

Credit Suisse Securities (Thailand) Limited

Financial statements for the year ended
31 December 2019
and
Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of Credit Suisse Securities (Thailand) Limited

Opinion

I have audited the financial statements of Credit Suisse Securities (Thailand) Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

A.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(Aorapin Sinthawornkul)
Certified Public Accountant
Registration No. 9441

KPMG Phoomchai Audit Ltd.
Bangkok
27 March 2020

Credit Suisse Securities (Thailand) Limited

Statement of financial position

		31 December	
Assets	<i>Note</i>	2019	2018
<i>(in thousand Baht)</i>			
Cash and cash equivalents	5	4,771,153	4,513,282
Receivables from Clearing House and broker - dealers	6, 24	388,764	907,267
Securities and derivatives business receivables	7, 24	1,812,949	1,773,242
General investment		668	257
Leasehold building improvements and equipment		156,569	13,652
Intangible assets		2,314	1,209
Deferred tax assets	8	19,804	22,534
Other assets	9, 24	235,905	179,642
Total assets		<u>7,388,126</u>	<u>7,411,085</u>
Liabilities and equity			
<i>Liabilities</i>			
Payables to Clearing House and broker - dealers	10, 24	723,674	1,293,156
Securities and derivatives businesses payables	11, 24	1,039,344	1,016,662
Income tax payable		52,959	30,012
Provision for employee benefits	12	66,061	54,666
Other liabilities	13, 24	251,084	142,380
Total liabilities		<u>2,133,122</u>	<u>2,536,876</u>
<i>Equity</i>			
Issued and paid-up share capital	14		
Ordinary shares		500,000	500,000
Share-based compensation	27	39,263	35,246
Retained earnings			
Appropriated - Legal reserve	15	50,000	50,000
Unappropriated		4,665,741	4,288,963
Total equity		<u>5,255,004</u>	<u>4,874,209</u>
Total liabilities and equity		<u>7,388,126</u>	<u>7,411,085</u>

Director

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

Credit Suisse Securities (Thailand) Limited

Statement of comprehensive income

	Note	Year ended 31 December	
		2019	2018
		<i>(in thousand Baht)</i>	
Income			
Brokerage fees	16, 24	1,024,244	826,400
Fees and services income	17, 24	147,255	139,463
Gains and return on financial instruments	18	51,520	46,060
Other income		22,399	21,301
Total income		1,245,418	1,033,224
Expenses			
Employee benefits expenses	19, 24	345,166	319,806
Fee and service expenses		131,391	110,960
Finance costs	24	12,827	14,451
Other expenses	20, 24	282,560	208,830
Total expenses		771,944	654,047
Profit before income tax expenses		473,474	379,177
Income tax expenses	21	95,854	76,248
Profit for the year		377,620	302,929
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Losses on remeasurements of defined benefit plans	12, 21	(1,053)	(1,675)
Income tax relating to items that will not be reclassified subsequently to profit or loss	8, 21	211	335
Other comprehensive income for the year, net of income tax		(842)	(1,340)
Total comprehensive income for the year		376,778	301,589
Basic earnings per share (in Baht)	22	7.55	6.06

Director

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

Credit Suisse Securities (Thailand) Limited
Statement of changes in equity

	Note	Issued and paid-up share capital	Share-based compensation	Retained earnings			Total equity
				Appropriated - Legal reserve (in thousand Baht)	Unappropriated		
Year ended 31 December 2018		500,000	42,551	50,000	4,487,374	5,079,925	
Balance at 1 January 2018							
Transaction with owners, recorded directly in equity							
<i>Distributions to owners of the company</i>							
Share-based compensation	26	-	(7,305)	-	-	(7,305)	
Dividends		-	-	-	(500,000)	(500,000)	
<i>Transaction with owners, recorded directly in equity</i>							
Comprehensive income for the year							
Profit for the year		-	-	-	302,929	302,929	
Other comprehensive income	21	-	-	-	(1,340)	(1,340)	
Total comprehensive income for the year					301,589	301,589	
Balance at 31 December 2018		500,000	35,246	50,000	4,288,963	4,874,209	
Year ended 31 December 2019		500,000	35,246	50,000	4,288,963	4,874,209	
Balance at 1 January 2019							
Transaction with owners, recorded directly in equity							
<i>Distributions to owners of the company</i>							
Share-based compensation		-	4,017	-	-	4,017	
<i>Transaction with owners, recorded directly in equity</i>							
Comprehensive income for the year							
Profit for the year	21	-	-	-	377,620	377,620	
Other comprehensive income		-	-	-	(842)	(842)	
Total comprehensive income for the year					376,778	376,778	
Balance at 31 December 2019		500,000	39,263	50,000	4,665,741	5,255,004	

Director

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

Credit Suisse Securities (Thailand) Limited

Statement of cash flows

	Year ended 31 December	
	2019	2018
	<i>(in thousand Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit before income tax expenses	473,474	379,177
<i>Adjustments to reconcile profit before income tax to cash receipts (payments) from operating activities</i>		
Depreciation	11,969	10,291
Loss from write off assets	117	-
Unrealised losses (gains) on translation exchange rate	3,283	(63)
Employee benefit obligations made	20,257	11,071
Share-based compensation	20,929	22,100
Finance costs	12,827	14,451
Interest income	(53,150)	(47,141)
Profit from operations before changes in operating assets and liabilities	489,706	389,886
<i>Decrease (increase) in operating assets</i>		
Receivables from Clearing House and broker - dealers	518,503	(519,407)
Securities and derivatives business receivables	(32,937)	2,593,483
Other assets	167,598	20,481
<i>(Decrease) increase in operating liabilities</i>		
Payables to Clearing House and broker - dealers	(569,482)	(1,196,777)
Securities and derivatives business payables	(204,494)	(940,791)
Employee benefits paid	(9,946)	(15,288)
Share-based compensation used	(17,604)	(30,120)
Other liabilities	(8,201)	24,105
<i>Cash from operating activities</i>	333,143	325,572
Interest paid	(14,264)	(15,995)
Interest received	51,927	47,316
Income tax paid	(69,966)	(74,920)
Net cash from operating activities	300,840	281,973

Director

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

Credit Suisse Securities (Thailand) Limited

Statement of cash flows

		Year ended 31 December	
	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
<i>Cash flows from investing activities</i>			
Acquisition of investment		(411)	(257)
Acquisition of leasehold building improvements and equipment		(39,954)	(2,753)
Acquisition of intangible assets		<u>(2,604)</u>	<u>(373)</u>
Net cash used in investing activities		<u>(42,969)</u>	<u>(3,383)</u>
<i>Cash flows from financing activities</i>			
Dividends		<u>-</u>	<u>(500,000)</u>
Net cash used in financing activities		<u>-</u>	<u>(500,000)</u>
Net increase (decrease) in cash and cash equivalents		257,871	(221,410)
Cash and cash equivalents at 1 January	5	<u>4,513,282</u>	<u>4,734,692</u>
Cash and cash equivalents at 31 December	5	<u>4,771,153</u>	<u>4,513,282</u>

Supplementary disclosures of cash flow information

Non-cash transactions:

Increase in other payable - purchase of			
leasehold building improvements and equipment		114,296	-
Increase in other payable - purchase of intangible assets		90	836

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

Credit Suisse Securities (Thailand) Limited

Notes to the financial statements

For the year ended 31 December 2019

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Credit Suisse Securities (Thailand) Limited

Notes to the financial statements

For the year ended 31 December 2019

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 Directors on 27 March 2020.

