foreign exchange contracts, interest rate contracts and other contracts are determined by estimating the amount that would be paid or received to terminate the contract or replace them at their current market rates, and are disclosed in Note 11.

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

9 Maintenance of capital fund

The ratios of capital to assets (Capital Adequacy Ratio) were calculated from the financial statements of the Bank. The Bank's total and tier one capital ratios are as follows:

	2012	2011
	<i>(in million Baht)</i>	
<i>Tier one capital</i>		
Issued and paid-up share capital	14,837	14,837
Share premium	9,056	9,056
Legal reserve	683	503
Net income after appropriation	9,870	7,697
Less deferred tax assets	(384)	-
Less deduction item: 50% from tier one capital and 50% from tier two capital	-	(309)
Less deduction amount of negative capital tier two	-	(59)
Total tier one capital	34,062	31,725
<i>Tier two capital</i>		
Provision for normal classified asset	331	250
Less deduction item: 50% from tier one capital and 50% from tier two capital	-	(250)
Total tier two capital	331	-
Total capital	34,393	31,725
Total capital ratio	17.79%	17.13%
Tier one capital ratio	17.62%	17.13%

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.

Since 2010, the Bank has further applied the calculation for minimum capital requirement under AIRB for additional products, as approved by the Bank of Thailand, resulting in the expected loss (EL) exceeding the total eligible provision. In accordance with the capital calculation basis under AIRB, the excess has been deducted from tier one and tier two capital.

As at 31 December 2012 and 2011, the Bank met the minimum capital ratio requirements set down by the BoT for total capital of 8.5% and tier one capital of 4.25%.

In accordance with the BoT Notification No. Sor Nor Sor 25/2552 dated 14 December 2009, Re: "Public Disclosure of Capital Maintenance for Commercial Banks", the Bank intends to disclose Capital Maintenance information as of 31 December 2012 within 4 months after the period end date, as indicated in the notification, through the Bank's website www.standardchartered.co.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 Subsidiaries
Notes to the financial statements

10 Interbank and money market items (assets)

	Consolidated				2011 (Restated)	Total
	At call	2012 Term	Total (in million Baht)	At call	Term	
Domestic						
Bank of Thailand	482	40,100	40,582	791	50,400	51,191
Commercial banks	213	4,130	4,343	164	4,877	5,041
Total	695	44,230	44,925	955	55,277	56,232
Add accrued interest receivable	-	23	23	-	46	46
Less allowance for doubtful accounts	-	-	-	-	(3)	(3)
Total domestic, net	695	44,253	44,948	955	55,320	56,275
Foreign						
US Dollar	8	13,384	13,392	30	14,366	14,396
Japanese Yen	211	-	211	177	-	177
Euro	39	-	39	419	-	419
Australian Dollar	55	-	55	47	-	47
Other currencies	135	-	135	183	-	183
Total	448	13,384	13,832	856	14,366	15,222
Add accrued interest receivable	-	74	74	-	18	18
Less allowance for doubtful accounts	-	(3)	(3)	-	(11)	(11)
Total foreign	448	13,455	13,903	856	14,373	15,229
Total domestic and foreign, net	1,143	57,708	58,851	1,811	69,693	71,504

	Bank only				2011	Total
	At call	2012 Term	Total (in million Baht)	At call	Term	
Domestic						
Bank of Thailand	482	40,100	40,582	791	50,400	51,191
Commercial banks	160	4,130	4,290	140	4,877	5,017
Total	642	44,230	44,872	931	55,277	56,208
Add accrued interest receivable	-	23	23	-	46	46
Less allowance for doubtful accounts	-	-	-	-	(3)	(3)
Total domestic, net	642	44,253	44,895	931	55,320	56,251
Foreign						
US Dollar	8	13,384	13,392	30	14,366	14,396
Japanese Yen	211	-	211	177	-	177
Euro	39	-	39	419	-	419
Australian Dollar	55	-	55	47	-	47
Other currencies	135	-	135	183	-	183
Total	448	13,384	13,832	856	14,366	15,222
Add accrued interest receivable	-	74	74	-	18	18
Less allowance for doubtful accounts	-	(3)	(3)	-	(11)	(11)
Total foreign	448	13,455	13,903	856	14,373	15,229
Total domestic and foreign, net	1,090	57,708	58,798	1,787	69,693	71,480

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

11 Derivatives

Derivatives held for trading

Fair value and notional amount classified by type of risks

Type of risks	Consolidated					
	2012			2011 (Restated)		
	Fair value		Notional	Fair value		Notional
	Assets	Liabilities	amount	Assets	Liabilities	amount
	<i>(in million Baht)</i>					
Foreign currency related	12,287	12,435	992,516	18,888	19,655	998,749
Interest rate related	14,295	14,585	1,627,480	14,898	15,816	1,468,784
<i>Others</i>						
- Equity option	1	-	1	1	-	1
- Commodities	1,406	1,406	27,650	1,377	1,377	22,093
	<u>1,407</u>	<u>1,406</u>	<u>27,651</u>	<u>1,378</u>	<u>1,377</u>	<u>22,094</u>
Total	<u>27,989</u>	<u>28,426</u>	<u>2,647,647</u>	<u>35,164</u>	<u>36,848</u>	<u>2,489,627</u>

Type of risks	Bank only					
	2012			2011		
	Fair value		Notional	Fair value		Notional
	Assets	Liabilities	amount	Assets	Liabilities	amount
	<i>(in million Baht)</i>					
Foreign currency related	12,287	12,435	992,516	18,888	19,667	999,890
Interest rate related	14,295	14,585	1,627,480	14,898	15,816	1,468,784
<i>Others</i>						
- Equity option	1	-	1	1	-	1
- Commodities	1,406	1,406	27,650	1,377	1,377	22,093
	<u>1,407</u>	<u>1,406</u>	<u>27,651</u>	<u>1,378</u>	<u>1,377</u>	<u>22,094</u>
Total	<u>27,989</u>	<u>28,426</u>	<u>2,647,647</u>	<u>35,164</u>	<u>36,860</u>	<u>2,490,768</u>

Proportion of the notional amount classified by counterparties

Counterparties	Consolidated		Bank only	
	2012	2011	2012	2011
	<i>(Restated)</i>			
	<i>(%)</i>			
Financial institutions	68.12%	78.73%	68.12%	78.70%
Related parties	20.53%	12.63%	20.53%	12.67%
Other parties	11.35%	8.64%	11.35%	8.63%

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

Derivatives held for hedging

Fair value hedges

Type of risks	Consolidated and Bank only					
	2012			2011		
	Fair value Assets	Liabilities	Notional amount (in million Baht)	Fair value Assets	Liabilities	Notional amount
Interest rate related	-	55	1,850	-	73	1,900
Total	-	55	1,850	-	73	1,900

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 i.e. interest rate swaps are substantially matched by corresponding fair value changes of the hedged items i.e. investments and deposits, both of which are recognised in profit or loss.

Cash flow hedges

Type of risks	Consolidated and Bank only					
	2012			2011		
	Fair value Assets	Liabilities	Notional amount (in million Baht)	Fair value Assets	Liabilities	Notional amount
Interest rate related	102	41	13,170	99	46	11,170
Total	102	41	13,170	99	46	11,170

The Bank uses interest rate swaps to manage the variability in future cash flows on assets and liabilities i.e. investments, loans to customers and deposits that have floating rates of interest by exchanging the floating rates for fixed rates. Gains and 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.

The time periods in which hedged items cash flows are expected to impact in profit or loss are as follows:

Forecast cash flows	Consolidated and Bank only				
	2012				Total
	Within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
Forecast received cash flows	184	484	976	4	1,648
Forecast payable cash flows	(38)	(76)	(187)	-	(301)
Net forecast cash flow	146	408	789	4	1,347

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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	Consolidated and Bank only				Total
	Within 3 months	Over 3 months to 1 year	2011 Over 1 year to 5 years (in million Baht)	Over 5 years	
Forecast cash flows					
Forecast received cash flows	208	524	2,260	12	3,004
Forecast payable cash flows	(29)	(64)	(233)	-	(326)
Net forecast cash flow	179	460	2,027	12	2,678

12 Investments

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	(in million Baht)			
Trading investments	Fair value			
Government and state enterprise bonds	3,070	8,940	3,070	8,940
Private debt instruments	702	-	702	-
Total	3,772	8,940	3,772	8,940
Available-for-sale investments	Fair value			
Government and state enterprise bonds	46,841	49,269	46,841	49,269
Private debt instruments	3,317	1,709	3,317	1,709
Domestic marketable equity securities	6	10	6	10
Total	50,164	50,988	50,164	50,988
Investments in receivables	Cost			
Investments in receivables	4,528	6,546	270	68
Total	4,528	6,546	270	68
General investments	Cost			
Domestic non-marketable equity securities	35	41	35	41
Foreign non-marketable equity securities	1	1	1	1
Total	36	42	36	42
Less allowance for impairment	(19)	(19)	(19)	(19)
Net	17	23	17	23
Total investments, net	58,481	66,497	54,223	60,019

As at 31 December 2012, the Bank has government and state enterprise bonds which were pledged as collateral amounting to Baht 17,500 million (2011: Baht 15,500 million).

