

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

Interim financial statements
for the six-month period ended
30 June 2018
and
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.
Empire Tower, 50th-51st Floors
1 South Sathorn Road, Yannawa
Sathorn, Bangkok 10120, Thailand
Tel +66 2677 2000, Fax +66 2677 2222

บริษัท เคพีเอ็มจี ภูมิไชย สอบบัญชี จำกัด
ชั้น 50-51 เอ็มไพร์ทาวเวอร์
1 ถนนสาทรใต้ แขวงยานนาวา
เขตสาทร กรุงเทพฯ 10120
โทร +66 2677 2000 แฟกซ์ +66 2677 2222

Independent Auditor's Report

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

Opinion

I have audited the interim consolidated and the Bank only financial statements of Standard Chartered Bank (Thai) Public Company Limited and its subsidiary (the "Group") and of Standard Chartered Bank (Thai) Public Company Limited (the "Bank"), respectively, which comprise the consolidated and the Bank only statements of financial position as at 30 June 2018, the consolidated and the Bank only statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying interim consolidated and the Bank only financial statements present fairly, in all material respects, the financial position of the Group and the Bank only, respectively, as at 30 June 2018 and their financial performance and cash flows for the six-month period 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 Interim Consolidated and the Bank only Financial Statements* section of my report. I am independent of the Group and the Bank in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the interim consolidated and the Bank only financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

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

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

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

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

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



(Aorapin Sinthawornkul)
Certified Public Accountant
Registration No. 9441

KPMG Phoomchai Audit Ltd.
Bangkok
24 August 2018

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

| Assets | Note | Consolidated | | Bank only | |
|---|------------|--------------------|-------------|-------------|-------------|
| | | 30 June | 31 December | 30 June | 31 December |
| | | 2018 | 2017 | 2018 | 2017 |
| | | (in thousand Baht) | | | |
| Cash | | 53,252 | 120,605 | 53,252 | 120,605 |
| Interbank and money market items, net | 7, 27 | 62,623,510 | 51,935,669 | 62,623,510 | 51,935,669 |
| Derivative assets | 8, 27 | 17,577,761 | 15,274,870 | 17,577,761 | 15,274,870 |
| Investments, net | 9 | 35,563,589 | 36,686,851 | 35,563,589 | 36,686,851 |
| Investments in subsidiary | 10 | - | - | 48,170 | 48,170 |
| Loans to customers and accrued interest receivables, net | 11, 12, 27 | | | | |
| Loans to customers | | 40,103,011 | 49,272,492 | 40,103,011 | 49,272,492 |
| Accrued interest receivables | | 164,146 | 166,813 | 164,146 | 166,813 |
| Total loans to customers and accrued interest receivables | | 40,267,157 | 49,439,305 | 40,267,157 | 49,439,305 |
| Less allowance for doubtful accounts | 11.4, 13 | (3,035,576) | (3,768,152) | (3,035,576) | (3,768,152) |
| Total loans to customers and accrued interest receivables, net | | 37,231,581 | 45,671,153 | 37,231,581 | 45,671,153 |
| Customer's liability under acceptance | | 703,494 | 780,242 | 703,494 | 780,242 |
| Premises and equipment, net | 14 | 443,951 | 335,804 | 443,951 | 335,804 |
| Deferred tax assets | 15 | 270,544 | 296,850 | 270,544 | 296,850 |
| Accounts receivable from sales of investments and debt securities in issue | 16 | 4,416,465 | 294,901 | 4,416,465 | 294,901 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 27 | 4,957,628 | 3,433,081 | 4,957,628 | 3,433,081 |
| Assets of disposal group classified as held for sale | | 25,624 | 25,624 | 25,624 | 25,624 |
| Other assets, net | 18, 27 | 615,875 | 418,818 | 614,214 | 417,156 |
| Total assets | | 164,483,274 | 155,274,468 | 164,529,783 | 155,320,976 |
| Liabilities and equity | | | | | |
| Liabilities | | | | | |
| Deposits | 19, 27 | 61,902,471 | 56,212,035 | 61,949,685 | 56,259,386 |
| Interbank and money market items | 20, 27 | 30,421,974 | 32,197,484 | 30,421,974 | 32,197,484 |
| Liabilities payable on demand | | 1,121,135 | 1,543,827 | 1,121,135 | 1,543,827 |
| Liabilities to deliver security | | 3,572,727 | 1,425,832 | 3,572,727 | 1,425,832 |
| Derivative liabilities | 8, 27 | 16,325,240 | 13,516,763 | 16,325,240 | 13,516,763 |
| Bank's liability under acceptances | | 703,494 | 780,242 | 703,494 | 780,242 |
| Provisions | 21 | 284,876 | 294,360 | 284,876 | 294,360 |
| Accounts payable from purchase of investments | 22 | 3,344,374 | 2,372,226 | 3,344,374 | 2,372,226 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 27 | 3,642,242 | 3,074,674 | 3,642,242 | 3,074,674 |
| Accrued expenses | 27 | 1,821,246 | 2,113,169 | 1,820,754 | 2,112,676 |
| Other liabilities | 23, 27 | 1,302,917 | 1,154,016 | 1,302,882 | 1,153,979 |
| Total liabilities | | 124,442,696 | 114,684,628 | 124,489,383 | 114,731,449 |
| Equity | | | | | |
| Share capital | 24 | | | | |
| Authorised share capital | | 14,842,627 | 14,842,627 | 14,842,627 | 14,842,627 |
| Issued and paid-up share capital | | 14,837,045 | 14,837,045 | 14,837,045 | 14,837,045 |
| Premium on share capital | 24 | 9,055,819 | 9,055,819 | 9,055,819 | 9,055,819 |
| Other reserves | 25 | (103,350) | (11,825) | (103,350) | (11,825) |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Legal reserve | 25 | 1,218,491 | 1,218,491 | 1,212,491 | 1,212,491 |
| Unappropriated | | 15,032,573 | 15,490,310 | 15,038,395 | 15,495,997 |
| Total equity | | 40,040,578 | 40,589,840 | 40,040,400 | 40,589,527 |
| Total liabilities and equity | | 164,483,274 | 155,274,468 | 164,529,783 | 155,320,976 |

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

(นาย อชิษ แจน)
(Mr. Ashish Jain)
กรรมการและรองกรรมการผู้จัดการใหญ่

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

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

| | Note | Consolidated | | Bank only | |
|---|--------|------------------------|------------------|------------------------|------------------|
| | | Six-month period ended | | Six-month period ended | |
| | | 30 June | | 30 June | |
| | | 2018 | 2017 | 2018 | 2017 |
| | | (in thousand Baht) | | | |
| Continued operations | | | | | |
| Interest income | 27, 30 | 1,762,116 | 1,364,724 | 1,762,116 | 1,364,724 |
| Interest expenses | 31 | 681,060 | 647,173 | 681,119 | 647,227 |
| Net interest income | | 1,081,056 | 717,551 | 1,080,997 | 717,497 |
| Fees and service income | | 658,465 | 474,722 | 658,465 | 474,722 |
| Fees and service expenses | | 65,672 | 78,496 | 65,672 | 78,496 |
| Net fees and service income | 32 | 592,793 | 396,226 | 592,793 | 396,226 |
| Gains on trading and foreign exchange transactions, net | 27, 33 | 750,082 | 594,159 | 750,082 | 594,159 |
| Gains (losses) on investments, net | 34 | 29,595 | (3,285) | 29,595 | (3,285) |
| Other operating income | 27 | 12,089 | 4,579 | 12,089 | 4,579 |
| Total operating income | | 2,465,615 | 1,709,230 | 2,465,556 | 1,709,176 |
| Other operating expenses | 27 | | | | |
| Employee expenses | 35 | 740,680 | 786,565 | 740,680 | 786,563 |
| Directors' remuneration | | 3,900 | 3,900 | 3,900 | 3,900 |
| Premises and equipment expenses | | 85,196 | 53,997 | 85,196 | 53,997 |
| Taxes and duties | | 48,804 | 40,831 | 48,804 | 40,831 |
| Service agreements | | 101,257 | 261,097 | 101,257 | 261,097 |
| Others | | 179,976 | 216,229 | 179,782 | 217,597 |
| Total other operating expenses | | 1,159,813 | 1,362,619 | 1,159,619 | 1,363,985 |
| Impairment loss of loans and debt securities (reversal of) | 13, 36 | (718,137) | (252,320) | (718,137) | (252,320) |
| Profit from continued operations before income tax | | 2,023,939 | 598,931 | 2,024,074 | 597,511 |
| Income tax | 37 | 315,467 | 177,619 | 315,467 | 177,619 |
| Profit from continued operations | | 1,708,472 | 421,312 | 1,708,607 | 419,892 |
| Discontinued operation | | | | | |
| Profit from discontinued operation, net of tax | 17 | - | 605,797 | - | 605,797 |
| Profit for the period | | 1,708,472 | 1,027,109 | 1,708,607 | 1,025,689 |
| Other comprehensive income (loss) | | | | | |
| <i>Items that will be reclassified subsequently to profit or loss</i> | | | | | |
| Gain (losses) on remeasuring available-for-sale investments | | (113,846) | 182,634 | (113,846) | 182,634 |
| Losses on cash flow hedges of derivatives revaluation | | (560) | (7,314) | (560) | (7,314) |
| Income tax relating to items that will be reclassified subsequently to profit or loss | 37 | 22,881 | (35,064) | 22,881 | (35,064) |
| Total other comprehensive income (loss) for the period, net of tax | | (91,525) | 140,256 | (91,525) | 140,256 |
| Total comprehensive income for the period | | 1,616,947 | 1,167,365 | 1,617,082 | 1,165,945 |
| Profit attributable to: | | | | | |
| Shareholders of the Bank | | 1,708,472 | 1,027,109 | 1,708,607 | 1,025,689 |
| Non-controlling interest | | - | - | - | - |
| Profit for the period | | 1,708,472 | 1,027,109 | 1,708,607 | 1,025,689 |
| Total comprehensive income attributable to: | | | | | |
| Shareholders of the Bank | | 1,616,947 | 1,167,365 | 1,617,082 | 1,165,945 |
| Non-controlling interest | | - | - | - | - |
| Total comprehensive income for the period | | 1,616,947 | 1,167,365 | 1,617,082 | 1,165,945 |
| Earnings per share | | | | | |
| Basic earnings per share (in Baht) | 38 | 1.15 | 0.69 | 1.15 | 0.69 |