1 General information

Credit Suisse Securities (Thailand) Limited (the “Company”) is incorporated in Thailand and has its registered office at 63 Athenee Tower, 27th Floor, Witthayu Road, Lumpini, Pathumwan, Bangkok.

The major shareholder of the Company is Credit Suisse AG (99.99% shareholding) which was incorporated in Switzerland.

The Company was incorporated under the Civil and Commercial Code of Thailand on 16 November 1998. A license to conduct activities in securities brokerage, securities dealing, investment advisory services, and securities underwriting was granted by the Ministry of Finance on 16 December 1998. Later, on 28 March 2006, the Company was granted a license to conduct securities borrowing and lending by the Ministry of Finance.

On 9 May 2002, the Committee of the Stock Exchange of Thailand approved the Company to be a member, commencing from 20 May 2002. On 15 November 2005, the Company was approved by the Office of the Thai Securities and Exchange Commission to conduct derivative agent activity, commencing from 14 October 2005.

The Company was approved by the Office of the Thai Securities and Exchange Commission to receive the Securities Business License Type A effective since 23 February 2009. Securities business license type A is a license to undertake securities business in various categories consisting of:

- 1) securities brokerage;
- 2) securities dealing;
- 3) securities underwriting;
- 4) investment advisory service;
- 5) mutual fund management;
- 6) private fund management;
- 7) securities borrowing and lending;
- 8) venture capital management.

On 25 November 2010, the Company was granted a foreign business license by the Ministry of Commerce under Section 17 of the Foreign Business Act, B.E. 2542. Under this license, the Company was approved to carry out businesses consisting of:

- 1) Providing accounting services for affiliated companies;
- 2) Providing legal services for affiliated companies;
- 3) Other service business as follows:
 - 3.1 To provide advice, suggestion, co-ordinating and gathering information in relation to business management, office administration, operations in relation to the settlement and delivery of securities, derivatives and other financial instruments, analyzing securities and surveying markets, human resources and information technologies for affiliated companies.
 - 3.2 Securities business consisting of mutual fund management and private fund management.

Credit Suisse Securities (Thailand) Limited

Notes to the financial statements

For the year ended 31 December 2019

2 Basis of preparation of the financial statements

(a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRSs”); guidelines promulgated by the Federation of Accounting Professions; and applicable rules and regulations of the Thai Securities and Exchange Commission; and are presented in accordance with the announcement of the Thai Securities and Exchange Commission Sor Tor No. 22/2559, dated 2 June 2016 Re: “Forms of Financial Statements of Securities Companies (No.2)” which was applicable for the financial reporting period starting from 1 January 2017.

New and revised TFRS are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRS has resulted in changes in certain of the Company’s accounting policies. There is no material impact on the Company’s financial statements. The Company has initial applied TFRS 15 *Revenue from Contracts with Customers* (“TFRS 15”) which replaces TAS 18 *Revenue* (“TAS 18”) and related interpretations. The details of accounting policies are disclosed in note 3 (a).

In addition, the Company has not early adopted a number of new and revised TFRS which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRS that are relevant to the Company’s operations are disclosed in note 29.

(b) *Functional and presentation currency*

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

(c) *Use of judgements and estimates*

The preparation of financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of the Company’s accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumption and estimation uncertainties

Information about assumption and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 12	Provisions for employee benefits
Note 27	Share-based compensation
Note 28	Fair value of financial assets and liabilities

3 Significant accounting policies

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

Credit Suisse Securities (Thailand) Limited
Notes to the financial statements
For the year ended 31 December 2019

(a) Income

Brokerage fees

Brokerage fees from securities and derivatives businesses are recognised in profit or loss on the dates of the transactions.

Fees and service income

Fees and service income is recognised in profit or loss on an accrual basis.

Interest income

Interest income is recognised in profit or loss as it accrues.

Gross return from Clearing House

Gross return from Clearing House is recognised in profit or loss on an accrual basis, and is presented as other income.

(b) Expenses

Expenses are recognised in profit or loss as they accrue.

Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Finance costs

Interest expenses on deposit for customers' accounts are charged to profit or loss in the period in which they are incurred.

(c) Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash balances, call deposits and highly liquid short-term investments.

(d) Receivables from Clearing House and broker - dealers

Receivables from Clearing House represent the net receivable balances at Thailand Clearing House in which securities and derivatives trading settlement in daily through Thailand Clearing House including cash collateral pledged with Thailand Clearing House for securities and derivatives trading.

Receivables from broker-dealers represent the net receivable balances at foreign securities company in respect of securities and derivatives trades settled oversea via foreign securities company.

(e) Securities and derivatives business receivables

Securities and derivatives business receivables represent the net receivable balances of securities plus net receivable balances of derivatives less allowance for doubtful accounts.

Credit Suisse Securities (Thailand) Limited
Notes to the financial statements
For the year ended 31 December 2019

(f) Investments

Marketable equity securities held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

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

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

Recognition

Purchases and sales of investments are recorded on trade dates.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

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

(g) Allowance for doubtful accounts

The Company provides for allowance for doubtful accounts in accordance with the Notifications of the Thai Securities and Exchange Commission dated 15 February 2001 and 25 August 2000, regarding accounting for the substandard receivables of securities companies. The Company classified securities business receivables into 3 categories as loss, doubtful and substandard. The Company is required to write-off loans classified as loss when incurred, provide 100% provision for doubtful debts, but no provision is required for substandard debts which are fully covered by collateral according to the basis specified for calculation of collateral value based on the types of collateral and period of collateral assessment.

Allowance for doubtful accounts established during the year is recognised as bad debt and doubtful accounts in profit and loss.

(h) Leasehold building improvements and equipment

Owned assets

Recognition and measurement

Leasehold building improvements and equipment are measured at cost less accumulated depreciation and impairment losses.

The Company initially records leasehold building improvements and equipment at their costs on acquisition dates. Cost includes expenditure that is directly attribute to the acquisition of the assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold building improvements and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold building improvements and equipment.

Credit Suisse Securities (Thailand) Limited
Notes to the financial statements
For the year ended 31 December 2019

Any gains and losses on disposal of an item of leasehold building improvements and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold building improvements and equipment and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of leasehold building improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold building improvements and equipment are recognised in profit or loss as incurred.

Depreciation

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

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

Leasehold building improvements	Over the lease term
Computer equipment	3 Years
Office equipment	3 - 5 Years
Furniture and fixtures	5 Years

No depreciation is provided on assets under construction.

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

(i) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this must closely reflect the expected pattern of consumption of the future economic benefit embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licenses	3 Years
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Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Credit Suisse Securities (Thailand) Limited
Notes to the financial statements
For the year ended 31 December 2019

(j) Foreign currencies

Foreign currency transactions

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

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

(k) Impairment

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

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 non-financial assets is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects 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 recognised in prior periods in respect of non-financial assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Payables to Clearing House and broker - dealers

Payables to Clearing House represent the net payable balances at Thailand Clearing House in which securities and derivatives trading settlement in daily through Thailand Clearing House.

Payables to broker-dealers represent the net payable balances to foreign securities company in respect of securities and derivatives trades settled overseas via foreign securities company.