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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Fair value changes in available-for-sale investments as of 31 December 2012 and 2011 consisted of:

	Consolidated and Bank only	
	2012	2011
	<i>(in million Baht)</i>	
<i>Fair value changes in available-for-sale investments</i>		
Debt securities	198	91
Equity securities	(4)	-
Total	194	91
<i>Less fair value changes in fair value hedged investments</i>	(38)	(54)
<i>Less deferred tax</i>	(31)	(7)
Fair value changes in available-for-sale investments recognised in other comprehensive income	125	30

Investments in companies with problems in relation to their financial positions and results of operations as at 31 December 2012 and 2011 are as follows:

Consolidated and Bank only					
2012					
	No. of companies	Cost	Fair value	Allowance for revaluation	Allowance for impairment
				<i>(in million Baht)</i>	
Listed company	1	99	6	(4)	(89)
Non-listed companies	7	24	13	-	(11)
Total	8	123	19	(4)	(100)

Consolidated and Bank only					
2011					
	No. of companies	Cost	Fair value	Allowance for revaluation	Allowance for impairment
				<i>(in million Baht)</i>	
Listed company	1	99	10	-	(89)
Non-listed companies	7	24	13	-	(11)
Total	8	123	23	-	(100)

13 Investment in subsidiaries

Company name	Type of business	Type of investment	Bank only	2012	2011
			Ownership interest		
			Investment (Cost method) (in million Baht)		
Standard Chartered (Thai) Asset Management Company Limited (SCTAMC)	Managing substandard assets purchased or transferred from financial institutions	Ordinary shares	99.9988%	639	-
Thai Exclusive Leasing Company Limited (TEL)	Debt collection business	Ordinary shares	99.9999%	59	59
Investment in subsidiaries				698	59

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

14 Loans to customers and accrued interest receivable

Classified by type of loans

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
		(in million Baht)		
Overdrafts	1,585	2,811	1,585	2,811
Loans	81,975	74,370	85,819	79,800
Bills	22,157	16,149	22,157	16,149
Others	4	3	4	3
Total	105,721	93,333	109,565	98,763
Add accrued interest receivable	504	573	558	634
Less allowance for doubtful accounts				
Minimum allowance as BoT's regulations				
- Individual approach	(3,751)	(2,974)	(3,800)	(3,030)
- Collective approach	(658)	(694)	(658)	(694)
Excess allowance	(1,757)	(1,103)	(1,708)	(1,047)
	(6,166)	(4,771)	(6,166)	(4,771)
Net	100,059	89,135	103,957	94,626

Classified by currency and residence of debtors

	Consolidated					
	2012		2011			
	Domestic	Foreign	Total	Domestic	Foreign	Total
			(in million Baht)			
Thai Baht	94,570	227	94,797	84,575	280	84,855
US Dollar	5,345	2,336	7,681	8,013	420	8,433
Other currencies	1,129	2,114	3,243	45	-	45
Total	101,044	4,677	105,721	92,633	700	93,333

	Bank only					
	2012		2011			
	Domestic	Foreign	Total	Domestic	Foreign	Total
			(in million Baht)			
Thai Baht	98,413	227	98,640	90,005	280	90,285
US Dollar	5,345	2,336	7,681	8,013	420	8,433
Other currencies	1,130	2,114	3,244	45	-	45
Total	104,888	4,677	109,565	98,063	700	98,763

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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Classified by industry and loan classification

	Consolidated 2012					Total
	Pass	Special mention	Substandard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	1,977	-	1	-	7	1,985
Manufacturing and commerce	33,119	3,295	37	12	3,558	40,021
Property development and construction	5,577	45	3	-	105	5,730
Infrastructure and services	6,566	106	6	3	108	6,789
Housing loans	24,539	328	166	38	380	25,451
Others	23,971	702	596	37	439	25,745
Total	95,749	4,476	809	90	4,597	105,721

	2011 (Restated)					Total
	Pass	Special mention	Substandard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	1,767	-	-	-	8	1,775
Manufacturing and commerce	29,689	63	56	2,170	1,010	32,988
Property development and construction	3,914	11	-	2	105	4,032
Infrastructure and services	6,149	72	-	132	94	6,447
Housing loans	25,531	210	45	83	212	26,081
Others	21,138	394	154	24	300	22,010
Total	88,188	750	255	2,411	1,729	93,333

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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	Bank only 2012					Total
	Pass	Special mention	Substandard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	1,977	-	1	-	7	1,985
Manufacturing and commerce	33,119	3,295	37	12	3,558	40,021
Property development and construction	5,577	45	3	-	105	5,730
Infrastructure and services	6,566	106	6	3	108	6,789
Housing loans	24,539	328	166	38	380	25,451
Others	28,267	702	228	37	355	29,589
Total	100,045	4,476	441	90	4,513	109,565

	2011					Total
	Pass	Special mention	Substandard (in million Baht)	Doubtful	Doubtful of loss	
Agriculture and mining	1,767	-	-	-	8	1,775
Manufacturing and commerce	29,689	63	56	2,170	1,010	32,988
Property development and construction	3,914	11	-	2	105	4,032
Infrastructure and services	6,149	72	-	132	94	6,447
Housing loans	25,531	210	45	83	212	26,081
Others	26,684	394	133	24	205	27,440
Total	93,734	750	234	2,411	1,634	98,763

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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Classified by loan classification

Consolidated				
2012				
	Loans to customers and accrued interest receivables less deferred revenue (in million Baht)	Net amount for allowance for doubtful accounts*	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	96,224	60,674	1	607
Special mention	4,505	2,916	2	58
Substandard	809	295	100	295
Doubtful	90	26	100	26
Doubtful of loss	4,597	3,423	100	3,423
				4,409
Excess allowance				1,757
Total	106,225	67,334		6,166
Bank only				
2012				
	Loans to customers and accrued interest Receivables less deferred Revenue (in million Baht)	Net amount for allowance for doubtful accounts*	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	100,574	65,591	1	656
Special mention	4,505	2,916	2	58
Substandard	441	295	100	295
Doubtful	90	26	100	26
Doubtful of loss	4,513	3,423	100	3,423
				4,458
Excess allowance				1,708
Total	110,123	72,251		6,166

* 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 or the outstanding debt to be used in the calculation of the collective approach provision.

As at 31 December 2012, the collective approach is applied to loans to customers and accrued interest receivables of Baht 65,163 million, using provision rates between 0.03% and 3.65%. The total allowance under this approach is Baht 658 million.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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Consolidated				
2011				
(Restated)				
	Loans to customers and accrued interest Receivables less deferred Revenue (in million Baht)	Net amount for allowance for doubtful accounts*	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	88,739	51,914	1	519
Special mention	762	432	2	9
Substandard	255	172	100	172
Doubtful	2,411	1,647	100	1,647
Doubtful of loss	1,739	1,321	100	1,321
				3,668
Excess allowance				
				1,103
Total	93,906	55,486		4,771

Bank only				
2011				
	Loans to customers and accrued interest receivables less deferred revenue (in million Baht)	Net amount for allowance for doubtful accounts*	Rate used for allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	94,345	57,477	1	575
Special mention	762	432	2	9
Substandard	234	172	100	172
Doubtful	2,411	1,647	100	1,647
Doubtful of loss	1,645	1,321	100	1,321
				3,724
Excess allowance				
				1,047
Total	99,397	61,049		4,771

* 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 or the outstanding debt to be used in the calculation of the collective approach provision.