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

(นาย อชิษฐ์ เจน)
(Mr. Ashish Jain)
กรรมการและรองกรรมการผู้จัดการใหญ่

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

| Six-month period ended 30 June 2017 | | | | | | | | | | |
|---|----|------------|-----------|-----------|----------|-----------|-----------|-------------|-------------|-------------|
| Balance as at 1 January 2017 | | | | | | | | | | |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| <i>Distribution to owners of the Bank</i> | | | | | | | | | | |
| Dividends | 39 | - | 9,055,819 | (191,784) | (5,223) | (197,007) | 1,102,086 | 13,647,620 | 38,445,563 | 38,445,563 |
| <i>Total distribution to owners of the Bank</i> | | | | | | | | | | |
| Comprehensive income for the period | | - | - | - | - | - | - | (385,763) | (385,763) | (385,763) |
| Profit for the period | | - | - | - | - | - | - | 1,027,109 | 1,027,109 | 1,027,109 |
| Other comprehensive income | | - | - | - | - | - | - | - | - | - |
| Available-for-sale investments | | - | - | - | - | - | - | - | - | - |
| Net change in fair value recognised in equity, net of tax | | - | - | 146,108 | - | 146,108 | - | - | 146,108 | 146,108 |
| Cash flow hedges | | - | - | - | - | - | - | - | - | - |
| Net change of effective portion of fair value of cash flow hedges, net of tax | | - | - | - | (5,832) | (5,832) | - | - | (5,832) | (5,832) |
| Total other comprehensive income | | - | - | 146,108 | (5,832) | 140,256 | - | - | 140,256 | 140,256 |
| Total comprehensive income for the period | | - | - | 146,108 | (5,832) | 140,256 | - | 1,027,109 | 1,167,365 | 1,167,365 |
| Balance as at 30 June 2017 | | 14,837,045 | 9,055,819 | (45,676) | (11,075) | (56,751) | 1,102,086 | 14,288,966 | 39,227,165 | 39,227,165 |
| Six-month period ended 30 June 2018 | | | | | | | | | | |
| Balance as at 1 January 2018 | | | | | | | | | | |
| Transactions with owners, recorded directly in equity | | | | | | | | | | |
| <i>Distribution to owners of the Bank</i> | | | | | | | | | | |
| Dividends | 39 | - | 9,055,819 | (11,337) | (488) | (11,825) | 1,218,491 | 15,490,310 | 40,589,840 | 40,589,840 |
| <i>Total distribution to owners of the Bank</i> | | | | | | | | | | |
| Comprehensive income for the period | | - | - | - | - | - | - | (2,166,209) | (2,166,209) | (2,166,209) |
| Profit for the period | | - | - | - | - | - | - | (2,166,209) | (2,166,209) | (2,166,209) |
| Other comprehensive income | | - | - | - | - | - | - | - | - | - |
| Available-for-sale investments | | - | - | - | - | - | - | - | - | - |
| Net change in fair value recognised in equity, net of tax | | - | - | (91,077) | - | (91,077) | - | - | (91,077) | (91,077) |
| Cash flow hedges | | - | - | - | - | - | - | - | - | - |
| Net change of effective portion of fair value of cash flow hedges, net of tax | | - | - | - | (448) | (448) | - | - | (448) | (448) |
| Total other comprehensive income | | - | - | (91,077) | (448) | (91,525) | - | - | (91,525) | (91,525) |
| Total comprehensive income for the period | | - | - | (91,077) | (448) | (91,525) | - | 1,708,472 | 1,616,947 | 1,616,947 |
| Balance as at 30 June 2018 | | 14,837,045 | 9,055,819 | (102,414) | (936) | (103,350) | 1,218,491 | 15,032,573 | 40,040,578 | 40,040,578 |

(นาย พลาภกร วังทอง)
(Mr. Plakorn Wangtoe)

(นาย อชิฐ ธรรม)
(Mr. Ashish Jain)

กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

กรรมการและรองกรรมการผู้จัดการใหญ่

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

Statement of changes in equity

| | Note | Issued and paid-up share capital | Premium on share capital | Bank only | | | Retained earnings | | Total equity |
|---|------|----------------------------------|--------------------------|--------------------------------|------------------------------------|--|-------------------|----------------|--------------|
| | | | | Available-for-sale investments | Gains (losses) on cash flow hedges | Total other reserves (in thousand Baht) | Legal reserve | Unappropriated | |
| Six-month period ended 30 June 2017 | | | | | | | | | |
| Balance as at 1 January 2017 | | 14,837,045 | 9,055,819 | (191,784) | (5,223) | (197,007) | 1,096,086 | 13,653,620 | 38,445,563 |
| Transactions with owners, recorded directly in equity | | | | | | | | | |
| <i>Distribution to owners of the Bank</i> | | | | | | | | | |
| Dividends | 39 | - | - | - | - | - | - | (385,763) | (385,763) |
| <i>Total distribution to owners of the Bank</i> | | | | | | | | | |
| Comprehensive income for the period | | - | - | - | - | - | - | - | - |
| Profit for the period | | - | - | - | - | - | - | 1,025,689 | 1,025,689 |
| Other comprehensive income | | | | | | | | | |
| Available-for-sale investments | | | | | | | | | |
| Net change in fair value recognised in equity, net of tax | | - | - | 146,108 | - | 146,108 | - | - | 146,108 |
| Cash flow hedges | | | | | | | | | |
| Net change of effective portion of fair value of cash flow hedges, net of tax | | - | - | - | (5,852) | (5,852) | - | - | (5,852) |
| Total other comprehensive income | | - | - | 146,108 | (5,852) | 140,256 | - | - | 140,256 |
| Total comprehensive income for the period | | - | - | 146,108 | (5,852) | 140,256 | - | 1,025,689 | 1,165,945 |
| Balance as at 30 June 2017 | | 14,837,045 | 9,055,819 | (45,676) | (11,075) | (56,751) | 1,096,086 | 14,293,546 | 39,225,745 |
| Six-month period ended 30 June 2018 | | | | | | | | | |
| Balance as at 1 January 2018 | | 14,837,045 | 9,055,819 | (11,337) | (488) | (11,825) | 1,212,491 | 15,495,997 | 40,589,527 |
| Transactions with owners, recorded directly in equity | | | | | | | | | |
| <i>Distribution to owners of the Bank</i> | | | | | | | | | |
| Dividends | 39 | - | - | - | - | - | - | (2,166,209) | (2,166,209) |
| <i>Total distribution to owners of the Bank</i> | | | | | | | | | |
| Comprehensive income for the period | | - | - | - | - | - | - | - | - |
| Profit for the period | | - | - | - | - | - | - | - | - |
| Other comprehensive income | | | | | | | | | |
| Available-for-sale investments | | - | - | (91,077) | - | (91,077) | - | - | (91,077) |
| Cash flow hedges | | | | | | | | | |
| Net change of effective portion of fair value of cash flow hedges, net of tax | | - | - | - | (448) | (448) | - | - | (448) |
| Total other comprehensive income | | - | - | (91,077) | (448) | (91,525) | - | - | (91,525) |
| Total comprehensive income for the period | | - | - | (91,077) | (448) | (91,525) | - | 1,708,607 | 1,617,082 |
| Balance as at 30 June 2018 | | 14,837,045 | 9,055,819 | (102,414) | (936) | (103,350) | 1,212,491 | 15,038,595 | 40,040,400 |

(นาย พลากร หวังหลี)
(Mr. Plakorn Wanglee)

กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

(นาย อชิฐ แจน)
(Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

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

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

| | Consolidated | | Bank only | |
|---|------------------------|--------------------|------------------------|--------------------|
| | Six-month period ended | | Six-month period ended | |
| | 30 June | | 30 June | |
| | 2018 | 2017 | 2018 | 2017 |
| | (in thousand Baht) | | | |
| Cash flows from operating activities | | | | |
| Profit from operations before income tax | 2,023,939 | 1,336,240 | 2,024,074 | 1,334,822 |
| Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities | | | | |
| Depreciation and amortisation | 33,316 | 37,648 | 33,316 | 37,648 |
| Impairment loss of loans and debt securities (reversal of) | (716,228) | 252,006 | (716,228) | 252,006 |
| Amortisation of discount of debt instruments | (73,005) | (365,691) | (73,005) | (365,691) |
| Amortisation of discount of debt issued and borrowings | 4,895 | 10,400 | 4,895 | 10,400 |
| Losses (gains) on disposal of investments | (29,595) | 3,285 | (29,595) | 3,285 |
| Losses (gains) on disposal of premises and equipment | (108) | 334 | (108) | 334 |
| Provisions made | 4,094 | 22,609 | 4,094 | 22,609 |
| Reversal of impairment of fixed assets | (139,849) | - | (139,849) | - |
| Net interest income | (1,081,056) | (2,200,955) | (1,080,997) | (2,200,902) |
| Interest received | 1,764,783 | 3,073,755 | 1,764,783 | 3,073,755 |
| Interest paid | (659,763) | (851,764) | (659,822) | (851,817) |
| Income tax paid | (39,230) | (184,374) | (39,230) | (184,373) |
| Profit from operations before changes in operating assets and liabilities | 1,092,193 | 1,133,493 | 1,092,328 | 1,132,076 |
| Decrease (increase) in operating assets | | | | |
| Interbank and money market items | (10,687,841) | (938,265) | (10,687,841) | (938,265) |
| Derivative assets and liabilities, net | 515,948 | (1,773,628) | 515,948 | (1,773,628) |
| Trading investments | 1,901,985 | (1,877,521) | 1,901,985 | (1,877,521) |
| Loans to customers | 9,153,132 | (1,550,317) | 9,153,132 | (1,550,317) |
| Other assets | (1,716,138) | 966,240 | (1,716,138) | 966,256 |
| Increase (decrease) in operating liabilities | | | | |
| Deposits | 5,690,436 | 2,395,705 | 5,690,299 | 2,395,484 |
| Interbank and money market items | (1,775,510) | (1,813,404) | (1,775,510) | (1,813,404) |
| Liabilities payable on demand | (422,692) | (239,178) | (422,692) | (239,178) |
| Short-term debt issued and borrowings | (4,895) | 1,270,594 | (4,895) | 1,270,594 |
| Provisions used | (13,578) | (7,439) | (13,578) | (7,439) |
| Other liabilities | 170,732 | (2,470,295) | 170,734 | (2,468,673) |
| Net cash provided by (used in) operating activities | 3,903,772 | (4,904,015) | 3,903,772 | (4,904,015) |
| Cash flows from investing activities | | | | |
| Purchase of premises and equipment | (1,633) | (3,271) | (1,633) | (3,271) |
| Proceeds from disposals of premises and equipment | 128 | 2 | 128 | 2 |
| Purchase of available-for-sale investments | (17,001,037) | (210,070) | (17,001,037) | (210,070) |
| Proceeds from available-for-sale investments | 15,197,626 | 5,475,195 | 15,197,626 | 5,475,195 |
| Net cash provided by (used in) investing activities | (1,804,916) | 5,261,856 | (1,804,916) | 5,261,856 |

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

(นาย อชิษ แจน)
(Mr. Ashish Jain)
กรรมการและรองกรรมการผู้จัดการใหญ่

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

| | Consolidated | | Bank only | |
|--|---------------------------|------------------|------------------------|------------------|
| | Six-month period ended | | Six-month period ended | |
| | 30 June | | 30 June | |
| | 2018 | 2017 | 2018 | 2017 |
| | <i>(in thousand Baht)</i> | | | |
| Cash flows from financing activities | | | | |
| Dividends paid | (2,166,209) | (385,763) | (2,166,209) | (385,763) |
| Net cash used in financing activities | (2,166,209) | (385,763) | (2,166,209) | (385,763) |
| Net decrease in cash | (67,353) | (27,922) | (67,353) | (27,922) |
| Cash at beginning of the period | 120,605 | 271,469 | 120,605 | 271,469 |
| Cash at beginning of the period transferred to assets of disposal group classified as held for sale | - | 45,948 | - | 45,948 |
| Cash at end of the period | 53,252 | 289,495 | 53,252 | 289,495 |
| Non-cash transactions | | | | |
| Gains (losses) on remeasuring available-for-sale investments, net of deferred tax | (91,077) | 146,108 | (91,077) | 146,108 |
| Losses on cash flow hedges of derivatives revaluation, net of deferred tax | (448) | (5,852) | (448) | (5,852) |

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

(นาย อชิษ แจ่ม)
(Mr. Ashish Jain)
กรรมการและรองกรรมการผู้จัดการใหญ่

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
For the six-month period ended 30 June 2018

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These notes form an integral part of the interim financial statements.