(m) Securities and derivatives business payables

Securities and derivatives business payables represent the obligation of the Company in respect to securities and derivatives business with outside parties, such as the net payable of cash accounts.

Credit Suisse Securities (Thailand) Limited
Notes to the financial statements
For the year ended 31 December 2019

(n) Employee benefit

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

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

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

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

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

Other long-term employee benefits - cash-based awards

For cash-based awards transactions, the Company measure the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the year.

Cash-based awards plans are scheme as follow;

Contingent Capital Awards (CCA)

Contingent Capital Awards (CCA) were granted in February 2020, 2019, 2018, 2017, January 2016 and 2015 to certain employees as part of the 2019, 2018, 2017, 2016, 2015 and 2014 deferred variable compensation and have rights and risks similar to those of certain contingent capital instruments issued by CSG in the market. CCA are scheduled to vest on the third anniversary of the grant date and will be expensed over the vesting period. CCA provide a conditional right to receive semi-annual cash payments of interest equivalents until settled, with rates being dependent upon the vesting period and currency of denomination:

Credit Suisse Securities (Thailand) Limited

Notes to the financial statements

For the year ended 31 December 2019

- CCA granted in 2020, 2019, 2018, 2017, 2016 and 2015 that are denominated in US dollars receive interest rate equivalents at a rate of 3.77%, 4.46%, 3.05%, 4.27%, 5.41% and 5.75% respectively, per annum over the six-month US dollar London Interbank Offered Rate (LIBOR) and vest three years from the date of grant;
- CCA granted in 2020, 2019, 2018, 2017, 2016 and 2015 that are denominated in Swiss francs receive interest equivalents of 3.29%, 3.73%, 2.24%, 3.17%, 4.23%, and 4.85%, respectively, per annum over the six-month Swiss franc LIBOR and vest three years from the date of grant;

The rates were set in line with market conditions at the time of grant and existing high-trigger and low-trigger contingent capital instruments that CSG has issued. For CCA granted in February 2020, employees who received compensation in Swiss francs received CCA denominated in Swiss francs and all other employees received CCA denominated in US dollars.

As CCA qualify as going-concern loss-absorbing capital of CSG, the timing and form of distribution upon settlement is subject to approval by the Swiss Financial Market Supervisory Authority FINMA (FINMA). At settlement, employees will receive either a contingent capital instrument or a cash payment based on the fair value of the CCA. The fair value will be determined by CSG. In the case of a cash settlement, the CCA award will be converted into the local currency of each respective employee.

CCA have loss-absorbing features such that prior to settlement, the principal amount of the CCA would be written down to zero and forfeited if any of the following trigger events were to occur:

- CSG's reported Common Equity Tier 1 (CET1) ratio falls below 7%; or
- FINMA determines that cancellation of the CCA and other similar contingent capital instruments is necessary, or that CSG requires public sector capital support, in either case to prevent it from becoming insolvent or otherwise failing.

Upfront Cash Awards (UCA)

CSG disbursed cash component of 2019 variable compensation in form of Upfront Cash Awards with grant date in February 2020 to certain employees in the Investment Banking & Capital Markets and Asia Pacific divisions. In 2019, certain employees in Asia Pacific division were granted Upfront Cash Awards. These awards are subject to a pro-rata repayment by the employee in the event of voluntary resignation or termination for cause within three years of the award grant. The expense recognition will occur over the three-year vesting period, subject to service conditions.

Deferred Cash Retention Awards

CSG granted Deferred Cash Retention Awards during 2017 (relating to the reorganization of the Asia Pacific business). These awards have been expensed over a two-year vesting period from the grant date. Amortization of these awards was recognized in the Corporate Center.

(o) Share-based payments

The Company grants shares in its ultimate parent, Credit Suisse Group (CSG) to certain employees. The Company pays for CSG shares at market value at the time of settlement to employees.

Equity-settled arrangements are fair valued on grant date and subsequently amortised through profit or loss over the award vesting period.

The expense for share-based payments is determined by treating each tranche as a separate grant of share awards and is accrued over the vesting period for each tranche, unless the employee is eligible for early retirement or retirement before the end of the vesting period, in which case recognition of the expense would be accelerated over the shorter period.

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Share awards are made to employees as one of the following ways:

1. Phantom Share Awards
2. Special Awards, which are typically awarded upon hiring of certain senior employees or in relation to business acquisitions. The terms (including amount, vesting, settlement, etc.) of special awards vary significantly from award to award.
3. Performance Share Awards

Phantom share awards and Performance share awards are accrued between 3 to 7 years vesting period. Certain awards vest at grant date and are therefore accrued fully at grant date. Special awards are accrued over the vesting period as per award terms.

Changes in foreign exchange and market value of the above share plan obligations between grant date and settlement date are recognised within Additional Paid-in Capital (APIC).

The majority of share awards granted include the right to receive dividend equivalents on vested shares.

(p) *Provision*

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

(q) *Measurement of fair values*

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

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

Significant valuation issues are reported to the Company's Board of Directors.

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

- *Level 1*: quoted prices in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3*: inputs for the asset or liability that are based on unobservable inputs.

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

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

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(r) *Income tax*

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

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

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.

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

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

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

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

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

(s) *Basic earnings per share*

The Company presents basic earnings per share (EPS) data for its ordinary shares which is calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

(t) *Related parties*

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

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(u) *Segment Information*

Segment results that are reported to the Company's Board of Directors (the Chief Operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(v) *Offsetting*

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

4 Financial risk management

Financial risk management policies

The Company is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivative financial instruments for speculative or trading purposes.

4.1 Capital management

The Board's policy is to maintain a strong capital base so as to maintain shareholder and creditor confidence and to sustain future development of the business. The Board monitors the return on capital and also monitors the level of dividends to ordinary shareholders.

4.2 Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The financial assets of financial liabilities of the Company have maturities within one year.

The Company has maintained a Net Capital Ratio (NCR) to be within a level required by the regulations of the Thai Securities and Exchange Commission and Thailand Clearing House.

4.3 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Company's operations and its cash flows.

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As at 31 December 2019 and 2018, an analysis of significant financial assets and liabilities is as follows:

	2019							Average
	Immediate repricing	The earlier of the remaining period to contract maturity or repricing date		Total	Floating	Interest rate		
		Less than 1 year	Non-interest bearing			Fixed	(% p.a.)	
		(in thousand Baht)						
Financial assets								
Cash and cash equivalents	4,764,784	-	6,369	4,771,153	0.15-1.03	1.00-1.25		0.72
Receivables from Clearing House and broker - dealers	365,000	-	23,764	388,764	0.52-0.79	-		0.64
Securities and derivatives business receivables	-	-	1,812,949	1,812,949	-	-		-
General investment	-	-	668	668	-	-		-
Accrued service income and other receivables - related parties	-	-	73,979	73,979	-	-		-
Financial liabilities								
Payable to Clearing House and broker - dealers	-	-	723,674	723,674	-	-		-
Securities and derivatives business payables	-	-	1,039,344	1,039,344	-	-		-
Accrued service fees and other payables - related parties	-	-	46,453	46,453	-	-		-
2018								
	2018							Average
	Immediate repricing	The earlier of the remaining period to contract maturity or repricing date		Total	Floating	Interest rate		
		Less than 1 year	Non-interest bearing			Fixed	(% p.a.)	
		(in thousand Baht)						
Financial assets								
Cash and cash equivalents	4,511,854	-	1,428	4,513,282	0.15-1.00	0.96-1.21		0.99
Receivables from Clearing House and broker - dealers	365,000	-	542,267	907,267	0.51-0.83	-		0.67
Securities and derivatives business receivables	-	-	1,773,242	1,773,242	-	-		-
General investment	-	-	257	257	-	-		-
Accrued service income and other receivables - related parties	-	-	51,486	51,486	-	-		-
Financial liabilities								
Payable to Clearing House and broker - dealers	-	-	1,293,156	1,293,156	-	-		-
Securities and derivatives business payables	-	-	1,016,662	1,016,662	-	-		-
Accrued service fees and other payables - related parties	-	-	50,264	50,264	-	-		-