As at 31 December 2011, the collective approach was applied to loans to customers and accrued interest receivables of Baht 61,960 million, using provision rates between 0.05% and 3.14%, The total allowance under this approach was Baht 694 million.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

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 2012 and 2011, NPL net (including financial institutions) based on the above directive can be summarised as follows:

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
		(in million Baht)		
Non-performing loans, net	1,561	1,205	1,199	1,089
Total loans used for NPL net ratio calculation ⁽¹⁾	146,353	146,416	150,196	151,846
Ratio of total loans	1.06%	0.82%	0.80%	0.72%

As at 31 December 2012 and 2011, NPL gross (including financial institutions) based on the above directive can be summarised as follows:

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
		(in million Baht)		
Non-performing loans, gross	5,406	4,395	5,044	4,279
Total loans used for NPL gross ratio calculation ⁽¹⁾	150,197	149,606	154,041	155,036
Ratio of total loans	3.60%	2.94%	3.27%	2.76%

⁽¹⁾ Total loans used for NPL ratio calculation are loans to customers as presented in the statement of financial position and loans to financial institutions as included in interbank and money market items.

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Notes to the financial statements

15 Disclosure of the statements of cash flows of the asset management company

In accordance with the BoT's notification, the Bank is required to disclose the statements of cash flows of the asset management company included in the consolidated financial statements. The statements of cash flows of Standard Chartered (Thai) Asset Management Company Limited are as follows:

Standard Chartered (Thai) Asset Management Company Limited		For the years ended 31 December	
Statements of cash flows		2012	2011
		(in thousand Baht)	
Cash flows from operating activities			
Profit from operations before income tax expense		190,372	57,304
Adjustments to reconcile net profit to net cash provided by (used in) operating activities			
Loss from write off of fixed assets		149	-
Depreciation		265	809
Impairment loss of debt securities		12,612	40,122
Net gains on investments		-	(54,138)
Net profit on foreign exchange transactions		(582)	(12,278)
Provision for employee benefit obligations		1,790	829
Net interest income		(385,489)	(217,974)
Interest received		745,763	519,240
Interest paid		(370,916)	(257,037)
Income tax paid		(105,727)	(99,086)
Profit (loss) from operations before changes in operating assets and liabilities		88,237	(22,209)
(Increase) decrease in operating assets			
Intercompany and money market items		49,791	(171,713)
Investments		2,207,844	(2,056,728)
Loans to customers		(940,097)	(104,488)
Deposits		(569)	425,527
Other receivables		33,563	12,291
Amount due from related parties		29,937	5,146
Other assets		1,492	(2,438)
Increase (decrease) in operating liabilities			
Accounts payable		(330)	(1,296)
Other payable to related party		(40,458)	17,133
Advance from asset purchaser		348,552	57,713
Employee benefit obligations		(3,821)	-
Accrued expenses and other liabilities		332	27,385
Net cash provided by (used in) operating activities		1,774,473	(1,813,677)
Cash flows from investing activity			
Purchase of equipment		(187)	(188)
Net cash used in investing activity		(187)	(188)
Cash flows from financing activities			
Proceeds from borrowings of intercompany and money market items		-	3,435,805
Repayments of borrowings of intercompany and money market items		(1,774,302)	(1,621,942)
Net cash (used in) provided by financing activities		(1,774,302)	1,813,863
Net decrease in cash		(16)	(2)
Cash at beginning of the year		18	20
Cash at end of the year		2	18

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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16 Troubled debt restructuring

During the years ended 31 December 2012 and 2011, details of restructured debts as at the date of restructuring, classified by the restructuring method were as follows:

Consolidated and Bank only				
2012				
Restructuring method	Terms of debt restructuring agreements	No. of customers	Amount of debt before restructuring (in million Baht)	Amount of debt after restructuring
Modification of terms and conditions	Over 5 months to 27 years 10 months	252	338	335
Total		252	338	335

Consolidated and Bank only				
2011				
(Restated)				
Restructuring method	Terms of debt restructuring agreements	No. of customers	Amount of debt before restructuring (in million Baht)	Amount of debt after restructuring
Modification of terms and conditions	Over 1 year to 26 years	491	391	316
Total		491	391	316

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 subsidiaries had outstanding balances of restructured debt at the end of the year as follows:

Consolidated and Bank only		
	2012	2011
	(in million Baht)	
Troubled restructured debt	1,094	1,325

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

Consolidated and Bank only		
	2012	2011
	(in million Baht)	
The loss incurred arising from restructuring, before allowance for doubtful accounts	3	3

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 subsidiaries had no loss on debt restructuring for the years ended 31 December 2012 and 2011.

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

	Consolidated and Bank only	
	2012	2011
	<i>(in million Baht)</i>	
Interest income	133	325

17 Allowance for doubtful accounts

	Consolidated						Total
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance	
	2012						
	<i>(in million Baht)</i>						
Balance at beginning of the year	519	9	172	1,647	1,321	1,103	4,771
Allowance for doubtful accounts	88	49	123	(1,621)	3,367	654	2,660
Bad debt written off					(1,347)		(1,347)
Others	-	-	-	-	82	-	82
Balance at end of the year	607	58	295	26	3,423	1,757	6,166

	Bank only						Total
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance	
	2012						
	<i>(in million Baht)</i>						
Balance at beginning of the year	575	9	172	1,647	1,321	1,047	4,771
Allowance for doubtful accounts	81	49	123	(1,621)	3,367	661	2,660
Bad debt written off					(1,347)		(1,347)
Others	-	-	-	-	82	-	82
Balance at end of the year	656	58	295	26	3,423	1,708	6,166

	Consolidated						Total
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance	
	2011						
	(Restated)						
	<i>(in million Baht)</i>						
Balance at beginning of the year	489	56	131	73	1,171	1,342	3,262
Allowance for doubtful accounts	30	(47)	41	1,574	1,065	(239)	2,424
Bad debt written off	-	-	-	-	(915)	-	(915)
Balance at end of the year	519	9	172	1,647	1,321	1,103	4,771

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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	Bank only 2011					
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance
	<i>(in million Baht)</i>					
Balance at beginning of the year	538	56	131	73	1,171	1,293
Allowance for doubtful accounts	37	(47)	41	1,574	1,065	(246)
Bad debt written off	-	-	-	-	(915)	-
Balance at end of the year	575	9	172	1,647	1,321	1,047

Impairment loss of loans and debt securities recorded in the consolidated financial statement representing allowance for doubtful accounts, impairment of investment in transferred debt, and net of bad debts recovered.

	Consolidated		Bank only	
	2012	2011	2012	2011
	<i>(Restated)</i>			
	<i>(in million Baht)</i>			
Allowance for doubtful accounts	2,660	2,424	2,660	2,424
Impairment of investments in receivables	13	40	-	-
Less bad debts recovered	(746)	(652)	(745)	(652)
Impairment loss of loans and debt securities	1,927	1,812	1,915	1,772

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Notes to the financial statements

18 Properties for sale

The details of properties for sale are as follows:

Consolidated and Bank only				
2012				
	Beginning balance	Increase	Disposals	Ending balance
		<i>(in million Baht)</i>		
Assets acquired from debt repayment				
Immovable property				
- Appraised by external appraisal	8	-	-	8
Movable property				
- Appraised by external appraisal	3	5	(7)	1
Total	11	5	(7)	9
Transfer from premises and equipment	100	-	(49)	51
Total properties for sale	111	5	(56)	60
Less allowance for impairment	(36)	(6)	22	(20)
Properties for sale, net	75	(1)	(34)	40

Consolidated and Bank only				
2011				
	Beginning balance	Increase	Disposals	Ending balance
		<i>(in million Baht)</i>		
Assets acquired from debt repayment				
Immovable property				
- Appraised by external appraisal	8	-	-	8
Movable property				
- Appraised by external appraisal	2	3	(2)	3
Total	10	3	(2)	11
Transfer from premises and equipment	100	42	(42)	100
Total properties for sale	110	45	(44)	111
Less allowance for impairment	(30)	(29)	23	(36)
Properties for sale, net	80	16	(21)	75

19 Premises and equipment

Consolidated
20122011
(Restate)

As at 31 December 2012, the Bank and its subsidiaries had premises and equipment still in use, which have been fully depreciated, with an original cost of Baht 1,033 million (2011: Baht 941 million).