The interim 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 24 August 2018.

1 General information

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

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

The Bank is a commercial bank, which provides a wide range of banking services to corporate and institutional clients. Details of the Bank’s subsidiary as at 30 June 2018 and 31 December 2017 are given in notes 10 and 27. On 22 December 2016, the Bank entered into a binding agreement to dispose of its Retail Banking Business and the transaction was completed on 1 October 2017.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standard (“TAS”) No. 34 (revised 2017) *Interim Financial Reporting*, guidelines promulgated by the Federation of Accounting Professions (“FAP”); and presented as prescribed by the Bank of Thailand (BoT) Notification No. Sor Nor Sor 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are a parent company of a group of companies offering financial services”.

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

In addition to the above new and revised TFRSs, The FAP has issued TFRSs 15 *Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2019. The Bank and its subsidiary has not early adopted this standard in preparing these interim financial statements.

TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. It replaces existing revenue recognition standards as follows:

- TAS 11 (revised 2017) *Construction Contracts*,
- TAS 18 (revised 2017) *Revenue*,
- TSIC 31 (revised 2017) *Revenue-Barter Transactions Involving Advertising Services*,
- TFRIC 13 (revised 2017) *Customer Loyalty Programmes*,
- TFRIC 15 (revised 2017) *Agreements for the Construction of Real Estate*, and
- TFRIC 18 (revised 2017) *Transfers of Assets from Customers*.

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

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For the six-month period ended 30 June 2018

The Bank and its subsidiary has made a preliminary assessment of the potential impact of adopting and initially applying TFRS 15 on the interim consolidated and the Bank only financial statements and expects that there will be no material impact on the interim consolidated and the Bank only financial statements in the period of initial application.

(b) *Basis of measurement*

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

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

(c) *Functional and presentation currency*

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

(d) *Use of judgments and estimates*

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

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

Assumptions and estimation uncertainties

Information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustments to the amount recognised in the interim financial statements is included in the following notes:

| | |
|---------|--|
| Note 5 | Fair value of financial assets and liabilities |
| Note 8 | Derivatives |
| Note 13 | Allowance for doubtful accounts |

Measurement of fair values

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

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

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
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The Bank and its subsidiary recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 5 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.

(a) Basis of consolidation

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

Subsidiary

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

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

Loss of control

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

Transactions eliminated on consolidation

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

(b) Foreign currencies

Foreign currency transactions

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

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

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
For the six-month period ended 30 June 2018

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

(c) Cash

Cash comprises cash on hand and cash in transit.

(d) Investments

Investments in subsidiary

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

Investments in debt and equity securities

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

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

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

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

Initial recognition

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

Disposal of investments

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

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

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

Notes to the interim financial statements

For the six-month period ended 30 June 2018

(e) *Loans to customers*

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

(f) *Allowance for doubtful accounts*

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

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

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

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

Any allowances for doubtful accounts established during the period are recorded as impairment loss of loans and debt securities. The Bank and its subsidiary write off bad debts against the allowance for doubtful accounts for uncollectible amounts. Bad debts recovered are presented net of impairment loss of loans and debt securities in profit or loss.

(g) *Troubled debt restructuring*

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

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

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

(h) *Premises and equipment*

Recognition and measurement

Owned assets

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

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Notes to the interim financial statements
For the six-month period ended 30 June 2018

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items of premises and equipment.

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

Subsequent costs

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

Depreciation

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

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

| | |
|-----------|---------------|
| Buildings | 20 - 50 years |
| Equipment | 3 - 5 years |

No depreciation is provided on assets under construction.

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

(i) Impairment

The carrying amounts of the Bank and its subsidiary'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 unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

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

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Calculation of recoverable amount

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

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

Reversals of impairment

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

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

(j) Financial instruments

Derivatives

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

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, presented as gains or

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
For the six-month period ended 30 June 2018

loss on cash flow hedges in equity and transferred to profit or loss when the risk on the hedge item impacts profit or loss. Any ineffective portion is recognised immediately in profit or loss.

Discontinuing hedge accounting

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

(k) *Borrowing transactions with embedded derivatives*

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

(l) *Employee benefits*

The Bank and its subsidiary operate post-employment benefit plans, including defined contribution plans and defined benefit plans.

Defined contribution plans

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

Defined benefit plans

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

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

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

Notes to the interim financial statements

For the six-month period ended 30 June 2018

Termination benefits

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

Short-term employee benefits

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

A liability is recognised for the amount expected to be paid if the Bank and its subsidiary has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based compensation

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

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

(m) Provisions

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

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

Restructuring costs

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

(n) Income

Interest income on loans to customers, discounts on loans to customers and other income are recognised on an accrual basis, except for interest income on loans overdue for more than three months and interest on loans where the borrowers' ability to pay is uncertain. In accordance with the BoT's regulations, interest in arrears for more than three months from the due date, regardless of whether it is covered by collateral, is reversed from profit or loss. Subsequent interest receipts are recognised on a cash basis.

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

(o) Expenses

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
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For the six-month period ended 30 June 2018

(p) Income tax

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

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

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

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Disposal group classified as held for sale

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

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

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(r) *Discontinued operations*

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

(s) *Earnings per share*

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

(t) *Segment information*

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

(u) *Offsetting*

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

4 Financial risk management

4.1 Credit risk

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

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

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

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
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For the six-month period ended 30 June 2018

4.2 Market risk

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

- **Trading book:** The Bank provides clients access to financial markets, facilitation of which entails the Bank taking moderate market risk positions. All trading terms support client activity; there are no proprietary teams. Hence, income earned from market-risk related activities is primarily driven by the volume of client activity rather than risk-taking. From 1 January 2016, a CVA desk has been actively hedging the credit and market exposure arising from CVA (Credit Valuation Adjustment) and FVA (Funding Valuation Adjustment). Nonetheless, the Bank did not adopt FVA in the financial statement.
- **Non-trading book:** Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high-quality liquid debt securities and from the translation of non-Thai baht denominated assets, liabilities and earnings

The primary categories of market risk for the Bank are :

- (a) **Interest rate risk:** arising from changes in yield curves, credit spreads and implied volatilities on interest rate options
- (b) **Currency exchange rate risk:** arising from changes in exchange rates and implied volatilities on foreign exchange options
- (c) **Commodity price risk:** arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals and agricultural. For this category of market risk, the Bank is fully hedged through a back-to-back position
- (d) **Credit spread risk:** arising from changes in the credit spread of its derivatives' counterparties through credit value adjustment (CVA) accounting

Market risk governance

The Bank has established standards, principles, policies and techniques for managing market risk. The Board of Directors approve the Bank's market risk limits taking account of market volatility, the range of products and asset classes, business volumes and transaction sizes. The Market and Traded Credit Risk Function, which is independent from the business, measures and monitors exposures against the approved limits to ensure the Bank's market risk exposures are within acceptable levels.

Value at Risk (VaR)

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 percent. This confidence level suggests that potential daily losses, in excess of the VaR measures, are likely to be experienced six times per year.

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The Bank applies two VaR methodologies:

- Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and the majority of specific (credit spread) risk VaR.
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

In both methods an historical observation period of one year is chosen and applied.

VaR is calculated as our exposure as at the close of business. Intra-day risk levels may vary from those reported at the end of the day.

In addition, sensitivity measures are used in addition to VaR as a risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the option's value.

Stress Testing

Losses beyond the 97.5 percent confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

The Bank complements the VaR measurement by monthly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs.

Stress scenarios are regularly updated to reflect the changes in risk profile and economic events. The Market and Traded Credit Risk function reviews stress exposures and, where necessary, enforces reductions in overall market risk exposure. The Risk Committee considers the results of stress tests as part of its supervision of risk appetite.

Regular stress-test scenarios are applied to interest rates, credit spread, exchange rates, commodity prices and equity prices. This covers all asset classes in the Financial Markets banking and trading books.

Non-trading book and Treasury markets risk treatment

Interest rate risk from non-trading book portfolios is transferred to financial markets where it is managed by Treasury Market (TM) desks under the supervision of Asset and Liability Committee (ALCO). TM deals in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and risk limits.

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

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(a) Interest rate risk

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

| | Floating interest rate | Consolidated 30 June 2018 | | Total |
|---|---------------------------|---|-------------------------|----------------|
| | | Fixed interest rate (in million Baht) | Non-interest bearing | |
| Financial assets | | | | |
| Cash | - | - | 53 | 53 |
| Interbank and money market items, net | 201 | 61,778 | 645 | 62,624 |
| Investments, net | - | 35,545 | 18 | 35,563 |
| Loans to customers and accrued interest receivables | 4,863 | 32,793 | 2,611 | 40,267 |
| Customer's liability under acceptance | - | - | 703 | 703 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | 4,416 | 4,416 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 4,958 | - | - | 4,958 |
| Other assets | - | - | 278 | 278 |
| Total financial assets | 10,022 | 130,116 | 8,724 | 148,862 |
| Financial liabilities | | | | |
| Deposits | 42,943 | 15,640 | 3,319 | 61,902 |
| Interbank and money market items | 8,299 | 14,709 | 7,414 | 30,422 |
| Liabilities payable on demand | - | - | 1,121 | 1,121 |
| Liabilities to deliver security | - | - | 3,573 | 3,573 |
| Bank's liability under acceptances | - | - | 703 | 703 |
| Accounts payable from purchase of investments | - | - | 3,344 | 3,344 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,642 | - | - | 3,642 |
| Other liabilities | - | - | 114 | 114 |
| Total financial liabilities | 54,884 | 30,349 | 19,588 | 104,821 |
| Off-financial reporting items, net | 878 | (878) | - | - |

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
For the six-month period ended 30 June 2018

| | | Consolidated 31 December 2017 | | |
|---|---------------------------|---|-------------------------|----------------|
| | Floating interest rate | Fixed interest rate | Non-interest bearing | Total |
| | <i>(in million Baht)</i> | | | |
| <i>Financial assets</i> | | | | |
| Cash | - | - | 121 | 121 |
| Interbank and money market items, net | 1,494 | 49,040 | 1,402 | 51,936 |
| Investments, net | 1 | 36,668 | 18 | 36,687 |
| Loans to customers and accrued interest receivables | 7,409 | 39,299 | 2,731 | 49,439 |
| Customer's liability under acceptance | - | - | 780 | 780 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | 295 | 295 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 3,433 | - | - | 3,433 |
| Other assets | - | - | 168 | 168 |
| Total financial assets | 12,337 | 125,007 | 5,515 | 142,859 |
| <i>Financial liabilities</i> | | | | |
| Deposits | 39,947 | 10,014 | 6,251 | 56,212 |
| Interbank and money market items | 7,655 | 17,077 | 7,465 | 32,197 |
| Liabilities payable on demand | - | - | 1,544 | 1,544 |
| Liabilities to deliver security | - | - | 1,426 | 1,426 |
| Bank's liability under acceptances | - | - | 780 | 780 |
| Accounts payable from purchase of investments | - | - | 2,372 | 2,372 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,075 | - | - | 3,075 |
| Other liabilities | - | - | 92 | 92 |
| Total financial liabilities | 50,677 | 27,091 | 19,930 | 97,698 |
| Off-financial reporting items, net | 1,180 | (1,180) | - | - |