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4.4 Foreign currency risk

At 31 December 2019 and 2018, the Company was exposed to foreign currency risk in respect of financial assets and liabilities denominated in the following currencies which other currencies are stated in Baht equivalents:

	2019	2018
	<i>(in thousand Baht)</i>	
Net foreign currency exposure - assets (liabilities)		
United States Dollars	3,358	(26,495)
Singapore Dollars	909	(216)
Euro	359	21
Canadian Dollar	-	256
Hong Kong Dollar	108	165
Swiss Franc	9	883
Pound Sterling	161	(20)
Japanese Yen	434	145
Others	23	72
Net exposure in the statement of financial position	<u><u>5,361</u></u>	<u><u>(25,189)</u></u>

4.5 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company manages credit risk through a credit request and approval process, ongoing exposure and counterparty monitoring and a credit quality review process. Experienced credit officers analyse credit requests, assign credit ratings and approve credit limits based on their analysis and evaluation of the counterparty's creditworthiness and the type of credit transaction.

As at the reporting date, there were no significant credit risks due to the Company trades mainly for cash accounts in securities and derivatives businesses. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

5 Cash and cash equivalents

	2019	2018
	<i>(in thousand Baht)</i>	
Cash	30	30
Current and saving accounts	2,997,592	3,449,513
Term deposit	2,000,000	-
Promissory notes with original maturities not over 3 months	-	1,800,000
<i>Less deposits for customers' accounts</i>	<i>(226,469)</i>	<i>(736,261)</i>
Total	<u><u>4,771,153</u></u>	<u><u>4,513,282</u></u>

6 Receivables from Clearing House and broker - dealers

	2019	2018
	<i>(in thousand Baht)</i>	
Receivable from Thailand Clearing House	1,322,626	1,721,003
<i>Less receivable from Thailand Clearing House for customers' accounts</i>	<i>(957,626)</i>	<i>(816,096)</i>
Receivables from Clearing House	<u><u>365,000</u></u>	<u><u>904,907</u></u>

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	<i>Note</i>	2019 <i>(in thousand Baht)</i>	2018
Receivable from foreign broker - related parties		3,155,569	2,955,396
Less receivable from foreign broker - related parties for customers' accounts		<u>(3,131,805)</u>	<u>(2,953,036)</u>
Receivables from broker - dealers	24	<u>23,764</u>	<u>2,360</u>
Total		<u>388,764</u>	<u>907,267</u>

7 Securities and derivatives business receivables

	<i>Note</i>	2019 <i>(in thousand Baht)</i>	2018
Cash account customers - related parties	24	1,244,323	495,924
Cash account customers		<u>568,417</u>	<u>1,277,063</u>
Securities business receivables		<u>1,812,740</u>	<u>1,772,987</u>
Derivatives business receivables - related parties		<u>209</u>	<u>255</u>
Derivatives business receivables	24	<u>209</u>	<u>255</u>
Total		<u>1,812,949</u>	<u>1,773,242</u>

As at 31 December 2019 and 2018, the Company's securities and derivatives business receivables were classified as normal debtor.

8 Deferred tax assets

Deferred tax assets as at 31 December 2019 and 2018 were as follows:

	2019 <i>(in thousand Baht)</i>	2018
Deferred tax assets	<u>19,804</u>	<u>22,534</u>

Movements in deferred tax assets during the year ended 31 December 2019 and 2018 were as follows:

	At 1 January 2019	<u>(Charged) / credited to:</u>		At 31 December 2019
		Profit or loss	Other comprehensive income	
		<i>(Note 21)</i>		
		<i>(in thousand Baht)</i>		
Deferred tax assets				
Employee benefit obligations	10,514	2,207	211	12,932
Share-based payments	5,777	75	-	5,852
Accrued expenses	<u>11,977</u>	<u>(3,741)</u>	<u>-</u>	<u>8,236</u>
	<u>28,268</u>	<u>(1,459)</u>	<u>211</u>	<u>27,020</u>
Deferred tax liability				
Other assets	<u>(5,734)</u>	<u>(1,482)</u>	<u>-</u>	<u>(7,216)</u>
	<u>(5,734)</u>	<u>(1,482)</u>	<u>-</u>	<u>(7,216)</u>
Total	<u>22,534</u>	<u>(2,941)</u>	<u>211</u>	<u>19,804</u>

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	At 1 January 2018	(Charged) / credited to:		At 31 December 2018
		Profit or loss	Other comprehensive income	
			(Note 21)	
			(in thousand Baht)	
Deferred tax assets				
Employee benefit obligations	10,948	(769)	335	10,514
Share-based payments	7,289	(1,512)	-	5,777
Accrued expenses	12,240	(263)	-	11,977
	<u>30,477</u>	<u>(2,544)</u>	<u>335</u>	<u>28,268</u>
Deferred tax liability				
Other assets	(5,963)	229	-	(5,734)
	<u>(5,963)</u>	<u>229</u>	<u>-</u>	<u>(5,734)</u>
Total	<u>24,514</u>	<u>(2,315)</u>	<u>335</u>	<u>22,534</u>

9 Other assets

	Note	2019	2018
		(in thousand Baht)	
Contribution to the Clearing Fund		135,197	110,268
Accrued service income and other receivables - related parties	24	73,979	51,486
Others		26,729	17,888
Total		<u>235,905</u>	<u>179,642</u>

10 Payables to Clearing House and broker - dealers

	Note	2019	2018
		(in thousand Baht)	
Payable to Thailand Clearing House		608,918	1,293,156
Payable to foreign broker - related parties	24	114,756	-
Total		<u>723,674</u>	<u>1,293,156</u>

11 Securities and derivatives business payables

	Note	2019	2018
		(in thousand Baht)	
Cash account customers - related parties	24	495,610	636,116
Cash account customers		3,675,539	3,333,582
Less deposit and receivables to foreign broker - related parties for customers' accounts net of securities business receivables		(3,131,805)	(2,953,036)
Securities business payables		<u>1,039,344</u>	<u>1,016,662</u>

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	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
Derivatives business payables - related parties		1,183,885	1,552,103
<i>Less</i> deposit and receivables to Clearing House for customers' accounts net of derivatives business receivables		<u>(1,183,885)</u>	<u>(1,552,103)</u>
Derivatives business payables	24	<u>-</u>	<u>-</u>
Total		<u>1,039,344</u>	<u>1,016,662</u>

12 Provisions for employee benefits

	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
Cash - based awards plans	<i>12.1</i>	11,442	16,702
Defined benefit obligations	<i>12.2</i>	51,318	34,665
Other provisions		<u>3,301</u>	<u>3,299</u>
Total		<u>66,061</u>	<u>54,666</u>

12.1 Cash-based awards plans

Movement in cash-based awards obligations are as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Balance at the beginning of the year	16,702	23,549
Provisions made	6,096	9,359
Provisions used	(9,946)	(15,289)
Others	<u>(1,410)</u>	<u>(917)</u>
Balance at the ending of year	<u>11,442</u>	<u>16,702</u>

The compensation expenses for cash-based awards for the year ended 31 December 2019 and 2018 are detailed as follows:

	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
Contingent Capital Awards (CCA)		5,879	3,939
Upfront Cash Awards (UCA)		2,127	-
Deferred Cash Retention Awards		<u>217</u>	<u>5,420</u>
Total	19	<u>8,223</u>	<u>9,359</u>

Total compensation expense for contingent Capital Awards (CCA) recognized for the year ended 31 December 2019 was USD 0.19 million or equivalent to Baht 5.88 million (2018: USD 0.12 million or equivalent to Baht 3.94 million).