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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	Changes in cost during the year			Changes in accumulated depreciation during the year				Allowance for impairment	Premises and equipment, net
	Beginning balance	Purchases and transfers in	Disposals and transfers out	Ending balance	Beginning balance	Depreciation	Disposals and transfers out		
						(in million Baht)			
Land	44	-	(8)	36	-	-	-	(9)	27
Freehold premises	1,980	-	(63)	1,917	752	53	(15)	(430)	697
Equipment	1,251	10	(64)	1,197	1,071	69	(63)	-	120
Others	9	23	(2)	30	-	-	-	-	30
Total	3,284	33	(137)	3,180	1,823	122	(78)	(439)	874

As at 31 December 2012, the Bank and its subsidiaries had net book value of equipment under finance leases of Baht 12 million (2011: Baht 21 million).

As at 31 December 2012, the Bank had premises and equipment still in use, which have been fully depreciated, with an original cost of Baht 1,032 million (2011: Baht 940 million).

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Notes to the financial statements

20 Deferred tax

Deferred tax assets and liabilities determined after appropriate offsetting are included in the statement of financial position as follows:

	31 December 2012	Consolidated 31 December 2011 (Restated) <i>(in million Baht)</i>	1 January 2011 (Restated)
Deferred tax assets	563	741	1,289
Deferred tax liabilities	(19)	(15)	(22)
Net	544	726	1,267

	31 December 2012	Bank only 31 December 2011 (Restated) <i>(in million Baht)</i>	1 January 2011 (Restated)
Deferred tax assets	414	626	1,266
Deferred tax liabilities	(30)	(15)	(22)
Net	384	611	1,244

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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Movements in total deferred tax assets and liabilities during the years ended 31 December 2012 and 2011 were as follows:

	At 1 January 2012 (Restated)	Consolidated (Charged) / Credited to:		At 31 December 2012
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
<i>Deferred tax assets</i>				
Investments	120	51	(24)	147
Loans and accrued interest receivable	269	(174)	-	95
Premises and equipment	112	(12)	-	100
Intangible assets	3	(1)	-	2
Other assets	62	(1)	-	61
Provisions	113	4	3	120
Other liabilities	62	(24)	-	38
Total	741	(157)	(21)	563
<i>Deferred tax liabilities</i>				
Properties for sale	(14)	7	-	(7)
Cash flow hedges	(1)	-	(11)	(12)
Total	(15)	7	(11)	(19)
Net	726	(150)	(32)	544

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

	At 1 January 2011 (Restated)	Consolidated (Charged) / Credited to:		At 31 December 2011 (Restated)
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
<i>Deferred tax assets</i>				
Investments	141	10	(31)	120
Loans and accrued interest receivable	667	(398)	-	269
Premises and equipment	183	(71)	-	112
Intangible assets	4	(1)	-	3
Other assets	88	(26)	-	62
Provisions	104	7	2	113
Other liabilities	94	(32)	-	62
Cash flow hedges	8	-	(8)	-
Total	1,289	(511)	(37)	741
<i>Deferred tax liabilities</i>				
Properties for sale	(22)	8	-	(14)
Cash flow hedges	-	-	(1)	(1)
Total	(22)	8	(1)	(15)
Net	1,267	(503)	(38)	726

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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	At 1 January 2012 (Restated)	Bank only (Charged) / Credited to:		At 31 December 2012
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
<i>Deferred tax assets</i>				
Investments	14	(1)	(13)	-
Loans and accrued interest receivable	269	(174)	-	95
Premises and equipment	112	(12)	-	100
Intangible assets	3	(1)	-	2
Other assets	62	(1)	-	61
Provisions	110	4	3	117
Other liabilities	56	(17)	-	39
Total	626	(202)	(10)	414
<i>Deferred tax liabilities</i>				
Investments	-	-	(11)	(11)
Properties for sale	(14)	7	-	(7)
Cash flow hedges	(1)	-	(11)	(12)
Total	(15)	7	(22)	(30)
Net	611	(195)	(32)	384

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

	At 1 January 2011 (Restated)	Bank only (Charged) / Credited to:		At 31 December 2011 (Restated)
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
Deferred tax assets				
Investments	121	(76)	(31)	14
Loans and accrued interest receivable	667	(398)	-	269
Premises and equipment	183	(71)	-	112
Intangible assets	4	(1)	-	3
Other assets	88	(26)	-	62
Provisions	101	7	2	110
Other liabilities	94	(38)	-	56
Cash flow hedges	8	-	(8)	-
Total	1,266	(603)	(37)	626
Deferred tax liabilities				
Properties for sale	(22)	8	-	(14)
Cash flow hedges	-	-	(1)	(1)
Total	(22)	8	(1)	(15)
Net	1,244	(595)	(38)	611

21 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.

22 Other assets

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Accrued interest and income receivable	614	463	614	463
Prepayments	37	44	35	43
Leasehold premises, net	28	31	28	31
Prepaid tax	379	411	379	411
Others	211	243	185	152
Total	1,269	1,192	1,241	1,100

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

23 Deposits

Classified by type of deposits

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Current	4,464	7,777	4,466	7,783
Savings	75,340	47,718	75,593	48,035
Term				
- Less than 6 months	10,514	11,256	10,607	11,256
- 6 months to less than 1 year	9,203	8,362	9,203	8,362
- 1 year and over	14,707	22,779	14,707	22,779
Total	114,228	97,892	114,576	98,215

Classified by currency and residence of depositors

	Consolidated				Bank only	
	2012		2011 (Restated)		2011 (Restated)	
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	106,199	2,644	108,843	89,213	1,923	91,136
US Dollar	4,421	577	4,998	4,504	1,784	6,288
Other currencies	296	91	387	360	108	468
Total	110,916	3,312	114,228	94,077	3,815	97,892

	Bank only				Bank only	
	2012		2011 (Restated)		2011 (Restated)	
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Thai Baht	106,547	2,644	109,191	89,536	1,923	91,459
US Dollar	4,421	577	4,998	4,504	1,784	6,288
Other currencies	296	91	387	360	108	468
Total	111,264	3,312	114,576	94,400	3,815	98,215

As at 31 December 2012, there are no structured deposits that are not designated at fair value in the consolidated and Bank only financial statements (2011: 175 million).

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Notes to the financial statements

24 Interbank and money market items (liabilities)

	Consolidated					
	2012			2011 (Restated)		
	At call	Term	Total (in million Baht)	At call	Term	Total
<i>Domestic</i>						
Commercial banks	-	24,577	24,577	-	21,800	21,800
Special financial institutions	-	307	307	-	7,980	7,980
Other financial institutions	6,101	5,943	12,044	2,437	9,920	12,357
Total domestic	6,101	30,827	36,928	2,437	39,700	42,137
<i>Foreign</i>						
US Dollar	54	9,343	9,397	-	1,141	1,141
Thai Baht	8,320	-	8,320	4,988	-	4,988
Japanese Yen	142	-	142	-	-	-
Chinese Yen	-	123	123	-	-	-
Total foreign	8,516	9,466	17,982	4,988	1,141	6,129
Total domestic and foreign	14,617	40,293	54,910	7,425	40,841	48,266
Bank only						
	2012			2011		
	At call	Term	Total (in million Baht)	At call	Term	Total
<i>Domestic</i>						
Commercial banks	-	24,577	24,577	-	21,800	21,800
Special financial institutions	-	307	307	-	7,980	7,980
Other financial institutions	6,101	5,943	12,044	2,437	9,920	12,357
Total domestic	6,101	30,827	36,928	2,437	39,700	42,137
<i>Foreign</i>						
US Dollar	54	9,343	9,397	-	-	-
Thai Baht	8,320	-	8,320	4,988	-	4,988
Japanese Yen	142	-	142	-	-	-
Chinese Yen	-	123	123	-	-	-
Total foreign	8,516	9,466	17,982	4,988	-	4,988
Total domestic and foreign	14,617	40,293	54,910	7,425	39,700	47,125

25 Debt issued and borrowings

The Bank has a program to issue and offer debentures to the public and/or institutional investors for a total amount not exceeding Baht 40,000 million, or equivalent thereof in other currencies, with a maximum maturity of five years in accordance with the law and as authorised by the shareholders. The debentures may be issued and offered in one or more tranches and may be offered at any time. If the Bank has redeemed or repurchased any debentures issued in accordance with the above mentioned authorised amount, the Bank can issue new debentures as a replacement of such redeemed or repurchased debentures (on a revolving basis). The debentures may be offered to the public and/or institutional investors in accordance with the relevant notifications of the Office of the Securities and Exchange Commission.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

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The management of the Bank was given authority to determine the detailed terms and conditions, such as issue size, interest rate, subscription period, security or guarantee, offering or allocation method, appointment of underwriter or registrar and to perform all such acts which are necessary for the purpose of implementing and facilitating the issue and offer of debentures.