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
For the six-month period ended 30 June 2018

| | | Bank only 30 June 2018 | | |
|---|---------------------------|---|-------------------------|----------------|
| | Floating interest rate | Fixed interest rate | Non-interest bearing | Total |
| | | <i>(in million Baht)</i> | | |
| <i>Financial assets</i> | | | | |
| Cash | - | - | 53 | 53 |
| Interbank and money market items, net | 201 | 61,778 | 645 | 62,624 |
| Investments, net | - | 35,545 | 18 | 35,563 |
| Loans to customers and accrued interest receivables | 4,863 | 32,793 | 2,611 | 40,267 |
| Customer's liability under acceptance | - | - | 703 | 703 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | 4,416 | 4,416 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 4,958 | - | - | 4,958 |
| Other assets | - | - | 278 | 278 |
| Total financial assets | 10,022 | 130,116 | 8,724 | 148,862 |
| <i>Financial liabilities</i> | | | | |
| Deposits | 42,991 | 15,640 | 3,319 | 61,950 |
| Interbank and money market items | 8,299 | 14,709 | 7,414 | 30,422 |
| Liabilities payable on demand | - | - | 1,121 | 1,121 |
| Liabilities to deliver security | - | - | 3,573 | 3,573 |
| Bank's liability under acceptances | - | - | 703 | 703 |
| Accounts payable from purchase of investments | - | - | 3,344 | 3,344 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,642 | - | - | 3,642 |
| Other liabilities | - | - | 114 | 114 |
| Total financial liabilities | 54,932 | 30,349 | 19,588 | 104,869 |
| Off-financial reporting items, net | 878 | (878) | - | - |

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
For the six-month period ended 30 June 2018

| | | Bank only | | |
|---|---------------------------|--------------------------|-------------------------|----------------|
| | | 31 December 2017 | | |
| | Floating interest rate | Fixed interest rate | Non-interest bearing | Total |
| | | <i>(in million Baht)</i> | | |
| <i>Financial assets</i> | | | | |
| Cash | - | - | 121 | 121 |
| Interbank and money market items, net | 1,494 | 49,040 | 1,402 | 51,936 |
| Investments, net | 1 | 36,668 | 18 | 36,687 |
| Loans to customers and accrued interest receivables | 7,409 | 39,299 | 2,731 | 49,439 |
| Customer's liability under acceptance | - | - | 780 | 780 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | 295 | 295 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 3,433 | - | - | 3,433 |
| Other assets | - | - | 168 | 168 |
| Total financial assets | 12,337 | 125,007 | 5,515 | 142,859 |
| <i>Financial liabilities</i> | | | | |
| Deposits | 39,994 | 10,014 | 6,251 | 56,259 |
| Interbank and money market items | 7,655 | 17,077 | 7,465 | 32,197 |
| Liabilities payable on demand | - | - | 1,544 | 1,544 |
| Liabilities to deliver security | - | - | 1,426 | 1,426 |
| Bank's liability under acceptances | - | - | 780 | 780 |
| Accounts payable from purchase of investments | - | - | 2,372 | 2,372 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,075 | - | - | 3,075 |
| Other liabilities | - | - | 92 | 92 |
| Total financial liabilities | 50,724 | 27,091 | 19,930 | 97,745 |
| Off-financial reporting items, net | 1,180 | (1,180) | - | - |

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
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For the six-month period ended 30 June 2018

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

| | Consolidated | | | | | |
|-------------------------------------|---|--------------|---|---|--------------|---|
| | 30 June 2018 | | | 31 December 2017 | | |
| | Average balance (in million Baht) | Interest | Average interest rate (% per annum) | Average balance (in million Baht) | Interest | Average interest rate (% per annum) |
| <i>Financial assets</i> | | | | | | |
| Interbank and money market items | 85,771 | 727 | 1.71 | 61,363 | 1,051 | 1.71 |
| Investments | 31,610 | 367 | 2.34 | 32,938 | 669 | 2.03 |
| Loans to customers | 44,628 | 668 | 3.02 | 69,835 | 3,672 | 5.26 |
| Total | 162,009 | 1,762 | 2.19 | 164,136 | 5,392 | 3.29 |
| <i>Financial liabilities</i> | | | | | | |
| Deposits | 71,783 | 498 | 1.40 | 80,650 | 1,192 | 1.48 |
| Interbank and money market items | 21,956 | 178 | 1.63 | 24,013 | 324 | 1.35 |
| Debt issued and borrowings | 606 | 5 | 1.66 | 2,779 | 28 | 1.00 |
| Total | 94,345 | 681 | 1.46 | 107,442 | 1,544 | 1.44 |
| Bank only | | | | | | |
| | 30 June 2018 | | | 31 December 2017 | | |
| | Average balance (in million Baht) | Interest | Average interest rate (% per annum) | Average balance (in million Baht) | Interest | Average interest rate (% per annum) |
| | Average balance (in million Baht) | Interest | Average interest rate (% per annum) | Average balance (in million Baht) | Interest | Average interest rate (% per annum) |
| <i>Financial assets</i> | | | | | | |
| Interbank and money market items | 85,771 | 727 | 1.71 | 61,363 | 1,051 | 1.71 |
| Investments | 31,610 | 367 | 2.34 | 32,938 | 669 | 2.03 |
| Loans to customers | 44,628 | 668 | 3.02 | 69,835 | 3,672 | 5.26 |
| Total | 162,009 | 1,762 | 2.19 | 164,136 | 5,392 | 3.29 |
| <i>Financial liabilities</i> | | | | | | |
| Deposits | 71,781 | 498 | 1.40 | 80,694 | 1,192 | 1.48 |
| Interbank and money market items | 21,956 | 178 | 1.63 | 24,013 | 324 | 1.35 |
| Debt issued and borrowings | 606 | 5 | 1.66 | 2,779 | 28 | 1.00 |
| Total | 94,343 | 681 | 1.46 | 107,486 | 1,544 | 1.44 |

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
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Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 30 June 2018 and 31 December 2017 are as follows:

| Consolidated 30 June 2018 | | | | | | | | |
|--|------------------------|--------------------|-------------------------------|------------------------------|--------------------------------------|-----------------------------|----------------|----------------|
| | Immediate repricing | Within 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years (in million Baht) | Non- interest bearing | Non accrual | Total |
| Financial assets | | | | | | | | |
| Cash | - | - | - | - | - | 53 | - | 53 |
| Interbank and money market items, net | 15,252 | 46,380 | 15 | 332 | - | 645 | - | 62,624 |
| Investments, net | - | 18,455 | 306 | 16,784 | - | 18 | - | 35,563 |
| Loans to customers and accrued interest receivables | 2,445 | 30,604 | 782 | 3,825 | - | 164 | 2,447 | 40,267 |
| Customer's liability under acceptance | - | - | - | - | - | 703 | - | 703 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | - | - | - | 4,416 | - | 4,416 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 4,958 | - | - | - | - | - | - | 4,958 |
| Other assets | - | - | - | - | - | 278 | - | 278 |
| Total financial assets | 22,655 | 95,439 | 1,103 | 20,941 | - | 6,277 | 2,447 | 148,862 |
| Financial liabilities | | | | | | | | |
| Deposits | 48,997 | 9,559 | 27 | - | - | 3,319 | - | 61,902 |
| Interbank and money market items | 12,208 | 2,440 | 332 | 6,559 | 1,469 | 7,414 | - | 30,422 |
| Liabilities payable on demand | - | - | - | - | - | 1,121 | - | 1,121 |
| Liabilities to deliver security | - | - | - | - | - | 3,573 | - | 3,573 |
| Bank's liability under acceptances | - | - | - | - | - | 703 | - | 703 |
| Accounts payable from purchase of investments | - | - | - | - | - | 3,344 | - | 3,344 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,642 | - | - | - | - | - | - | 3,642 |
| Other liabilities | - | - | - | - | - | 114 | - | 114 |
| Total financial liabilities | 64,847 | 11,999 | 359 | 6,559 | 1,469 | 19,588 | - | 104,821 |
| Off-financial reporting items, net | - | 22,740 | (9,934) | (10,996) | (1,810) | - | - | - |

**Standard Chartered Bank (Thai) Public
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For the six-month period ended 30 June 2018**

| | Consolidated 31 December 2017 | | | | | | | |
|---|----------------------------------|-----------------|-------------------------|------------------------|-------------------|----------------------|--------------|----------------|
| | Immediate repricing | Within 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years | Non-interest bearing | Non-accrual | Total |
| | | | | | (in million Baht) | | | |
| Financial assets | | | | | | | | |
| Cash | - | - | - | - | - | 121 | - | 121 |
| Interbank and money market items, net | 19,332 | 30,828 | 47 | 327 | - | 1,402 | - | 51,936 |
| Investments, net | - | 18,470 | - | 18,199 | - | 18 | - | 36,687 |
| Loans to customers and accrued interest receivables | 1,798 | 39,888 | 1,125 | 3,897 | - | 167 | 2,564 | 49,439 |
| Customer's liability under acceptance | - | - | - | - | - | 780 | - | 780 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | - | - | - | 295 | - | 295 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 3,433 | - | - | - | - | - | - | 3,433 |
| Other assets | - | - | - | - | - | 168 | - | 168 |
| Total financial assets | 24,563 | 89,186 | 1,172 | 22,423 | - | 2,951 | 2,564 | 142,859 |
| Financial liabilities | | | | | | | | |
| Deposits | 40,565 | 9,267 | 129 | - | - | 6,251 | - | 56,212 |
| Interbank and money market items | 14,827 | 2,427 | 327 | 5,698 | 1,453 | 7,465 | - | 32,197 |
| Liabilities payable on demand | - | - | - | - | - | 1,544 | - | 1,544 |
| Liabilities to deliver security | - | - | - | - | - | 1,426 | - | 1,426 |
| Bank's liability under acceptances | - | - | - | - | - | 780 | - | 780 |
| Accounts payable from purchase of investments | - | - | - | - | - | 2,372 | - | 2,372 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,075 | - | - | - | - | - | - | 3,075 |
| Other liabilities | - | - | - | - | - | 92 | - | 92 |
| Total financial liabilities | 58,467 | 11,694 | 456 | 5,698 | 1,453 | 19,930 | - | 97,698 |
| Off-financial reporting items, net | - | (5,805) | 8,167 | (3,527) | 1,165 | - | - | - |