Total compensation expense for Upfront Cash Awards (UCA) recognised for the year ended 31 December 2019 was USD 0.07 million or equivalent to Baht 2.13 million (2018: nil).

Total compensation expense for Deferred Cash Retention Awards recognised for the year ended 31 December 2019 was USD 0.01 million or equivalent to Baht 0.22 million (2018: USD 0.17 million or equivalent to Baht 5.42 million).

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12.2 Defined benefit obligations

The Company operates a defined benefit plan based on 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 defined benefit plans expose the Company to actuarial risks, such as longevity risk and interest rate risk.

<i>Present value of the defined benefit obligations</i>	<i>Note</i>	2019 <i>(in thousand Baht)</i>	2018
Balance at the beginning of the year		34,665	27,645
Included in profit or loss			
Current service cost		5,974	4,519
Past service cost		8,654	-
Interest cost		972	826
	19	<u>15,600</u>	<u>5,345</u>
Recognised in other comprehensive income			
Actuarial losses			
- Plan experience		(4,117)	1,292
- Financial assumptions		5,170	383
	21	<u>1,053</u>	<u>1,675</u>
Balance at the ending of year		<u>51,318</u>	<u>34,665</u>

On 5 April 2019, the Labor Protection Act was amended to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate. The Company has therefore amended its retirement plan in accordance with the changes in the Labor Protection Act in 2019. As a result of this change, the provision for retirement benefits as well as past service cost recognised increased.

<i>Principal actuarial assumptions</i>	2019	2018
Discount rate (%)	1.50	2.70
Future salary growth (%)	4.50	4.50
Turnover rate (%)	0 - 20	0 - 20
Retirement age (<i>years old</i>)	60	62

Assumptions regarding future mortality have been based on published statistics and mortality tables.

At 31 December 2019, the weighted-average duration of the defined benefit obligation was 8.4 years (2018: 10.8 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

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<i>Effect to the defined benefit obligation At 31 December</i>	1% increase in assumption		1% decrease in assumption	
	2019	2018	2019	2018
		<i>(in thousand Baht)</i>		
Discount rate	(4,016)	(3,434)	4,613	3,966
Future salary growth	4,690	4,035	(4,169)	(3,557)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

13 Other liabilities

	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
Accrued service fee and other payables - related parties	24	46,453	50,264
Accrued expenses		193,564	84,466
VAT payable		10,067	6,941
Others		1,000	709
Total		<u>251,084</u>	<u>142,380</u>

14 Share capital

	Par value per share <i>(in Baht)</i>	2019		2018	
		Number	Amount	Number	Amount
		<i>(thousand shares/thousand Baht)</i>			
Authorised					
At 1 January					
- ordinary shares	10	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>
At 31 December					
- ordinary shares	10	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>
Issued and paid-up					
At 1 January					
- ordinary shares	10	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>
At 31 December					
- ordinary shares	10	<u>50,000</u>	<u>500,000</u>	<u>50,000</u>	<u>500,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the meetings of the Company.

15 Legal reserve

The legal reserve is set up under the provision of the Civil and Commercial Code, which requires that a Company shall allocate not less than 5% of its net profit to a reserve account ("legal reserve") upon each dividend distribution, until the balance reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

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16 Brokerage fees

	2019	2018
	<i>(in thousand Baht)</i>	
Brokerage fees from securities business	925,524	751,428
Brokerage fees from derivatives business	98,720	74,972
Total	<u>1,024,244</u>	<u>826,400</u>

17 Fees and service income

	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
Management fees - related parties	24	128,123	130,546
Underwriting fee		19,131	8,917
Other fee		1	-
Total		<u>147,255</u>	<u>139,463</u>

18 Gains and return on financial instruments

	2019	2018
	<i>(in thousand Baht)</i>	
Losses on securities trading	(1,630)	(1,081)
Interest income	53,150	47,141
Total	<u>51,520</u>	<u>46,060</u>

19 Employee benefits expenses

	<i>Note</i>	2019	2018
		<i>(in thousand Baht)</i>	
Wages, salaries and bonus		276,105	265,760
Share-based compensation	27	20,893	22,245
Cash-based awards	12.1	8,223	9,359
Provident fund		11,565	9,249
Post-employment benefits	12.2	15,600	5,345
Others		12,780	7,848
Total		<u>345,166</u>	<u>319,806</u>

The defined contribution plans comprise provident funds established by the Company for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees at 5% of their basic salaries and by the Company at 5% 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.

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20 Other expenses

	Note	2019 (in thousand Baht)	2018
Service fees	24	178,028	122,793
Leasehold building improvements and equipment expenses		67,007	61,436
Charitable contributions and entertainment expenses		7,467	5,680
Transportation and accommodation expenses		6,957	9,213
Others		23,101	9,708
Total		<u>282,560</u>	<u>208,830</u>

21 Income tax expenses

Income tax recognised in profit or loss

	Note	2019 (in thousand Baht)	2018
Current tax expense			
Current year		92,913	73,884
Under provided in prior year		-	49
		<u>92,913</u>	<u>73,933</u>
Deferred tax			
Movements in temporary differences	8	2,941	2,315
Total		<u>95,854</u>	<u>76,248</u>

Income tax recognised in other comprehensive income

	Before tax	2019 Tax benefit	Net of tax (in thousand Baht)	Before tax	2018 Tax benefit	Net of tax
Actuarial loss on defined benefit plan	<u>(1,053)</u>	<u>211</u>	<u>(842)</u>	<u>(1,675)</u>	<u>335</u>	<u>(1,340)</u>

Reconciliation of effective tax rate

	Rate (%)	2019 (in thousand Baht)	Rate (%)	2018 (in thousand Baht)
Profit before income tax expenses		<u>473,474</u>		<u>379,177</u>
Income tax using the Thai corporation tax rate	20	94,695	20	75,835
Additional deduction for tax purposes		(4)		(2)
Income not subject to tax		(241)		(91)
Expenses not deductible for tax purposes		814		661
Temporary difference was not recognised in deferred tax		590		(204)
Under provided in prior year		-		49
Total	<u>20</u>	<u>95,854</u>	<u>20</u>	<u>76,248</u>

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22 Basic earnings per share

The calculations of basic earnings per share for the year ended 31 December 2019 and 2018 were based on the profit for the year attributable to equity holders of the Company and the number of ordinary shares outstanding during the year as follows:

	2019	2018
Profit attributable to equity holders of the Company (basic) <i>(in thousand Baht)</i>	<u>377,620</u>	<u>302,929</u>
Number of ordinary shares outstanding <i>(in thousand shares)</i>	<u>50,000</u>	<u>50,000</u>
Basic earnings per share <i>(in Baht)</i>	<u>7.55</u>	<u>6.06</u>

23 Commitments with non-related parties

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Non-cancellable operating lease commitments</i>		
Within one year	21,691	7,742
After one year but within five years	72,461	1,496
After five years	65,113	-
Total	<u>159,265</u>	<u>9,238</u>

As at 31 December 2019, the Company had office lease agreement and service agreement with a 13.5 month-term. These agreements were supposed to expire on 30 September 2019. On 28 May 2019, the Company extended the lease and service agreement with a 6 month-term to pay monthly operating lease and service fee of Baht 0.7 million and pay additional deposit of 2.2 million. These agreements will expire on 31 March 2020.