As at 31 December 2012 and 2011, debt issued and borrowings balances are denominated in Thai Baht with forms as follows:

Consolidated						
	2012			2011		
	Maturity	Interest rate	Amount	Maturity	Interest rate	Amount
		(%)	(in million Baht)		(%)	(in million Baht)
Debentures	2013	2.20% - 2.88%	5,674	2012	3.05% - 3.50%	16,104
Bills of exchange	2013	3.25% - 3.75%	104	2011-2012	2.33% - 4.50%	19,143
Structured notes	2015	0.00% - 6.25%	1,000	2012-2015	0.00% - 29.19%	1,104
Total			6,778			36,351

Bank only						
	2012			2011		
	Maturity	Interest rate	Amount	Maturity	Interest rate	Amount
		(%)	(in million Baht)		(%)	(in million Baht)
Debentures	2013	2.20% - 2.88%	5,674	2012	3.05% - 3.50%	16,104
Bills of exchange	2013	3.25% - 3.75%	104	2011-2012	2.33% - 4.50%	19,217
Structured notes	2015	0.00% - 6.25%	1,000	2012-2015	0.00% - 29.19%	1,104
Total			6,778			36,425

As at 31 December 2012, structured notes that are not designated at fair value in the consolidated and Bank only financial statements amounted to Baht 1,000 million (2011: Baht 1,104 million).

26 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.

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Notes to the financial statements

27 Employee benefit obligations

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Statements of financial position obligations for:				
Defined benefit obligations	<u>322</u>	<u>269</u>	<u>313</u>	<u>262</u>

	Consolidated		Bank only	
<i>Year ended 31 December</i>	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Statements of comprehensive income recognised in profit or loss:				
Defined benefit obligations	<u>38</u>	<u>36</u>	<u>37</u>	<u>35</u>
Recognised in other comprehensive income:				
Actuarial losses on defined benefit plans	<u>16</u>	<u>11</u>	<u>15</u>	<u>10</u>

The Bank and its subsidiaries have defined benefit obligations in accordance with the requirement of the Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The statements of financial position obligation was determined as follows:

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Present value of unfunded obligations	<u>322</u>	<u>269</u>	<u>313</u>	<u>262</u>
Statements of financial position obligation	<u>322</u>	<u>269</u>	<u>313</u>	<u>262</u>

Movement in the present value of the defined benefit obligations:

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Defined benefit obligations at 1 January	269	224	262	219
Benefit paid by the plan	(1)	(2)	(1)	(2)
Current service costs and interest	38	36	37	35
Actuarial losses in other comprehensive income	<u>16</u>	<u>11</u>	<u>15</u>	<u>10</u>
Defined benefit obligations at 31 December	<u>322</u>	<u>269</u>	<u>313</u>	<u>262</u>

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The expense is recognised in the following line items in the statement of comprehensive income:

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
	<i>(in million Baht)</i>			
Employee expense				
- Current service costs	29	28	28	27
- Interest on obligation	9	8	9	8
Total	38	36	37	35

Actuarial losses recognised in other comprehensive income

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
	<i>(in million Baht)</i>			
Recognised during the year	16	11	15	10
At 31 December	16	11	15	10

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Consolidated and Bank only	
	2012	2011
	<i>(%)</i>	
Discount rate	3.50%	3.40%
Future average salary increases	5.00%	5.00%
Turnover rate	0% - 50%	0% - 30%

Assumptions regarding future mortality are based on published statistics and mortality tables.

The Bank and its subsidiaries have established contributory provident funds for their employees. Membership of the funds is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 10% of their basic salaries and by the Bank and its subsidiaries 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, therefore, they are not included in the statements of financial position.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

28 Share-based payments

The Bank and its subsidiaries participate in cash settled share-based compensation under the following schemes:

1997/2006 Restricted Share Scheme (2006 RSS)/ 2007 Supplementary Restricted Share Scheme (2007 SRSS)

The RSS/ SRSS is an incentive scheme offered to high performing employees at any level of the organization and is principally used as a vehicle for deferring part of the annual performance award for certain employees. Typically, half of the award vests two years after the date of grant and the remaining balance after three years.

For those awards deferred as part of the deferred annual performance award, different arrangements apply. Awards granted in March 2011 as the deferred element of annual performance awards vest in three equal tranches on the first, second and third anniversary.

Both 2006 RSS and 2007 SRSS are now replaced by the 2011 Plan.

Valuation

The fair value of awards is based on the market value less an adjustment to take into account the expected dividends over the vesting period.

2001 Performance Share Plan (2001 PSP)

The 2001 PSP is designed to be an intrinsic part of total remuneration for the Bank and its subsidiaries' executive directors and for a small number of the Bank and its subsidiaries' most senior executives. It is an internationally competitive long-term incentive plan that focuses executives on meeting and exceeding the long-term performance targets of the Standard Chartered Group.

Valuation

The fair value of awards is based on the same principles as the Total Shareholder Return (TSR) and Earning Per Share (EPS) element of performance shares granted under the 2011 Plan with half the awards subject to the TSR valuation and the balance subject to the EPS valuation.

Currently, no further 2001 PSP awards can be granted under the plan.

2011 Standard Chartered Share Plan

The 2011 Standard Chartered Share Plan replaced all existing discretionary share plan arrangements following approval by shareholders at the Group's Annual General Meeting on 5 May 2011. The new plan can grant a variety of discretionary awards including performance share awards (PSA) and restricted share awards (RSA).

For PSAs, in addition to the performance conditions which applied to the existing 2001 PSP of Total Shareholder Return (TSR) and Earnings per Share (EPS), Return on Risk Weighted Assets (RoRWA) has been included. PSAs and RSAs will generally be in the form of nil price options to acquire shares in Standard Chartered PLC. The remaining life of the Plan is nine years.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

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All Employee Sharesave Schemes (Sharesave)

Under these Sharesave schemes, employees have the choice of opening a three-year or five-year savings contract. Contribution (saving) amount will determine number of options granted. Within a period of six months after the third or fifth anniversary, as appropriate, employees can decide to exercise their options to receive a payment equal to any increase in value of Standard Chartered PLC share price units less any withholding tax and stock broking commission charges.

Valuation

Options under the Sharesave schemes are valued using a binomial option-pricing model.

The expected volatility is based on historical volatility over the last three to five years, or three to five years prior to grant. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant. Where two amounts are shown for volatility, risk free rates, expected dividend yield and fair values, the first relates to a three year vesting period and the second to a five year vesting period.

The fair value and the assumptions used in the calculation are as follow:

<i>Grant date</i>	2012		
	December	October	March
Share price at grant date (£)	15.84	13.95	15.65
Vesting period (years)	1-4	3	1-3
Expected dividend yield (%)	3.7	3.1	0-3.8
Fair value (£)	14.46	3.28	1.85-15.65
Exercise price (£)	-	11.40	-
Expected volatility (%)	-	29.8	-
Expected option life (years)	-	3.33	-
Risk free rate (%)	-	0.4	-

The expected dividend yield is based on the historical dividend yield for three years prior to grant.