Standard Chartered Bank (Thai) Public Company Limited and its Subsidiary
Notes to the interim financial statements
For the six-month period ended 30 June 2018

| | Bank only 30 June 2018 | | | | | |
|---|---------------------------|--------------------|-------------------------------|------------------------------|-----------------|----------------|
| | Immediate repricing | Within 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years | Total |
| | | | | (in million Baht) | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | - | 53 |
| Interbank and money market items, net | 15,252 | 46,380 | 15 | 332 | 645 | 62,624 |
| Investments, net | - | 18,455 | 306 | 16,784 | 18 | 35,563 |
| Loans to customers and accrued interest receivables | 2,445 | 30,604 | 782 | 3,825 | 164 | 40,267 |
| Customer's liability under acceptance | - | - | - | - | 703 | 703 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | - | - | 4,416 | 4,416 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 4,958 | - | - | - | - | 4,958 |
| Other assets | - | - | - | - | 278 | 278 |
| Total financial assets | 22,655 | 95,439 | 1,103 | 20,941 | 6,277 | 148,862 |
| | | | | | 2,447 | |
| Financial liabilities | | | | | | |
| Deposits | 49,045 | 9,559 | 27 | - | 3,319 | 61,950 |
| Interbank and money market items | 12,208 | 2,440 | 332 | 6,559 | 7,414 | 30,422 |
| Liabilities payable on demand | - | - | - | - | 1,121 | 1,121 |
| Liabilities to deliver security | - | - | - | - | 3,573 | 3,573 |
| Bank's liability under acceptances | - | - | - | - | 703 | 703 |
| Accounts payable from purchase of investments | - | - | - | - | 3,344 | 3,344 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,642 | - | - | - | - | 3,642 |
| Other liabilities | - | - | - | - | 114 | 114 |
| Total financial liabilities | 64,895 | 11,999 | 359 | 6,559 | 19,588 | 104,869 |
| | | | | | - | |
| Off-financial reporting items, net | - | 22,740 | (9,934) | (10,996) | (1,810) | - |

For the six-month period ended 30 June 2018

| | Bank only | | | | | |
|---|---------------------|-----------------|-------------------------|------------------------|--------------|----------------|
| | 31 December 2017 | | | | | |
| | Immediate repricing | Within 6 months | Over 6 months to 1 year | Over 1 year to 5 years | Over 5 years | Total |
| | | | | (in million Baht) | | |
| Financial assets | | | | | | |
| Cash | - | - | - | - | - | 121 |
| Interbank and money market items, net | 19,332 | 30,828 | 47 | 327 | - | 51,936 |
| Investments, net | - | 18,470 | - | 18,199 | - | 36,687 |
| Loans to customers and accrued interest receivables | 1,798 | 39,888 | 1,125 | 3,897 | - | 49,439 |
| Customer's liability under acceptance | - | - | - | - | - | 780 |
| Accounts receivable from sales of investments and debt securities in issue | - | - | - | - | - | 295 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 3,433 | - | - | - | - | 3,433 |
| Other assets | - | - | - | - | - | 168 |
| Total financial assets | 24,563 | 89,186 | 1,172 | 22,423 | 2,564 | 142,859 |
| Financial liabilities | | | | | | |
| Deposits | 40,612 | 9,267 | 129 | - | - | 56,259 |
| Interbank and money market items | 14,827 | 2,427 | 327 | 5,698 | 1,453 | 32,197 |
| Liabilities payable on demand | - | - | - | - | - | 1,544 |
| Liabilities to deliver security | - | - | - | - | - | 1,426 |
| Bank's liability under acceptances | - | - | - | - | - | 780 |
| Accounts payable from purchase of investments | - | - | - | - | - | 2,372 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,075 | - | - | - | - | 3,075 |
| Other liabilities | - | - | - | - | - | 92 |
| Total financial liabilities | 58,514 | 11,694 | 456 | 5,698 | 1,453 | 97,745 |
| Off-financial reporting items, net | - | (5,805) | 8,167 | (3,527) | 1,165 | - |

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For the six-month period ended 30 June 2018

(b) Currency exchange rate risk

As at 30 June 2018 and 31 December 2017, net open position assets (liabilities) denominated in various currencies were as follows:

| | Consolidated and Bank only | |
|--------------------------------------|-----------------------------------|--------------------|
| | 30 June | 31 December |
| | 2018 | 2017 |
| | <i>(in million USD)</i> | |
| Net foreign currency exposure | | |
| US Dollar | 93 | (56) |
| Euro (*) | 2 | 3 |
| Others (*) | (2) | (3) |

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

4.3 Liquidity risk

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

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

The Bank has a robust risk type framework for managing the Bank's liquidity and funding risk. Through this framework, the Bank controls and optimises the risk return profile of the Bank. This is principally achieved by:

- Setting risk appetites aligned with strategic objectives
- Identifying, measuring and monitoring liquidity risks:
 - Assessment of regulatory requirements and internal balance sheet characteristics driving liquidity risk
 - Assessment of the liquidity adequacy of the Bank under business as usual and stressed conditions
 - The Bank's liquidity stress testing framework covering both internal and regulatory scenarios
- Constraining risk profile within the Board approved risk appetite:
 - Development of policies to address the liquidity and funding risks identified
 - Implementation of associated risk measures that act as mitigants of these risks
 - Ongoing monitoring of risk measures against limits

To mitigate liquidity risk, the Bank maintains a well diversified, customer driven funding base and access to wholesale funds under normal market conditions. In addition, the Bank maintains a diversified portfolio of marketable securities that can be monetised or pledged as collateral in the event of a liquidity stress. Country Liquidity Crisis Management Plan (CLCMP) is reviewed and approved annually. The CLCMP includes a broad set of Early Warning Indicators (EWIs), an escalation framework and a set of management actions that could be effectively implemented by the appropriate level of senior management in the event of a liquidity stress.

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Liquidity risk governance

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

The Asset and Liability Committee (ALCO) is the responsible governing body to ensure that the liquidity and funding risks are managed effectively in compliance with Group liquidity policies and practice, as well as local regulatory requirements.

Stress Testing

The Bank intends to maintain a prudent and sustainable funding and liquidity position, such that it can withstand a severe yet plausible liquidity stress.

Regular stress testing is conducted to demonstrate that the Bank's liquidity exposure remains within the approved Risk Appetite Statement as well as within regulatory limits.

The internal liquidity stress testing framework includes multiple stress scenarios with varied survival periods and stressed conditions to appropriately reflect the liquidity risks undertaken by the Bank. The framework includes an idiosyncratic stress, a market wide stress and a combined stress.

The Board and ALCO have oversight over the appropriateness of the stress scenarios and the assumption contained within them.

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 2/2561 dated 25 January 2018, Re: "Liquidity coverage ratio disclosure standards", the Bank intends to disclose Liquidity coverage ratio as of 30 June 2018 within 4 months after the period end date, as indicated in the notification, through the Bank's website <https://www.sc.com/th>

As at 30 June 2018, the loan to deposits ratio of the Bank is 41% (31 December 2017: 60%).

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The remaining periods to maturity of significant financial assets and financial liabilities as at 30 June 2018 and 31 December 2017 based on contractual maturity is as follows:

| | At call | Within 6 months | Over 6 months to 1 year | Consolidated 30 June 2018 Over 1 year to 5 years (in million Baht) | Over 5 years | No maturity | Total |
|---|-----------------|--------------------|----------------------------|--|-----------------|----------------|----------------|
| Financial assets | | | | | | | |
| Cash | 53 | - | - | - | - | - | 53 |
| Interbank and money market items, net | 18,502 | 43,775 | 15 | 332 | - | - | 62,624 |
| Investments, net | - | 3,107 | 314 | 16,854 | 15,270 | 18 | 35,563 |
| Loans to customers and accrued interest receivables | 11,320 | 9,796 | 2,327 | 11,606 | 5,218 | - | 40,267 |
| Customer's liability under acceptance | - | 471 | 232 | - | - | - | 703 |
| Accounts receivable from sales of investments and debt securities in issue | 4,416 | - | - | - | - | - | 4,416 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 4,958 | - | - | - | - | - | 4,958 |
| Other assets | - | - | - | 278 | - | - | 278 |
| Total financial assets | 39,249 | 57,149 | 2,888 | 29,070 | 20,488 | 18 | 148,862 |
| Financial liabilities | | | | | | | |
| Deposits | 46,262 | 15,613 | 27 | - | - | - | 61,902 |
| Interbank and money market items | 19,623 | 1,008 | - | 8,322 | 1,469 | - | 30,422 |
| Liabilities payable on demand | 1,121 | - | - | - | - | - | 1,121 |
| Liabilities to delivery security | 3,573 | - | - | - | - | - | 3,573 |
| Bank's liability under acceptances | - | 471 | 232 | - | - | - | 703 |
| Accounts payable from purchase of investments | 3,344 | - | - | - | - | - | 3,344 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,642 | - | - | - | - | - | 3,642 |
| Other liabilities | 114 | - | - | - | - | - | 114 |
| Total financial liabilities | 77,679 | 17,092 | 259 | 8,322 | 1,469 | - | 104,821 |
| Net liquidity gap | (38,430) | 40,057 | 2,629 | 20,748 | 19,019 | 18 | 44,041 |

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

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| | At call | Within 6 months | Over 6 months to 1 year | Bank only 30 June 2018 Over 1 year to 5 years (in million Baht) | Over 5 years | No maturity | Total |
|---|-----------------|--------------------|----------------------------|---|-----------------|----------------|----------------|
| Financial assets | | | | | | | |
| Cash | 53 | - | - | - | - | - | 53 |
| Interbank and money market items, net | 18,502 | 43,775 | 15 | 332 | - | - | 62,624 |
| Investments, net | - | 3,107 | 314 | 16,854 | 15,270 | 18 | 35,563 |
| Loans to customers and accrued interest receivables | 11,320 | 9,796 | 2,327 | 11,606 | 5,218 | - | 40,267 |
| Customer's liability under acceptance | - | 471 | 232 | - | - | - | 703 |
| Accounts receivable from sales of investments and debt securities in issue | 4,416 | - | - | - | - | - | 4,416 |
| Collateral from Credit Support Annex agreements and margin receivables from private repo transactions | 4,958 | - | - | - | - | - | 4,958 |
| Other assets | - | - | - | 278 | - | - | 278 |
| Total financial assets | 39,249 | 57,149 | 2,888 | 29,070 | 20,488 | 18 | 148,862 |
| Financial liabilities | | | | | | | |
| Deposits | 46,310 | 15,613 | 27 | - | - | - | 61,950 |
| Interbank and money market items | 19,623 | 1,008 | - | 8,322 | 1,469 | - | 30,422 |
| Liabilities payable on demand | 1,121 | - | - | - | - | - | 1,121 |
| Liabilities to delivery security | 3,573 | - | - | - | - | - | 3,573 |
| Bank's liability under acceptances | - | 471 | 232 | - | - | - | 703 |
| Accounts payable from purchase of investments | 3,344 | - | - | - | - | - | 3,344 |
| Collateral from Credit Support Annex agreements and margin payables from private repo transactions | 3,642 | - | - | - | - | - | 3,642 |
| Other liabilities | 114 | - | - | - | - | - | 114 |
| Total financial liabilities | 77,727 | 17,092 | 259 | 8,322 | 1,469 | - | 104,869 |
| Net liquidity gap | (38,478) | 40,057 | 2,629 | 20,748 | 19,019 | 18 | 43,993 |