As at 31 December 2019, the Company had other office lease agreement and service agreement with a 36 month-term. These agreements were supposed to expire on 30 September 2019. On 28 May 2019, the Company extended the lease and service agreement with a 6 month-term to pay monthly operating lease and service fee of Baht 0.3 million and pay additional deposit of 0.8 million. These agreements will expire on 31 March 2020.

As at 31 December 2019, the Company has other office lease agreement and service agreements with a 36 month-term. These agreements will expire on 31 October 2021. The Company had commitment to pay monthly operating lease and service fees of Baht 0.1 million. The Company had deposits for these agreements of Baht 0.2 million.

As at 31 December 2019, the Company has office lease agreement and service agreements with a 108 month-term. These agreements will expire on 15 August 2028. The Company had commitment to pay monthly operating lease and service fees of Baht 1.5 million starting from 16 October 2019. The Company had deposits for these agreements of Baht 4.7 million.

24 Related parties

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

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

Name of entities/personnel	Country of incorporation/ Nationality	Nature of relationships
Key management personnel	Thailand/ foreign	Person 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 Company.
Credit Suisse AG	Switzerland	Parent company
Credit Suisse Securities (Europe) Limited	England	Affiliated company of Credit Suisse Group
Credit Suisse Securities (USA) LLC	United States of America	Affiliated company of Credit Suisse Group
Credit Suisse (Hong Kong) Limited	Hong Kong	Affiliated company of Credit Suisse Group
Credit Suisse, Sydney Branch	Australia	Affiliated company of Credit Suisse Group
Credit Suisse AG, Singapore Branch	Singapore	Affiliated company of Credit Suisse Group
Credit Suisse (Singapore) Limited	Singapore	Affiliated company of Credit Suisse Group
Credit Suisse (Hong Kong) Limited, Philippines Branch	Philippines	Affiliated company of Credit Suisse Group
Credit Suisse (Japan) Limited	Japan	Affiliated company of Credit Suisse Group
Credit Suisse Securities (Philippines) Inc	Philippines	Affiliated company of Credit Suisse Group
Credit Suisse (Malaysia) Sdn Bhd	Malaysia	Affiliated company of Credit Suisse Group
Credit Suisse Securities (Singapore) Limited	Singapore	Affiliated company of Credit Suisse Group
Credit Suisse Management (Australia) Pty Ltd	Australia	Affiliated company of Credit Suisse Group
Credit Suisse Securities (Europe) Limited, Seoul Branch	Korea	Affiliated company of Credit Suisse Group
Credit Suisse (Australia) Ltd	Australia	Affiliated company of Credit Suisse Group
PT Credit Suisse Securities Indonesia	Indonesia	Affiliated company of Credit Suisse Group
Credit Suisse Securities Canada Inc	Canada	Affiliated company of Credit Suisse Group
Credit Suisse Securities (Europe) Limited, Paris Branch	France	Affiliated company of Credit Suisse Group
Credit Suisse International	England	Affiliated company of Credit Suisse Group
Credit Suisse Services AG, Pune Branch	India	Affiliated company of Credit Suisse Group
Credit Suisse Services AG, London Branch	England	Affiliated company of Credit Suisse Group
Credit Suisse Services AG, Singapore Branch	Singapore	Affiliated company of Credit Suisse Group
Credit Suisse Asset Management, LLC	United States of America	Affiliated company of Credit Suisse Group
Credit Suisse Services (USA) LLC	United States of America	Affiliated company of Credit Suisse Group
Credit Suisse (UK) Limited	England	Affiliated company of Credit Suisse Group
Credit Suisse AG, London Branch	England	Affiliated company of Credit Suisse Group

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Name of entities/personnel	Country of incorporation/ Nationality	Nature of relationships
Credit Suisse Securities (India) Private Limited	India	Affiliated company of Credit Suisse Group
Credit Suisse Asset Management (Schweiz) AG	Switzerland	Affiliated company of Credit Suisse Group
Credit Suisse Fund Management S.A.	Luxembourg	Affiliated company of Credit Suisse Group

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

Transactions	Pricing policies
Income	
Brokerage fees from securities business	Market rate and contractually agreed prices
Brokerage fees from derivatives business	Market rate
Fees and service income	Cost plus margin at mutually agreed rate
Expenses	
Finance costs	Mutually agreed price
Service fees	Cost plus margin at mutually agreed rate
License fee	A percentage of the net revenues if its net revenues exceed the amount of CHF 100,000

Significant transactions for the year ended 31 December 2019 and 2018 with related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Brokerage fees		
- Credit Suisse (Hong Kong) Limited	110,095	89,247
- Credit Suisse Securities (Europe) Limited	368,616	287,532
- Credit Suisse Securities (USA) LLC	69,444	71,768
- Credit Suisse (Singapore) Limited	9,098	5,414
- Credit Suisse International	5,190	2,735
- Credit Suisse AG, Singapore Branch	36,097	28,670
- Credit Suisse, Sydney Branch	98,720	74,972
Fees and services income		
- Credit Suisse (Hong Kong) Limited	12,752	7,933
- Credit Suisse (Singapore) Limited	77,996	81,680
- Credit Suisse Securities (Philippines) Inc	17,927	19,177
- Credit Suisse AG, Singapore Branch	2,403	18,842
- Credit Suisse Asset Management (Schweiz) AG	10,931	-
- Others	6,114	2,914
Service fees		
- Credit Suisse Securities (Singapore) Limited	13,318	19,622
- Credit Suisse (Hong Kong) Limited	76,651	41,938
- Credit Suisse (Japan) Limited	10,913	16
- Credit Suisse AG, Singapore Branch	22,332	20,320
- Credit Suisse (Malaysia) Sdn Bhd	6,377	3,662

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	2019	2018
	<i>(in thousand Baht)</i>	
- PT Credit Suisse Securities Indonesia	-	139
- Credit Suisse Securities (Europe) Ltd., Seoul Branch	4,123	3,710
- Credit Suisse Securities (USA) LLC	26,597	21,446
- Credit Suisse Services AG, Singapore Branch	5,825	9,273
- Credit Suisse Securities (Europe) Limited	1,923	2,029
- Credit Suisse International	7,320	-
- Others	2,649	638
<i>Finance costs</i>		
- Credit Suisse, Sydney Branch	12,299	14,451
- Credit Suisse AG	528	-
<i>License fee</i>		
- Credit Suisse AG	1,644	1,464