<i>Grant date</i>	2011		
	October	May	March
Share price at grant date (£)	14.11	16.31	16.82
Vesting period (years)	3-5	3	1-3
Expected dividend yield (%)	3.5-3.9	3.7	2.8-4.1
Fair value (£)	5.39-5.46	1.91-4.87	15.22-16.82
Exercise price (£)	10.65	-	-
Expected volatility (%)	45.8-53.8	-	-
Expected option life (years)	3.33-5.33	-	-
Risk free rate (%)	0.9-1.4	-	-

The expected dividend yield is based on the historical dividend yield for three years prior to grant.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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A reconciliation of movements for the years ended 31 December 2012 and 2011 shown below:

	RSS/SRSS	Consolidated (Restated)		Sharesave
		PSP	RSA/PSA	
		No. of shares		
Outstanding at 1 January 2011	250,991	52,698	-	646,453
Granted	37,656	-	14,216	263,523
Lapsed	(4,122)	(6,368)	-	(86,296)
Exercised	(84,022)	(9,836)	-	(138,284)
Outstanding at 31 December 2011 and 1 January 2012	200,503	36,494	14,216	685,396
Granted	-	-	54,225	209,182
Additional shares for SC PLC rights issue	956	-	-	-
Lapsed	(25,434)	(5,056)	(2,148)	(98,896)
Exercised	(66,301)	(21,501)	-	(179,324)
Outstanding at 31 December 2012	109,724	9,937	66,293	616,358
Weighted average remaining contractual life 2012	3.46 years	6.05 years	6.87 years	2.04 years
Weighted average remaining contractual life 2011	4.34 years	6.72 years	9.44 years	2.08 years
Exercisable 2012	74,959	9,937	-	66,393
Exercisable 2011	68,209	8,472	-	97,789
		Bank Only		
	SS/SRSS	PSP	RSA/PSA	Sharesave
		No. of shares		
Outstanding at 1 January 2011	246,627	52,698	-	613,232
Granted	36,305	-	14,216	250,837
Lapsed	(4,122)	(6,368)	-	(84,639)
Exercised	(81,999)	(9,836)	-	(128,433)
Outstanding at 31 December 2011 and 1 January 2012	196,811	36,494	14,216	650,997
Granted	-	-	52,308	199,759
Additional shares for SC PLC rights issue	862	-	-	-
Lapsed	(25,433)	(5,056)	(2,148)	(88,042)
Exercised	(66,301)	(21,501)	-	(174,305)
Outstanding at 31 December 2012	105,939	9,937	64,376	588,409
Weighted average remaining contractual life 2012	3.95 years	6.05 years	7.53 years	2.37 years
Weighted average remaining contractual life 2011	4.58 years	6.72 years	9.44 years	2.27 years
Exercisable 2012	72,721	9,937	-	64,909
Exercisable 2011	67,577	8,472	-	96,551

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

29 Provisions

	Consolidated (Restated)			
	Employee benefits	Share-based payment	Contingent liabilities	Total
	<i>(in million Baht)</i>			
At 1 January 2011	224	252	121	597
Provisions made	47	19	158	224
Provisions used	(2)	(247)	-	(249)
Provisions reversed	-	(3)	(4)	(7)
At 31 December 2011 and 1 January 2012	269	21	275	565
Provisions made	54	74	2	130
Provisions used	(1)	(21)	-	(22)
Provisions reversed	-	(19)	(80)	(99)
At 31 December 2012	322	55	197	574

	Bank only			
	Employee benefits	Share-based payment	Contingent liabilities	Total
	<i>(in million Baht)</i>			
At 1 January 2011	219	246	121	586
Provisions made	45	19	158	222
Provisions used	(2)	(243)	-	(245)
Provisions reversed	-	(3)	(4)	(7)
At 31 December 2011 and 1 January 2012	262	19	275	556
Provisions made	52	71	2	125
Provisions used	(1)	(18)	-	(19)
Provisions reversed	-	(19)	(80)	(99)
At 31 December 2012	313	53	197	563

30 Other liabilities

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Withholding tax payable	422	200	422	199
VAT payable	9	7	8	7
Other payables	322	335	321	292
Accrued interest payable	311	321	311	316
Others	960	389	554	330
Total	2,024	1,252	1,616	1,144

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

31 Share capital

	Par value per share (in Baht)	Consolidated and Bank only			
		2012	2011	2012	2011
		Number	Amount	Number	Amount
		(in million shares / million Baht)			
<i>Authorised</i>					
At 1 January - ordinary shares	10	1,484	14,843	1,484	14,843
At 31 December - ordinary shares	10	<u>1,484</u>	<u>14,843</u>	<u>1,484</u>	<u>14,843</u>
<i>Issued and paid-up</i>					
At 1 January - ordinary shares	10	1,484	14,837	1,484	14,837
At 31 December - ordinary shares	10	<u>1,484</u>	<u>14,837</u>	<u>1,484</u>	<u>14,837</u>

32 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2012 and 2011 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	
	2012	2011	2012	2011
		(Restated)		(Restated)
		(in million Baht / million shares)		
Profit for the years attributable to equity holders of the Bank (basic)	<u>3,245</u>	<u>2,998</u>	<u>3,085</u>	<u>3,004</u>
Number of ordinary shares outstanding	<u>1,484</u>	<u>1,484</u>	<u>1,484</u>	<u>1,484</u>
Basic earnings per share (in Baht)	<u>2.19</u>	<u>2.02</u>	<u>2.08</u>	<u>2.02</u>

33 Dividends

At the annual general meeting of the shareholders of the Bank held on 25 April 2012, the shareholders approved the appropriation of dividend Baht 0.84 per share, amounting to Baht 1,246 million. The dividends were paid to shareholders in May 2012.

At the annual general meeting of the shareholders of the Bank held on 12 April 2011, the shareholders approved the appropriation of dividend of Baht 0.51 per share, amounting to Baht 757 million. The dividends were paid to shareholders in May 2011.

34 Reserves

Share premium

Section 51 of the Public Limited Company Act B.E. 2535 requires companies 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

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Legal reserve

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

Other reserves

Fair value change in available-for-sale investments

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

Cash flow hedges

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

Movement in reserves

Movements in reserves are shown in the statement of changes in equity.

35 Contingent liabilities

	Consolidated and Bank only	
	2012	2011
	<i>(in million Baht)</i>	
Guarantees of loans	3,588	165
Liability under unmatured import bills	1,114	1,142
Letters of credit	3,063	5,544
<i>Other contingencies</i>		
- Unused credit line of overdrafts	10,341	10,397
- Other letters of guarantee	22,287	26,474
- Unused credit line - other	384,147	465,011
	<u>416,775</u>	<u>501,882</u>
Total	<u>424,540</u>	<u>508,733</u>

Litigation

As at 31 December 2012, the Bank has received claims in respect of letters of guarantee and other items totaling Baht 996 million (excluding interest) (2011: Baht 1,035 million). Litigation is pending and the Bank has recorded provision for possible loss from these claims of Baht 170 million as at 31 December 2012 (2011: Baht 166 million).

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

36 Related party transactions and balances

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 related parties were as follows:

Name of entity	Country of incorporation/ nationality	Nature of relationship
Standard Chartered PLC	United Kingdom	Ultimate parent company of the Bank and its subsidiaries
Standard Chartered Bank	United Kingdom	Immediate parent company of the Bank and its subsidiaries
Standard Chartered (Thai) Asset Management Company Limited	Thailand	Subsidiary, 99.9988% shareholding, 50% of directors are representative of the Bank
Thai Exclusive Leasing Company Limited	Thailand	Subsidiary, 99.9999% shareholding, more than 50% of directors are representative of the Bank
Standard Chartered (Thailand) Limited	Thailand	Affiliated company of Standard Chartered Group
Resolution Alliance Limited	Thailand	Affiliated company of Standard Chartered Group
Standard Chartered Securities (Hong Kong) Limited	Hong Kong	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
Standard Chartered (GCT) Limited	United Kingdom	Affiliated company of Standard Chartered Group
Standard Chartered Strategic Brand Management Limited	United Kingdom	Affiliated company of Standard Chartered Group
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiaries

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

<i>Transactions</i>	<i>Pricing policies</i>
Interest rate	Based on market rate
Services	Contractually agreed price
Derivatives	Based on market price

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

Significant transactions with related parties

Significant transactions with related parties for the years ended 31 December 2012 and 2011 are summarised as follows:

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
	<i>(in million Baht)</i>			
Interest income	274	57	580	354
Interest expenses	69	64	18	62
Fee and service income	5	2	5	2
Fee and service expenses	23	36	173	169
(Gains) Losses on trading and foreign exchange Transactions	839	3,469	853	3,474
<i>Other operating income</i>				
Dividend income	-	-	21	25
Service agreements	5	6	57	68
Rental income	-	-	6	6
<i>Other operating expenses</i>				
Service agreements	484	462	484	462
Outsourcing of processing activities	36	32	36	32
Trademark license fee	177	164	177	164
Reimbursable direct expenses to / (from) related parties	71/(45)	63/(62)	71/(45)	63/(62)

Significant balances and business transactions with executives and business entities