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

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Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 30 June 2018 and 31 December 2017 are as follows:

| | Consolidated and Bank only | | |
|--|----------------------------|--|------------------|
| | 30 June 2018 | | |
| | Within 1 year | Over 1 year <i>(in million Baht)</i> | Total |
| <i>Foreign currency related</i> | | | |
| Forward exchange contracts | 364,480 | 7,570 | 372,050 |
| Cross currency swap contracts | 34,735 | 141,210 | 175,945 |
| Currency option contracts | 11,668 | - | 11,668 |
| <i>Interest rate related</i> | | | |
| Interest rate swap contracts | 152,858 | 398,632 | 551,490 |
| Interest rate option contracts | - | 17,274 | 17,274 |
| <i>Others</i> | | | |
| Bond forward contracts | 2,447 | 13,054 | 15,501 |
| Commodities | 15,301 | 2,703 | 18,004 |
| Total | 581,489 | 580,443 | 1,161,932 |

| | Consolidated and Bank only | | |
|--|----------------------------|--|------------------|
| | 31 December 2017 | | |
| | Within 1 year | Over 1 year <i>(in million Baht)</i> | Total |
| <i>Foreign currency related</i> | | | |
| Forward exchange contracts | 329,486 | 7,606 | 337,092 |
| Cross currency swap contracts | 50,347 | 142,193 | 192,540 |
| Currency option contracts | 14,272 | - | 14,272 |
| <i>Interest rate related</i> | | | |
| Interest rate swap contracts | 143,157 | 444,544 | 587,701 |
| Interest rate option contracts | - | 17,978 | 17,978 |
| <i>Others</i> | | | |
| Bond forward contracts | 2,590 | 9,383 | 11,973 |
| Commodities | 14,585 | - | 14,585 |
| Total | 554,437 | 621,704 | 1,176,141 |

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5 Fair value of financial assets and liabilities

Fair value hierarchy

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

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

5.1 Financial assets and liabilities measured at fair value

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

| Consolidated and Bank only | | | | |
|-------------------------------------|--------------------------|----------------|----------------|--------------|
| Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(in million Baht)</i> | | | |
| 30 June 2018 | | | | |
| <i>Financial assets</i> | | | | |
| Derivatives | | | | |
| - Foreign currency related | 19 | 8,640 | - | 8,659 |
| - Interest rate related | - | 7,133 | - | 7,133 |
| - Bond forward contracts | - | 269 | - | 269 |
| - Commodities contracts | - | 1,517 | - | 1,517 |
| Debt securities held for trading | - | 15,471 | - | 15,471 |
| Debt securities available-for-sale | - | 20,074 | - | 20,074 |
| <i>Financial liabilities</i> | | | | |
| Derivatives | | | | |
| - Foreign currency related | 15 | 9,503 | - | 9,518 |
| - Interest rate related | - | 5,117 | - | 5,117 |
| - Bond forward contracts | - | 166 | - | 166 |
| - Commodities contracts | - | 1,524 | - | 1,524 |
| Consolidated and Bank only | | | | |
| Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(in million Baht)</i> | | | |
| 31 December 2017 | | | | |
| <i>Financial assets</i> | | | | |
| Derivatives | | | | |
| - Foreign currency related | 1 | 6,790 | - | 6,791 |
| - Interest rate related | - | 7,056 | - | 7,056 |
| - Bond forward contracts | - | 122 | - | 122 |
| - Commodities contracts | - | 1,306 | - | 1,306 |
| Debt securities held for trading | - | 18,318 | - | 18,318 |
| Debt securities available-for-sale | - | 18,351 | - | 18,351 |

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| | Consolidated and Bank only | | | |
|-------------------------------------|----------------------------|---------|---------|-------|
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | <i>(in million Baht)</i> | | | |
| 31 December 2017 | | | | |
| <i>Financial liabilities</i> | | | | |
| Derivatives | | | | |
| - Foreign currency related | - | 6,352 | - | 6,352 |
| - Interest rate related | - | 5,425 | - | 5,425 |
| - Bond forward contracts | - | 422 | - | 422 |
| - Commodities contracts | - | 1,318 | - | 1,318 |

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

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

The Bank and its subsidiary recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six-month period ended 30 June 2018 and for the year ended 31 December 2017.

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

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

5.2 Financial assets and liabilities not measured at fair value

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

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

Interbank and money market items (assets and liabilities)

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

General investments

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

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Loans to customers

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

Deposits

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

Liabilities payable on demand

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

Other financial instruments

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

6 Maintenance of capital fund

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

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 8 May 2015, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 30 June 2018 and 31 December 2017, the Bank's total capital funds can be categorised as follows:

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| | Bank only | |
|---|--------------------------|-----------------------------|
| | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | |
| <i>Tier 1 capital</i> | | |
| Common Equity Tier 1 (CET1) | | |
| Issued and paid-up share capital, share premium | 23,893 | 23,893 |
| Legal reserve | 1,212 | 1,096 |
| Net profit after appropriation | 13,213 | 13,202 |
| Other reserves | (170) | (10) |
| Less capital deduction items on CET1 | (271) | (297) |
| Total Tier 1 Capital Base | 37,877 | 37,884 |
| <i>Tier 2 capital</i> | | |
| Provision for normal classified assets | 42 | 52 |
| Surplus of provision | 354 | 397 |
| Total Tier 2 Capital Base | 396 | 449 |
| Total Capital Base | 38,273 | 38,333 |
| Total Risk-Weighted Assets | 100,706 | 104,419 |

| | The BoT's regulation minimum requirement* | | 30 June 2018 | 31 December 2017 |
|--|--|------|-----------------|---------------------|
| | 2018 | 2017 | (%) | |
| Capital Adequacy Ratio | 10.375 | 9.75 | 38.00 | 36.71 |
| Tier-1 Capital ratio | 7.875 | 7.25 | 37.61 | 36.28 |
| Tier-1 Common Equity ratio | 6.375 | 5.75 | 37.61 | 36.28 |
| Tier-2 Capital ratio | - | - | 0.39 | 0.43 |
| Capital after deducting capital add-on arising from Single Lending Limit (in million Baht) | - | - | 38,273 | 38,333 |
| Capital after deducting capital add-on arising from Single Lending Limit to total risk-weighted assets ratio | - | - | 38.00 | 36.71 |

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

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

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

In accordance with the Bank of Thailand Notification No. Sor Nor Sor 4/2556 dated 2 May 2013, Re: "Information Disclosure Regarding Capital Fund Maintenance for Commercial Banks", the Bank intends to disclose Capital Maintenance information as of 30 June 2018 within 4 months after the period end date, as indicated in the notification, through the Bank's website <https://www.sc.com/th/>.

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Capital management

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

7 Interbank and money market items, net (assets)

| | Consolidated and Bank only | | | | | |
|--|----------------------------|---------------|---------------|------------------|---------------|---------------|
| | 30 June 2018 | | | 31 December 2017 | | |
| | At call | Term | Total | At call | Term | Total |
| | <i>(in million Baht)</i> | | | | | |
| Domestic | | | | | | |
| Bank of Thailand | 2,739 | 9,077 | 11,816 | 4,691 | 14,999 | 19,690 |
| Commercial banks | 8,421 | 27,883 | 36,304 | 14,324 | 1,490 | 15,814 |
| Other financial institutions | - | 5,150 | 5,150 | 1,300 | 4,000 | 5,300 |
| Total | 11,160 | 42,110 | 53,270 | 20,315 | 20,489 | 40,804 |
| Add accrued interest receivable | 6 | 24 | 30 | 5 | 9 | 14 |
| Less allowance for doubtful accounts | - | (12) | (12) | (13) | - | (13) |
| Total domestic, net | 11,166 | 42,122 | 53,288 | 20,307 | 20,498 | 40,805 |
| Foreign | | | | | | |
| US Dollar | 7,101 | 1,661 | 8,762 | 127 | 10,728 | 10,855 |
| Japanese Yen | 14 | - | 14 | 32 | - | 32 |
| Euro | 99 | 350 | 449 | 81 | 16 | 97 |
| Chinese Yuan | 35 | - | 35 | 33 | - | 33 |
| Other currencies | 107 | - | 107 | 103 | - | 103 |
| Total | 7,356 | 2,011 | 9,367 | 376 | 10,744 | 11,120 |
| Add accrued interest receivable | 10 | 7 | 17 | 1 | 39 | 40 |
| Less allowance for doubtful accounts | (30) | (18) | (48) | - | (29) | (29) |
| Total foreign, net | 7,336 | 2,000 | 9,336 | 377 | 10,754 | 11,131 |
| Total domestic and foreign, net | 18,502 | 44,122 | 62,624 | 20,684 | 31,252 | 51,936 |

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8 Derivatives

8.1 Derivatives held for trading

As at 30 June 2018 and 31 December 2017, the fair value and notional amount of derivatives classified by type of risks are as follows:

| Type of risks | Consolidated and Bank only | | | | | |
|--------------------------|----------------------------|--------------|--------------------|------------------|--------------|--------------------|
| | 30 June 2018 | | | 31 December 2017 | | |
| | Fair value | | Notional amount | Fair value | | Notional amount |
| | Assets | Liabilities | | Assets | Liabilities | |
| | (in million Baht) | | | | | |
| Foreign currency related | 8,659 | 9,515 | 559,000 | 6,784 | 6,352 | 543,250 |
| Interest rate related | 7,133 | 5,103 | 566,464 | 7,056 | 5,402 | 603,229 |
| Others | | | | | | |
| - Bond forward contracts | 269 | 166 | 15,501 | 122 | 422 | 11,973 |
| - Commodities | 1,517 | 1,524 | 18,004 | 1,306 | 1,318 | 14,585 |
| | <u>1,786</u> | <u>1,690</u> | <u>33,505</u> | <u>1,428</u> | <u>1,740</u> | <u>26,558</u> |
| Total | 17,578 | 16,308 | 1,158,969 | 15,268 | 13,494 | 1,173,037 |

As at 30 June 2018 and 31 December 2017, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

| | Consolidated and Bank only | |
|------------------------|-----------------------------------|---------------------|
| | 30 June 2018 | 31 December 2017 |
| Counterparties | <i>(%)</i> | |
| Financial institutions | 67.7 | 66.3 |
| Related parties | 22.9 | 24.5 |
| Other parties | 9.4 | 9.2 |
| Total | <u>100.0</u> | <u>100.0</u> |

8.2 Derivatives held for hedging

8.2.1 Fair value hedges

| Type of risks | Consolidated and Bank only | | | | | |
|-----------------------|----------------------------|-------------|--------------------|------------------|-------------|--------------------|
| | 30 June 2018 | | | 31 December 2017 | | |
| | Fair value | | Notional amount | Fair value | | Notional amount |
| | Assets | Liabilities | | Assets | Liabilities | |
| | (in million Baht) | | | | | |
| Interest rate related | - | 14 | 2,300 | - | 23 | 2,450 |
| Total | - | 14 | 2,300 | - | 23 | 2,450 |

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The swaps exchange fixed rates for floating rates on funding to match floating rates received on assets, or exchange fixed rates on assets to match the floating rates paid on funding. For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged items, both of which are recognised in profit or loss. For the six-month period ended 30 June 2018, the Bank recognised loss on fair value hedges in profit or loss amounted to Baht 1.5 million (30 June 2017: loss on fair value hedges Baht 0.1 million).