Key management personnel compensation

	2019	2018
	<i>(in thousand Baht)</i>	
Short-term employee benefits	79,281	88,712
Post-employment benefits	3,382	2,977
Other long-term benefits	4,136	3,831
Share-based compensations	16,356	20,773
Total	<u>103,155</u>	<u>116,293</u>

Significant balances at 31 December 2019 and 2018 with related parties were as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
<i>Receivables from Clearing House and broker - dealers</i>		
<i>Receivables from foreign broker</i>		
- Credit Suisse AG, Singapore Branch	3,155,569	2,955,396
<i>Less</i> receivables from Credit Suisse AG, Singapore Branch for customers' accounts	<u>(3,131,805)</u>	<u>(2,953,036)</u>
Total	<u>23,764</u>	<u>2,360</u>
<i>Securities and derivatives business receivables</i>		
<i>Securities business receivables</i>		
- Credit Suisse Securities (Europe) Limited	669,022	134,805
- Credit Suisse Securities (USA) LLC	452,475	332,378
- Credit Suisse (Hong Kong) Limited	122,826	28,741
	<u>1,244,323</u>	<u>495,924</u>
<i>Derivatives business receivables</i>		
- Credit Suisse, Sydney Branch	209	255
Total	<u>1,244,532</u>	<u>496,179</u>

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	2019	2018
	<i>(in thousand Baht)</i>	
<i>Accrued service income and other receivables</i>		
<i>Accrued service income</i>		
- Credit Suisse (Hong Kong) Limited	13,936	2,258
- Credit Suisse (Singapore) Limited	11,966	13,790
- Credit Suisse (Malaysia) Sdn Bhd	-	1,839
- Credit Suisse Securities (Philippines) Inc	5,193	7,141
- Others	23	1,204
	<u>31,118</u>	<u>26,232</u>
<i>Other receivables</i>		
- Credit Suisse AG, Singapore Branch	15,711	20,326
- Credit Suisse Asset Management, LLC	1,506	3,192
- Credit Suisse (Singapore) Limited	7,847	435
- Credit Suisse Asset Management (Schweiz) AG	5,006	-
- Credit Suisse Services AG, Singapore Branch	9,706	-
- Credit Suisse Services AG, Pune Branch	1,707	-
- Others	1,378	1,301
	<u>42,861</u>	<u>25,254</u>
Total	<u>73,979</u>	<u>51,486</u>
<i>Payables to Clearing House and broker - dealers</i>		
- Credit Suisse AG, Singapore Branch	<u>114,756</u>	<u>-</u>
<i>Securities and derivatives business payables</i>		
<i>Securities business payables</i>		
- Credit Suisse (Hong Kong) Limited	205,393	13,758
- Credit Suisse Securities (Europe) Limited	36,670	147,117
- Credit Suisse Securities (USA) LLC	253,547	364,948
- Credit Suisse International	-	110,293
	<u>495,610</u>	<u>636,116</u>
<i>Derivatives business payables</i>		
- Credit Suisse, Sydney Branch	1,183,885	1,552,103
<i>Less deposit and receivables from Thailand Clearing House for customers' accounts net of derivatives business receivables</i>		
	<u>(1,183,885)</u>	<u>(1,552,103)</u>
	<u>-</u>	<u>-</u>
Total	<u>495,610</u>	<u>636,116</u>
<i>Accrued service fees and other payables</i>		
<i>Accrued service fees</i>		
- Credit Suisse AG, Singapore Branch	3,417	6,046
- Credit Suisse Securities (Singapore) Limited	1,455	1,410
- Credit Suisse (Hong Kong) Limited	14,573	5,085
- Credit Suisse (Malaysia) Sdn Bhd	864	4,983
- Credit Suisse Securities (USA) LLC	3,996	17,833
- Credit Suisse (Japan) Limited	1,387	905
- Others	1,444	23
	<u>27,136</u>	<u>36,285</u>
<i>Accrued interest payable</i>		
- Credit Suisse, Sydney Branch	5,178	6,614

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	2019	2018
	<i>(in thousand Baht)</i>	
<i>Other payables</i>		
- Credit Suisse AG, Singapore Branch	4,252	3,153
- Credit Suisse Securities (USA) LLC	8,339	4,077
- Others	1,548	135
	<u>14,139</u>	<u>7,365</u>
Total	<u>46,453</u>	<u>50,264</u>

Significant agreements with related parties

(a) Transfer Pricing Services Agreement

On 1 November 2017, the Company entered into a transfer pricing services agreement for Equity Sales and Research with related companies. The agreement may be terminated at any time by either party giving a written notice not less than 2 months prior to the termination date. The Company charges certain service fees monthly on a cost plus basis with the percentage determined by the counterparty.

(b) Emerging Markets Coverage Group Agreement

The Company entered into an Emerging Markets Coverage Group Agreement for receiving and providing certain services. The agreement may be terminated at any time by either party giving a written notice not less than 2 months prior to the termination date. The Company charges certain service fees at least quarterly on a cost plus basis with the percentage determined by the counterparty.

(c) Offshore Service Agreement

The Company entered into certain agreements (Offshore Service Agreements) with two related companies for receiving certain services such as Financial Accounting, Information Technology, Credit Risk Management, Human Resources, and Corporate services etc. The terms shall be for one year after which they shall automatically continue in existence, unless otherwise renewed for a fixed term, until terminated by either party by giving at least 30 days prior written notice of the termination. Both parties shall annually review the service fees. Any variation of the service fees shall be subject to written mutual agreement.

(d) Cross Entity Services Agreement

On 3 October 2016, the Company entered into a Cross Entity Services Agreement with related companies for receiving certain services such as Information Technology, Human Resources, and Data Handling etc. The agreement may be terminated at any time by either party giving a written notice not less than 90 days prior to termination date.

(e) License Agreement

On 24 February 2006, the Company entered into a License Agreement with Credit Suisse Group to use the licensed marks in connection with services sold. The Company has a commitment to pay the fee at the rate of a percentage of net revenues if its net revenues exceed the amount of CHF 100,000. The percentage will be reviewed and determined on a yearly basis. The agreement is effective from 1 January 2007. After the first twelve month period this Agreement shall be renewed automatically and continue for another twelve month period each time if not terminated by either party giving three months' notice to the end of a twelve month period.

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(f) *Revenue Split Agreement (RSA82)*

The Company entered into a Revenue Split Agreement with Credit Suisse AG, Singapore Branch for wealth management business. The agreement was effective from 1 December 2015 and can be terminated at any time by either party giving a written notice. On 30 May 2016, the Company entered into a revised Revenue Split Agreement with Credit Suisse AG, Singapore Branch to add the revenue split of spread-based products. Service fee is based on contractually agreed prices.

(g) *Revenue Split Agreement (RSA65)*

The Company entered into a Revenue Split Agreement with related companies for Single Global Currency (SGC) which is awarded from referrals between one division and another. The agreement was effective from 1 January 2009 and can be terminated at any time by either party giving a written notice. Service fee is based on contractually agreed prices.

25 Segment information

Management considers that the Company operates in a single line of business, namely activities in securities and derivatives brokerage and underwriting businesses, and has, therefore, only one reportable segment.

26 Dividends

At the extraordinary meeting of the shareholders of the Company held on 24 October 2018, the shareholders approved the appropriation of dividend amounting to Baht 500 million. The dividend was paid to shareholders on 19 November 2018.