Significant balances and business transactions with executive directors and authorised 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 2012 and 2011 were as follows:

	Consolidated and Bank only			
	2012		2011	
	At end of year	Average	At end of year	Average
	<i>(in million Baht)</i>			
<i>Loans to customers</i>				
To executive directors and authorised management, including their related parties	<u>2,311</u>	<u>2,443</u>	<u>2,822</u>	<u>243</u>
<i>Deposits</i>				
From executive directors and authorised management, including their related parties	<u>225</u>	<u>183</u>	<u>158</u>	<u>161</u>
<i>Borrowing</i>				
From executive directors and authorised management, including their related parties	<u>-</u>	<u>26</u>	<u>48</u>	<u>48</u>

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

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
<i>Interbank and money market items (assets)</i>				
Standard Chartered Bank	<u>13,533</u>	<u>13,573</u>	<u>13,533</u>	<u>13,573</u>
<i>Derivative assets (marked to market value)</i>				
Standard Chartered Bank	<u>5,608</u>	<u>5,545</u>	<u>5,608</u>	<u>5,545</u>
<i>Loans to customers and accrued interest receivable</i>				
Resolution Alliance Limited	241	327	241	327
Standard Chartered (Thai) Asset Management Company Limited	-	-	4,971	5,624
Total	<u>241</u>	<u>327</u>	<u>5,212</u>	<u>5,951</u>
<i>Accrued income</i>				
Standard Chartered Bank	<u>5</u>	<u>11</u>	<u>5</u>	<u>11</u>
<i>Other assets</i>				
Resolution Alliance Limited	20	48	-	-
Standard Chartered Bank	-	1	-	-
Total	<u>20</u>	<u>49</u>	<u>-</u>	<u>-</u>
<i>Deposits</i>				
Resolution Alliance Limited	20	39	20	39
Standard Chartered (Thailand) Limited	9	11	9	11
Standard Chartered (Thai) Asset Management Company Limited	-	-	229	308
Standard Chartered Securities (Hong Kong) Limited	-	1	-	1
Thai Exclusive Leasing Company Limited	-	-	119	16
Total	<u>29</u>	<u>51</u>	<u>377</u>	<u>375</u>
<i>Interbank and money market items (liabilities)</i>				
Standard Chartered Bank	<u>10,146</u>	<u>1,677</u>	<u>10,146</u>	<u>536</u>
<i>Derivative liabilities (marked to market value)</i>				
Standard Chartered Bank	10,090	8,488	10,090	8,488
Standard Chartered (Thai) Asset Management Company Limited	-	-	-	12
Total	<u>10,090</u>	<u>8,488</u>	<u>10,090</u>	<u>8,500</u>

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

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
	<i>(in million Baht)</i>			
<i>Debt issued and borrowings</i>				
Standard Chartered (Thailand) Limited	349	349	349	349
Thai Exclusive Leasing Company Limited	-	-	-	75
Total	349	349	349	424
<i>Provisions</i>				
Standard Chartered Bank	55	19	54	19
<i>Accrued expenses</i>				
Standard Chartered Bank	484	468	484	468
Standard Chartered Strategic Brand Management Limited	174	166	174	166
Scope International Private Limited	2	7	2	7
Scope International (Malaysia) Sendirian Berhad	2	9	2	9
Scope International (China) Company Limited	1	-	1	-
Thai Exclusive Leasing Company Limited	-	-	14	14
Total	663	650	677	664
<i>Other liabilities</i>				
Standard Chartered Bank	8	50	9	4
<i>Letters of credit</i>				
Standard Chartered Bank	-	1	-	1
<i>Other letters of guarantee</i>				
Standard Chartered Bank	8,132	8,559	8,132	8,559
Standard Chartered (Thailand) Limited	3	3	3	3
Total	8,135	8,562	8,135	8,562
<i>Derivatives - Foreign currency related</i>				
Standard Chartered Bank	249,955	102,215	249,955	102,215
Standard Chartered (Thai) Asset Management Company Limited	-	-	-	1,141
Total	249,955	102,215	249,955	103,356
<i>Derivatives - Interest rate related</i>				
Standard Chartered Bank	357,135	194,790	357,135	194,790
<i>Derivatives - Commodities</i>				
Standard Chartered Bank	16,256	17,382	16,256	17,382

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

Notes to the financial statements

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
	<i>(in million Baht)</i>			
Key management personnel				
Short-term employee benefits	496	487	482	449
Post-employment benefits	7	7	6	6
Share-based payments	16	18	15	17
Total key management personnel compensation	519	512	503	472

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

License agreement

In 2008, the Bank entered into a non-exclusive license agreement with Standard Chartered Strategic Brand Management Limited, relating to the use by the Bank of the Standard Chartered name and logo and other marks in connection with its business in Thailand. The license fee is charged at a rate based on a percentage of Total Operating Income, in accordance with the terms in the agreement.

Services agreement

In 1999, the Bank entered into a Services Agreement with Standard Chartered Bank-UK relating to the provision of certain management and other services to the Bank by Standard Chartered Bank-UK, including the provision of certain centralized or regionalized services of the Standard Chartered Group.

On 9 August 2010, the Bank of Thailand issued the Notification Sor.Nor.Sor. 8/2553 re: Outsourcing Regulation, the main objective of which is to encourage financial institutions to upgrade operational capabilities and utilize limited resources in core activities as well as gain benefits from specialized expertise of service providers. The essence of such Notification is to improve the outsourcing guideline by adhering to the principle that if core activities of the financial institution are relevant to business decision-making, management responsibilities, checks and balances and risk management, the financial institution must conduct these activities by itself and cannot utilize outsourcing.

To fully comply with the Bank of Thailand Notification, in January 2011, the Bank completed a review of all services provided by Standard Chartered Bank-UK under the 1999 Services Agreement. The 1999 Services Agreement has been terminated and replaced with a new Services Agreement.

The new Services Agreement with Standard Chartered Bank-UK relates 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.

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

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Shared support function

The Bank entered into a Services Agreement with Standard Chartered (Thailand) Limited, Thai Exclusive Leasing Company Limited and Standard Chartered (Thai) Asset Management 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.

Outsourcing services

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

In 2008, the Bank entered into a collection service agreement with Thai Exclusive Leasing Company Limited. Thai Exclusive Leasing Company Limited provides debt collection services to the Bank. The fees are charged at contractually agreed prices in accordance with the collection service agreement.

37 Non-cancellable operating lease agreements

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

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
		(in million Baht)		
Within one year	98	102	96	100
After one year but within five years	182	164	181	160
After five years	82	108	82	109
Total	362	374	359	369

38 Thai Financial Reporting Standards (TFRS) not yet adopted

The Bank and its subsidiaries have not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial period beginning on or after 1 January 2013.

TFRS	Topic
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating segments

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the Bank and its subsidiaries' financial statements as follows:

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries

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TAS 21 (revised 2009) – The effects of changes in foreign exchange rates

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Bank and its subsidiaries is Thai Baht. Accordingly, the adoption of TAS 21 from 1 January 2013 is not expected to have a significant impact on the Bank and its subsidiaries' reported assets, liabilities or retained earnings.

TFRS 8 – Operating Segments

The principle change introduced by TFRS8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Bank's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Bank's financial statements.

39 The financial positions and result of operations classified by domestic and overseas business

As at 31 December 2012 and 2011, the Bank has not engaged in overseas business. The financial positions and results of the Bank's operations were derived from only domestic business.