8.2.2 Cash flow hedges

| Type of risks | Consolidated and Bank only | | | | | |
|--------------------------|----------------------------|-------------|--------------------|----------------------|-------------|--------------------|
| | 30 June 2018 | | | 31 December 2017 | | |
| | Fair value Assets | Liabilities | Notional amount | Fair value Assets | Liabilities | Notional amount |
| | <i>(in million Baht)</i> | | | | | |
| Foreign currency related | - | 3 | 663 | 7 | - | 654 |
| Total | - | 3 | 663 | 7 | - | 654 |

The Bank uses interest rate swaps to manage the variability in future cash flows on assets and liabilities and cross-currency swaps to manage the variability in future exchange rates on its assets and liabilities and costs in foreign currencies. The interest rate swaps are contracts which involve the exchange of floating rates for fixed rates. The cross-currency swaps are contracts which involve the exchange of principal and interest in different currencies with counterparties for a specified period. Gains or losses arising on the effective portion of the hedges are deferred in other comprehensive income until the variability on the cash flow affects profit and loss, at which time the gains or losses are transferred to profit or loss. For the six-month period ended 30 June 2018, the Bank recognised loss on cash flow hedges in other comprehensive income amounted to Baht 0.6 million (30 June 2017: loss on cash flow hedges Baht 7 million) and gain on cash flow hedges in profit or loss amounted to Baht 1 million (30 June 2017: gain on cash flow hedges Baht 53 million).

As at 30 June 2018 and 31 December 2017, the time periods in which cash flows of hedged items are expected to impact in profit or loss are as follows:

| Cash flows | Consolidated and Bank only | | | |
|-----------------------|----------------------------|----------------------------|---------------------------|----------|
| | 30 June 2018 | | | |
| | Within 3 months | Over 3 months to 1 year | Over 1 year to 5 years | Total |
| | <i>(in million Baht)</i> | | | |
| Cash inflows | 1 | 3 | 3 | 7 |
| Cash outflows | - | - | - | - |
| Net cash flows | 1 | 3 | 3 | 7 |

| Cash flows | Consolidated and Bank only | | | |
|-----------------------|----------------------------|----------------------------|---------------------------|-----------|
| | 31 December 2017 | | | |
| | Within 3 months | Over 3 months to 1 year | Over 1 year to 5 years | Total |
| | <i>(in million Baht)</i> | | | |
| Cash inflows | 1 | 4 | 5 | 10 |
| Cash outflows | - | - | - | - |
| Net cash flows | 1 | 4 | 5 | 10 |

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9 Investments, net

9.1 As at 30 June 2018 and 31 December 2017, the Bank and its subsidiary classify investment types, as follows:

| | Consolidated and Bank only | |
|--|-----------------------------------|-----------------------------|
| | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | |
| Trading investments - Fair value | | |
| Government bonds | 12,710 | 14,955 |
| Private debt instruments | 2,761 | 3,363 |
| Total | 15,471 | 18,318 |
| Available-for-sale investments - Fair value | | |
| Government bonds | 20,074 | 18,351 |
| Total | 20,074 | 18,351 |
| General investments - Cost | | |
| Domestic non-marketable equity securities | 24 | 24 |
| Total | 24 | 24 |
| <i>Less allowance for impairment</i> | <i>(6)</i> | <i>(6)</i> |
| Net | 18 | 18 |
| Total investments, net | 35,563 | 36,687 |

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

| | Consolidated and Bank only | |
|---|-----------------------------------|-----------------------------|
| | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | |
| Fair value changes in available-for-sale investments | | |
| Debt securities | (116) | 9 |
| <i>Less fair value changes in fair value hedged investments</i> | <i>(12)</i> | <i>(23)</i> |
| <i>Less deferred tax</i> | <i>26</i> | <i>3</i> |
| Net | (102) | (11) |

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

| | Consolidated and Bank only | | | | |
|-----------------------------|-----------------------------------|-------------|--------------------------|--------------------------------------|-------------------------------------|
| | 30 June 2018 | | | | |
| | No. of companies | Cost | Fair value | Allowance for revaluation | Allowance for impairment |
| | | | <i>(in million Baht)</i> | | |
| Non-listed companies in SET | 2 | 13 | 7 | - | 6 |
| Total | 2 | 13 | 7 | - | 6 |

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| Consolidated and Bank only | | | | | |
|-----------------------------------|---------------------|-----------|--------------------------|------------------------------|-----------------------------|
| 31 December 2017 | | | | | |
| | No. of companies | Cost | Fair value | Allowance for revaluation | Allowance for impairment |
| | | | <i>(in million Baht)</i> | | |
| Non-listed companies in SET | 2 | 13 | 7 | - | 6 |
| Total | 2 | 13 | 7 | - | 6 |

10 Investment in subsidiary

| Bank only | | | | | | | |
|---|-----------------------------|-----------------------|--|--------------------------|---------------------|---|----------|
| Companies | Type of business | Type of investment | Percentage of ownership interest | At cost | | Dividend income for the six-month period | |
| | | | | 30 June 2018 | 31 December 2017 | ended 30 June 2018 | 2017 |
| | | | | <i>(in million Baht)</i> | | | |
| Thai Exclusive Leasing Company Limited (TEL) (*) | Debt collection business | Ordinary shares | 99.99 | 59 | 59 | - | - |
| Less allowance for impairment | | | | (11) | (11) | - | - |
| Net | | | | 48 | 48 | - | - |

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

11 Loans to customers and accrued interest receivables, net

11.1 Classified by type of loans

| Consolidated and Bank only | | |
|---|--------------------------|---------------------|
| | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | |
| Overdrafts | 34 | 41 |
| Loans | 34,964 | 43,139 |
| Bills | 5,105 | 6,092 |
| Total | 40,103 | 49,272 |
| Add accrued interest receivables | 164 | 167 |
| Total loans and accrued interest receivables | 40,267 | 49,439 |
| Less allowance for doubtful accounts | | |
| - Minimum allowance as BoT's regulations | | |
| - Individual approach | (2,504) | (2,718) |
| - Excess allowance | (532) | (1,050) |
| Total | (3,036) | (3,768) |
| Total loans to customers and accrued interest receivables, net | 37,231 | 45,671 |

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11.2 Classified by currency and residence of debtors

| | Consolidated and Bank only 30 June 2018 | | | 31 December 2017 | | |
|------------------|--|--------------|----------------------------|------------------|--------------|---------------|
| | Domestic | Foreign | Total (in million Baht) | Domestic | Foreign | Total |
| Thai Baht | 23,974 | - | 23,974 | 27,927 | - | 27,927 |
| US Dollar | 11,206 | 4,296 | 15,502 | 11,793 | 7,910 | 19,703 |
| Other currencies | - | 627 | 627 | 988 | 654 | 1,642 |
| Total | 35,180 | 4,923 | 40,103 | 40,708 | 8,564 | 49,272 |

11.3 Classified by industry and loan classification

| | Consolidated and Bank only 30 June 2018 | | | | | Total |
|--|--|--------------------|----------------------------------|----------|---------------------|---------------|
| | Pass | Special mention | Substandard (in million Baht) | Doubtful | Doubtful of loss | |
| Agriculture and mining | 257 | - | - | - | - | 257 |
| Manufacturing and commerce | 24,633 | 26 | - | - | 2,447 | 27,106 |
| Property development and construction | 375 | - | - | - | - | 375 |
| Infrastructure and services | 6,748 | - | - | - | - | 6,748 |
| Others | 5,617 | - | - | - | - | 5,617 |
| Total | 37,630 | 26 | - | - | 2,447 | 40,103 |

| | Consolidated and Bank only 31 December 2017 | | | | | Total |
|--|--|--------------------|----------------------------------|----------|---------------------|---------------|
| | Pass | Special mention | Substandard (in million Baht) | Doubtful | Doubtful of loss | |
| Agriculture and mining | 1,013 | - | - | - | - | 1,013 |
| Manufacturing and commerce | 23,424 | 118 | - | - | 2,564 | 26,106 |
| Property development and construction | 7,147 | - | - | - | - | 7,147 |
| Infrastructure and services | 8,005 | - | - | - | - | 8,005 |
| Others | 7,001 | - | - | - | - | 7,001 |
| Total | 46,590 | 118 | - | - | 2,564 | 49,272 |

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11.4 Classified by loan classification

| | Consolidated and Bank only | | | |
|---|---|--|--|--|
| | 30 June 2018 | | | |
| | Loans to customers and accrued interest receivables (in million Baht) | Net amount used to set the allowance for doubtful accounts* (in million Baht) | Rate used for setting the allowance for doubtful accounts (%) | Allowance for doubtful accounts (in million Baht) |
| Minimum allowance as per BoT's Regulations | | | | |
| Pass | 37,794 | 30,599 | 1 | 306 |
| Special mention | 26 | 26 | 2 | 1 |
| Substandard | - | - | 100 | - |
| Doubtful | - | - | 100 | - |
| Doubtful of loss | 2,447 | 2,197 | 100 | 2,197 |
| Total | <u>40,267</u> | <u>32,822</u> | | <u>2,504</u> |
| Excess allowance | | | | <u>532</u> |
| Total | | | | <u>3,036</u> |

| | Consolidated and Bank only | | | |
|---|---|--|--|--|
| | 31 December 2017 | | | |
| | Loans to customers and accrued interest receivables (in million Baht) | Net amount used to set the allowance for doubtful accounts* (in million Baht) | Rate used for setting the allowance for doubtful accounts (%) | Allowance for doubtful accounts (in million Baht) |
| Minimum allowance as per BoT's Regulations | | | | |
| Pass | 46,757 | 40,345 | 1 | 403 |
| Special mention | 118 | 101 | 2 | 2 |
| Substandard | - | - | 100 | - |
| Doubtful | - | - | 100 | - |
| Doubtful of loss | 2,564 | 2,313 | 100 | 2,313 |
| Total | <u>49,439</u> | <u>42,759</u> | | <u>2,718</u> |
| Excess allowance | | | | <u>1,050</u> |
| Total | | | | <u>3,768</u> |

* 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.

11.5 Non-performing loans

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

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

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As at 30 June 2018 and 31 December 2017, NPL net (including financial institutions) based on the above directive can be summarised as follows:

| | Consolidated and Bank only | |
|---|-----------------------------------|------------------|
| | 30 June 2018 | 31 December 2017 |
| Non-performing loans, net (<i>in million Baht</i>) | 150 | 150 |
| Total loans used for NPL net ratio calculation (<i>in million Baht</i>) | 95,272 | 89,356 |
| Ratio of total loans (%) | 0.16 | 0.17 |

As at 30 June 2018 and 31 December 2017, NPL gross (including financial institutions) based on the above directive can be summarised as follows:

| | Consolidated and Bank only | |
|---|-----------------------------------|------------------|
| | 30 June 2018 | 31 December 2017 |
| Non-performing loans, gross (<i>in million Baht</i>) | 2,447 | 2,564 |
| Total loans used for NPL gross ratio calculation (<i>in million Baht</i>) | 97,569 | 91,769 |
| Ratio of total loans (%) | 2.51 | 2.79 |

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

12 Troubled debt restructuring

During the six-month periods ended 30 June 2018 and 2017, details of restructured debts as at the date of restructuring, classified by the restructuring method were as follows:

| Consolidated and Bank only | | | | |
|--|--|------------------|---|------------------------------------|
| Six-month period ended 30 June 2018 | | | | |
| Restructuring method | Terms of debt restructuring agreements | No. of customers | Amount of debt before restructuring (<i>in million Baht</i>) | Amount of debt after restructuring |
| Modification of terms and conditions | - | - | - | - |
| Total | | - | - | - |

| Consolidated and Bank only | | | | |
|--|---|------------------|---|------------------------------------|
| Six-month period ended 30 June 2017 | | | | |
| Restructuring method | Terms of debt restructuring agreements | No. of customers | Amount of debt before restructuring (<i>in million Baht</i>) | Amount of debt after restructuring |
| Modification of terms and conditions | Over 1 year and 11 months to 7 years and 2 months | 138 | 117 | 117 |
| Total | | 138 | 117 | 117 |

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.