27 Share-based compensation

Compensation and benefits for a given period include salaries, benefits and variable compensation. Variable compensation reflects the performance-based and retention compensation for the current year, the expense from share-based and other deferred compensation from prior-year awards and mark-to-market adjustments. The portion of the variable compensation for the current year deferred through share-based and other awards are expensed in future periods and subject to restrictive features such as continued employment with the Group, vesting, forfeiture and blocking rules.

Total compensation expense for share-based compensation plans recognised for the year ended 31 December 2019 was USD 0.67 million or equivalent to Baht 20.89 million (2018: USD 0.69 million or equivalent to Baht 22.25 million).

The recognition of compensation expense for the deferred compensation awards granted in February 2020 began in 2020 and thus had no impact on the 2019 financial statements.

Share-based compensation comprises the following:

27.1 Performance Share Awards (PSA)

Certain employees received a portion of their deferred variable compensation in the form of performance share awards. Performance share awards are similar to share awards, except that the full balance of outstanding performance share awards, including those awarded in prior years, are subject to performance-based malus provisions.

Performance share awards are subject to a negative adjustment in the event of a divisional loss by the division in which the employees worked as at 31 December 2018, or a negative CSG ROE, whichever results in a larger adjustment. For employees in Corporate Functions and the Asset Resolution Unit, the negative adjustment only applies in the event of a negative CSG ROE and is not linked to the

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performance of the divisions. The basis for the ROE calculation may vary from year to year, depending on the Compensation Committee's determination for the year in which the performance share are granted.

The number of performance share awards was determined by dividing the deferred component of variable compensation being granted as performance shares by the average price of a CSG share over the five business days ended 5 March 2020. The fair value of each performance share award was CHF 10.81, the CSG share price on the grant date.

The majority of performance share awards granted include the right to receive dividend equivalents on vested shares.

	2019	2018
	<i>(No. of units)</i>	
The number of Performance Share Awards granted during the year	<u>16,375</u>	<u>1,086</u>

27.2 Phantom Share Awards

Share awards granted in February 2020 are similar to those granted in February 2019. Each share award granted entitles the holder of the award to receive one Credit Suisse Group ("CSG") share, subject to service conditions. Share awards vest over three years with one third of the share awards vesting on each of the three anniversaries of the grant date (ratable vesting), with the exception of awards granted to individuals classified as risk managers or senior managers under the UK PRA Remuneration Code or similar regulations in other jurisdictions. Share awards granted to risk managers vest over five years with one fifth of the award vesting on each of the five anniversaries of the grant date, while share awards granted to senior managers vest over five years commencing on the third anniversary of the grant date, with one fifth of the award vesting on each of the third to seventh anniversaries of the grant date. Share awards are expensed over the service period of the awards. The value of the share awards is solely dependent on the CSG share price at the time of delivery.

The share awards include other awards, such as blocked shares, and special awards, which may be granted to new employees. These awards entitle the holder to receive one CSG share, are subject to continued employment with the Company, contain restrictive covenants and cancellation provisions and generally vest between zero and five years.

The number of share awards granted to employees was generally determined by dividing the deferred component of variable compensation being granted as shares by the average price of CSG share over the five business days ended 5 March 2020. The fair value of each share award was CHF 10.81, the CSG share price on the grant date.

The majority of Phantom Share Awards granted include the right to received dividend equivalent on vested shares.

	2019	2018
	<i>(No. of units)</i>	
The number of Phantom Share Awards granted during the year	<u>50,334</u>	<u>34,577</u>

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Movement in additional paid in capital share-based compensation are as follows:

	2019	2018
	<i>(in thousand Baht)</i>	
Balance at the beginning year	35,246	42,551
Additional paid in capital increase	20,893	22,245
Additional paid in capital used	(17,604)	(30,120)
Others	728	570
Balance at the ending year	39,263	35,246

The expenses for share-based compensation for the year ended 31 December 2019 and 2018 are detailed as follow;

	Note	2019	2018
		<i>(in thousand Baht)</i>	
Phantom Share Awards		17,171	22,190
Performance Share Awards		3,722	(128)
Contingent Capital Share Awards		-	150
Adjustable Performance Plan Awards Plan		-	33
Total	19	20,893	22,245

28 Fair value of financial assets and liabilities

Financial assets and financial liabilities not measured at fair value

The fair values of financial assets and liabilities did not have significant difference with carrying value as shown in the statement of financial position as at 31 December 2019 and 2018.

Methods and assumptions used by the Company in estimating the fair values of financial assets and liabilities are as follows:

The fair values of each cash and cash equivalents, receivables from and payables to Clearing House and broker-dealers, securities and derivatives business receivables and payables, accrued service income and other receivables and accrued service fees and other payables are approximately their carrying values in the statement of financial position due to their short-term assets and liabilities.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between level 1 to level 2 of the fair value hierarchy during the year ended 31 December 2019 and 2018.

29 Thai Financial Reporting Standards (TFRSs) not yet adopted

New TFRSs which are relevant to the Company's operations, expected to have material impact on the financial statements when initially adopted, and will become effective for the financial statements in annual reporting periods beginning on or after 1 January 2020, are as follows:

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TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments

* *TFRS - Financial instruments standards*

(a) *TFRS - Financial instruments standards*

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRSs are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled. The impact from adoption of TFRS - Financial instruments standards are as follows:

(i) Classification - Financial assets

TFRS 9 classifies financial assets into three categories: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The standard eliminates the existing classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105. The classification under TFRS 9 will be based on the cash flow characteristics of the financial asset and the business model in which they are managed.

(ii) Measurement at amortised cost

Under TFRS 9, interest income and interest expenses recognised from all financial assets and financial liabilities measured at amortised cost shall be calculated using effective interest rate method.

(iii) Impairment - Financial assets and contract assets

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Company estimates allowance for doubtful account in accordance with the Notifications of the Thai Securities and Exchange Commission dated 15 February 2001 and 25 August 2000, regarding accounting for the substandard receivables of securities companies. TFRS 9 requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

(iv) Classification - Financial liabilities

TFRS 9 introduces a new classification and measurement approach for financial liabilities consisting of two principal classification categories: amortised cost and FVTPL. A financial liability is classified as financial liabilities measured at FVTPL if it is held for trading, a derivative or designated as such on the initial recognition.

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Under TFRS 9, changes in fair value of financial liabilities classified as FVTPL are generally presented as follows:

- the amount of fair value that changes due to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of fair value changed is presented in profit or loss.

Transition

The Company expects to initially adopt these TFRS by adjusting the impact to retained earnings or other component of equity on 1 January 2020. Therefore, the Company will not apply the requirements of these TFRS to comparative information.

The preliminary assessment of initially applying TFRS - Financial instruments as at 1 January 2020 has been performed. No material impact to the financial statements has been identified.

(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Company recognises payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Company will recognise right-of-use assets and lease liabilities for its operating leases as disclosed in Note 23. As a result, the nature of expenses related to those leases will be changed because the Company will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

Transition

The Company plans to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting TFRS 16 will be recognised as an adjustment to the retained earnings at 1 January 2020, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply TFRS 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with TAS 17 and TFRIC 4.

The Company estimates that the preliminary impact of initially applying TFRS 16 on the financial statements, will increase right-of-use assets by Baht 71.68 million and lease liabilities Baht 71.68 million.