40 Interest income

	Consolidated		Bank only	
	2012	2011	2012	2011
	(Restated)			
	(in million Baht)			
Interbank and money market items	1,901	2,930	1,901	2,930
Investments and trading transactions	238	154	238	154
Investments in debt securities	1,810	1,028	1,810	1,028
Investments in receivables	334	343	24	3
Loans to customers	9,428	8,152	9,299	8,269
Financial lease contracts	-	5	-	5
Total interest income	13,711	12,612	13,272	12,389

41 Interest expenses

	Consolidated		Bank only	
	2012	2011	2012	2011
	(Restated)			
	(in million Baht)			
Deposits	2,338	1,840	2,339	1,840
Interbank and money market items	1,536	1,428	1,481	1,423
Contribution to Deposits Protection Agency and Financial Institutions Development Fund	600	400	600	400
Debt issued and borrowings	590	785	592	787
Others	2	3	2	3
Total interest expenses	5,066	4,456	5,014	4,453

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42 Net fees and service income

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
		(in million Baht)		
<i>Fees and service income</i>				
Acceptance, avals and guarantees	145	151	145	151
Other	1,767	1,358	1,764	1,358
	1,912	1,509	1,909	1,509
<i>Fees and service expenses</i>	928	730	1,063	845
Net fees and service income	984	779	846	664

43 Gains on trading and foreign exchange transactions

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
		(in million Baht)		
<i>Gains on trading and foreign exchange transactions</i>				
Foreign currencies and foreign currency related derivatives	1,783	3,634	1,797	3,639
Interest rate related derivatives	145	(1,520)	145	(1,520)
Debt securities	120	(30)	120	(30)
Equity securities	(1)	-	(1)	-
	2,047	2,084	2,061	2,089
<i>Gains on hedging transactions</i>	26	52	26	52
Total	2,073	2,136	2,087	2,141

44 Gains on investments

	Consolidated		Bank only	
	2012	2011	2012	2011
		(Restated)		
		(in million Baht)		
<i>Gains (losses) on sales</i>				
Available-for-sale investments	131	39	131	39
General investments	(2)	9	(2)	9
Investments in receivables	48	127	-	-
Total gains on investments	177	175	129	48

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiaries
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45 Employee expenses

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
<i>Management</i>				
Wages and salaries	291	300	286	293
Pension costs - defined benefit plans	7	7	6	6
Share-based payment transactions	16	18	15	17
Others	205	187	196	156
	<u>519</u>	<u>512</u>	<u>503</u>	<u>472</u>
<i>Other employees</i>				
Wages and salaries	1,406	1,357	1,364	1,319
Pension costs - defined benefit plans	31	29	31	29
Share-based payment transactions	40	(6)	40	(6)
Others	856	740	832	713
	<u>2,333</u>	<u>2,120</u>	<u>2,267</u>	<u>2,055</u>
Total employee expenses	<u>2,852</u>	<u>2,632</u>	<u>2,770</u>	<u>2,527</u>

Defined benefit plans, defined contribution plans and share-based compensation plans

Details of the defined benefit plans and defined contribution plans are given in note 27.

Details of the share based payment plans are given in note 28.

46 Impairment loss of loans and debt securities

	Consolidated		Bank only	
	2012	2011 (Restated)	2012	2011
	<i>(in million Baht)</i>			
Interbank and money market items	(11)	14	(11)	14
Investment in receivables	13	40	-	-
Loans to customers	1,925	1,758	1,926	1,758
Total impairment loss of loans and debt securities	<u>1,927</u>	<u>1,812</u>	<u>1,915</u>	<u>1,772</u>

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

47 Income tax expenses

Income tax recognised in profit or loss

	Note	Consolidated		Bank only	
		2012	2011 (Restated)	2012	2011 (Restated)
		<i>(in million Baht)</i>			
Current tax expense					
Current year		887	599	769	424
Under (over) provided in prior years		22	(21)	32	(22)
		<u>909</u>	<u>578</u>	<u>801</u>	<u>402</u>
Deferred tax expense	20				
Movements in temporary differences		102	446	162	595
Income tax reduction - deferred		(13)	58	(21)	-
Under (over) provided in prior years - deferred		61	(1)	54	-
		<u>150</u>	<u>503</u>	<u>195</u>	<u>595</u>
Total income tax expense		<u>1,059</u>	<u>1,081</u>	<u>996</u>	<u>997</u>

Income tax recognised in other comprehensive income

	Consolidated					
	Before tax	2012 Tax (expense) benefit	Net of tax	Before tax	2011 Tax (expense) benefit	Net of Tax
	<i>(in million Baht)</i>					
Movements in temporary difference						
Cash flow hedges	57	(11)	46	30	(9)	21
Available-for-sale investments	119	(24)	95	117	(31)	86
Defined benefit plans	(16)	3	(13)	(11)	2	(9)
Total	<u>160</u>	<u>(32)</u>	<u>128</u>	<u>136</u>	<u>(38)</u>	<u>98</u>

	Bank only					
	Before tax	2012 Tax (expense) benefit	Net of tax	Before tax	2011 Tax (expense) benefit	Net of tax
	<i>(in million Baht)</i>					
Movements in temporary difference						
Cash flow hedges	57	(11)	46	30	(9)	21
Available-for-sale investments	119	(24)	95	117	(31)	86
Defined benefit plans	(15)	3	(12)	(10)	2	(8)
Total	<u>161</u>	<u>(32)</u>	<u>129</u>	<u>137</u>	<u>(38)</u>	<u>99</u>

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Reconciliation of effective tax rate

	Consolidated		2011	
	2012		(Restated)	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before total income tax expense		4,313		4,062
Income tax using the Thai corporation tax rate	23	992	30	1,218
Effect of income tax from subsidiaries		4		8
Income tax reduction – deferred		(13)		58
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(7)		(181)
Under (over) provided in prior years		83		(22)
Total	25	1,059	27	1,081

	Bank only		2011	
	2012		(Restated)	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before total income tax expense		4,081		4,001
Income tax using the Thai corporation tax rate	23	938	30	1,200
Income tax reduction – deferred		(21)		-
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(7)		(181)
Under (over) provided in prior years		86		(22)
Total	24	996	25	997

Income tax reduction - deferred

On 11 October 2011, the Cabinet passed a resolution regarding tax measures to increase Thailand's competitiveness and approved the reduction of the corporate income tax rate from 30% to 23% of net taxable profit for the accounting period 2012 which ends on or after 31 December 2012 and to 20% of net taxable profit for the accounting period which begins on or after 1 January 2013 and onwards.

In order to give effect to the above Cabinet resolution, the Government has issued a Royal Decree under the Revenue Code regarding the Reduction and Exemption in Income Taxes (No. 530) B.E. 2554 to reduce the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively. It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution.

Such announcement on the reduction of income tax rate has an impact on the measurement of deferred tax assets and deferred tax liabilities since Thai Accounting Standard No. 12 *Income Taxes* paragraph 47 states that deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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The Federation of Accounting Professions has considered this matter and has resolved that the substantively enacted tax rates which should be applied in measuring deferred tax assets and liabilities shall be the reduced rates as approved by the Cabinet; i.e. 23% shall be applied for the accounting period 2012 and 20% shall be applied for accounting periods 2013 onwards.

48 Reclassification of accounts

Certain accounts in the statements of financial position as at 1 January 2011 and 31 December 2011 and statements of comprehensive income for the year ended 31 December 2011, which are included in the 2012 financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2012 financial statements. The significant reclassifications are as follows:

		2011 Consolidated	
	Before reclassification	Reclassification	After reclassification (Before acquisition)
		(in million Baht)	
Statements of financial position			
as at 1 January 2011			
Provisions	613	(20)	593
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	-	4,676	4,676
Accrued expenses	-	1,602	1,602
Other liabilities	7,708	(6,258)	1,450
		<u>-</u>	
		2011 Bank only	
	Before reclassification	Reclassification	After reclassification
		(in million Baht)	
Statements of financial position			
as at 1 January 2011			
Provisions	605	(19)	586
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	-	4,676	4,676
Accrued expenses	-	1,608	1,608
Other liabilities	7,712	(6,265)	1,447
		<u>-</u>	

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		2011	
	Before	Consolidated	After
	reclassification	Reclassification	reclassification
		(in million Baht)	(Before acquisition)
<i>Statements of financial position</i>			
<i>as at 31 December 2011</i>			
Provisions	580	(20)	560
Accounts payable from purchase of investments	12,779	13	12,792
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	-	3,037	3,037
Accrued expenses	-	1,707	1,707
Other liabilities	5,882	(4,737)	1,145
		<u>-</u>	
2011			
		Bank only	
	Before	Reclassification	After
	reclassification	(in million Baht)	reclassification
<i>Statements of financial position</i>			
<i>as at 31 December 2011</i>			
Provisions	576	(20)	556
Accounts payable from purchase of investments	12,779	13	12,792
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	-	3,037	3,037
Accrued expenses	-	1,711	1,711
Other liabilities	5,885	(4,741)	1,144
		<u>-</u>	
<i>Statements of comprehensive income for the year ended 31 December 2011</i>			
Fees and service expenses	695	150	845
Service agreements	612	(150)	462
		<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classifications are more appropriate to the Bank and its subsidiaries' business.