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

| | Consolidated and Bank only | |
|----------------------------|-----------------------------------|------------------|
| | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | |
| Troubled restructured debt | <u>2,110</u> | <u>2,132</u> |

The loss incurred arising from restructuring, before allowance for doubtful accounts for the six-month periods ended 30 June as following:

| | Consolidated and Bank only | |
|--|-----------------------------------|----------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| The loss incurred arising from restructuring, before allowance for doubtful accounts | <u>-</u> | <u>-</u> |

If the loss on debt restructuring is higher than the allowance for doubtful accounts, the excess amounts are recognised as loss from debt restructuring in profit or loss. The Bank and its subsidiary had no loss on debt restructuring for the six-month periods ended 30 June 2018 and 2017.

The Bank and its subsidiary recognised interest income from debt restructuring for the six-month period ended 30 June as follows:

| | Consolidated and Bank only | |
|-----------------|-----------------------------------|-----------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Interest income | <u>2</u> | <u>56</u> |

13 Allowance for doubtful accounts

| Consolidated and Bank only | | | | | | | |
|-----------------------------------|--------------------------|-----------------|--------------|----------|------------------|------------------|--------------|
| 30 June 2018 | | | | | | | |
| | Pass | Special mention | Sub standard | Doubtful | Doubtful of loss | Excess allowance | Total |
| | <i>(in million Baht)</i> | | | | | | |
| Beginning balance | 403 | 2 | - | - | 2,313 | 1,050 | 3,768 |
| Allowance for doubtful accounts | (97) | (1) | - | - | (117) | (501) | (716) |
| Others | - | - | - | - | 1 | (17) | (16) |
| Ending balance | <u>306</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>2,197</u> | <u>532</u> | <u>3,036</u> |

| Consolidated and Bank only | | | | | | | |
|-----------------------------------|--------------------------|-----------------|--------------|----------|------------------|------------------|--------------|
| 31 December 2017 | | | | | | | |
| | Pass | Special mention | Sub standard | Doubtful | Doubtful of loss | Excess allowance | Total |
| | <i>(in million Baht)</i> | | | | | | |
| Beginning balance | 295 | 5 | 20 | - | 3,968 | 1,566 | 5,854 |
| Allowance for doubtful accounts | 108 | (3) | (20) | - | 486 | (545) | 26 |
| Bad debt written off | - | - | - | - | (2,132) | - | (2,132) |
| Others | - | - | - | - | (9) | 29 | 20 |
| Ending balance | <u>403</u> | <u>2</u> | <u>-</u> | <u>-</u> | <u>2,313</u> | <u>1,050</u> | <u>3,768</u> |

14 Premises and equipment

Consolidated and Bank only
30 June 2018

Consolidated and Bank only
31 December 2017

The gross amount of the Bank and its subsidiary's fully depreciated premises and equipment that was still in use as at 30 June 2018 amounted to Baht 350 million (31 December 2017: Baht 350 million).

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15 Deferred tax

Deferred tax assets and liabilities were as follows:

| | Consolidated and Bank only | |
|----------------------------|-----------------------------------|--------------------|
| | 30 June | 31 December |
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Deferred tax assets | 271 | 297 |

Movements in total deferred tax assets and liabilities during the six-month period ended 30 June 2018 and 2017 were as follows:

| | Consolidated and Bank only | | | |
|--|----------------------------|-------------------|---------------|------------|
| | (Charged) / Credited to: | | | |
| | At | Other | | At |
| | 1 January | Profit | comprehensive | 30 June |
| | 2018 | or loss | income | 2018 |
| | | (note 37) | | |
| | | (in million Baht) | | |
| Deferred tax assets | | | | |
| Investments | (60) | 113 | 23 | 76 |
| Loans and accrued interest receivables | 2 | - | - | 2 |
| Premises and equipment | 61 | (79) | - | (18) |
| Other assets | 69 | 1 | - | 70 |
| Provisions | 57 | (2) | - | 55 |
| Other liabilities | 103 | (18) | - | 85 |
| Cash flow hedges | 1 | - | - | 1 |
| Taxable loss carry forward | 64 | (64) | - | - |
| Total | 297 | (49) | 23 | 271 |

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| | At 1 January 2017 | Consolidated and Bank only (Charged) / Credited to: | | At 30 June 2017 |
|---|-------------------------|--|----------------------------------|-----------------------|
| | | Profit or loss | Other comprehensive income | |
| | | <i>(note 37)</i> | | |
| | | <i>(in million Baht)</i> | | |
| Deferred tax assets | | | | |
| Investments | 73 | (15) | (36) | 22 |
| Loans and accrued interest receivables | 169 | (5) | - | 164 |
| Premises and equipment | 67 | 1 | - | 68 |
| Other assets | 71 | (3) | - | 68 |
| Provisions | 91 | 2 | - | 93 |
| Other liabilities | 453 | 19 | - | 472 |
| Assets of disposal group classified as held for sale | - | (6) | - | (6) |
| Cash flow hedges | 2 | - | 1 | 3 |
| Total | 926 | (7) | (35) | 884 |

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

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

17 Discontinued operation

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

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An analysis of the result of the discontinued operation for the six-month period ended 30 June 2017 was as follows:

| | Consolidated and Bank only <i>(in million Baht)</i> |
|--|---|
| Interest income | 1,680 |
| Interest expense | 197 |
| Net interest income | 1,483 |
| Fees and service income | 266 |
| Fees and service expenses | 122 |
| Net fees and service income | 144 |
| Losses on trading and foreign exchange transactions | (8) |
| Other operating income | 3 |
| Total operating income | 1,622 |
| Employee expense | 397 |
| Premises and equipment expenses | 127 |
| Taxes and duties | 64 |
| Other operating expense | 186 |
| Total other operating expenses | 774 |
| Impairment loss of loans and debt securities | 110 |
| Operating profit before income tax from discontinued operations | 738 |
| Income tax | (132) |
| Net profit from discontinued operations | 606 |

Cash flows provided by the discontinued operation during the six-month period ended 30 June 2017 were as follows:

| | Consolidated and Bank only <i>(in million Baht)</i> |
|---------------------------------------|---|
| Net cash used in operating activities | (6,189) |
| | (6,189) |

18 Other assets, net

| | Consolidated | | Bank only | |
|---|--------------------------|---------------------|------------------|---------------------|
| | 30 June 2018 | 31 December 2017 | 30 June 2017 | 31 December 2017 |
| | <i>(in million Baht)</i> | | | |
| Accrued interest and income receivable | 278 | 168 | 278 | 168 |
| Prepayments | 19 | 7 | 19 | 7 |
| Advance income tax | 149 | 143 | 147 | 141 |
| Other receivable | 155 | 81 | 155 | 81 |
| Others | 15 | 20 | 15 | 20 |
| Total | 616 | 419 | 614 | 417 |

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19 Deposits

19.1 Classified by type of deposits

| | Consolidated | | Bank only | |
|--------------------------------|--------------------------|---------------------|------------------|---------------------|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | | | |
| Current | 3,508 | 6,246 | 3,508 | 6,246 |
| Savings | 42,754 | 39,952 | 42,802 | 39,999 |
| Term | | | | |
| - Less than 6 months | 15,613 | 9,871 | 15,613 | 9,871 |
| - 6 months to less than 1 year | 27 | 143 | 27 | 143 |
| Total | 61,902 | 56,212 | 61,950 | 56,259 |

19.2 Classified by currency and residence of depositors

| | Consolidated | | | | | |
|------------------|--------------------------|--------------|---------------|------------------|--------------|---------------|
| | 30 June 2018 | | | 31 December 2017 | | |
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | <i>(in million Baht)</i> | | | | | |
| Thai Baht | 49,679 | 643 | 50,322 | 42,347 | 4,912 | 47,259 |
| US Dollar | 10,325 | 1,157 | 11,482 | 7,577 | 1,276 | 8,853 |
| Other currencies | 75 | 23 | 98 | 77 | 23 | 100 |
| Total | 60,079 | 1,823 | 61,902 | 50,001 | 6,211 | 56,212 |

| | Bank only | | | | | |
|------------------|--------------------------|--------------|---------------|------------------|--------------|---------------|
| | 30 June 2018 | | | 31 December 2017 | | |
| | Domestic | Foreign | Total | Domestic | Foreign | Total |
| | <i>(in million Baht)</i> | | | | | |
| Thai Baht | 49,726 | 643 | 50,369 | 42,394 | 4,912 | 47,306 |
| US Dollar | 10,325 | 1,158 | 11,483 | 7,577 | 1,276 | 8,853 |
| Other currencies | 75 | 23 | 98 | 77 | 23 | 100 |
| Total | 60,126 | 1,824 | 61,950 | 50,048 | 6,211 | 56,259 |

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20 Interbank and money market items (liabilities)

| | Consolidated and Bank only | | | | | |
|-----------------------------------|-----------------------------------|---------------|---------------|-------------------------|--------------|---------------|
| | 30 June 2018 | | | 31 December 2017 | | |
| | At call | Term | Total | At call | Term | Total |
| | <i>(in million Baht)</i> | | | | | |
| Domestic | | | | | | |
| Commercial banks | 2,700 | 5,012 | 7,712 | 1,200 | 3,595 | 4,795 |
| Special financial institutions | - | - | - | 221 | 1,000 | 1,221 |
| Other financial institutions | 9,096 | 4,484 | 13,580 | 8,223 | 4,493 | 12,716 |
| Total domestic | 11,796 | 9,496 | 21,292 | 9,644 | 9,088 | 18,732 |
| Foreign | | | | | | |
| US Dollar | 300 | 995 | 1,295 | 4,904 | 817 | 5,721 |
| Euro | - | 308 | 308 | - | - | - |
| Thai Baht | 7,508 | - | 7,508 | 7,733 | - | 7,733 |
| Japanese Yen | 19 | - | 19 | 11 | - | 11 |
| Total foreign | 7,827 | 1,303 | 9,130 | 12,648 | 817 | 13,465 |
| Total domestic and foreign | 19,623 | 10,799 | 30,422 | 22,292 | 9,905 | 32,197 |

As at 30 June 2018, structured notes that are not designated at fair value in the consolidated and Bank only financial statements amounted to Baht 4,484 million (31 December 2017: Baht 4,493 million).

21 Provisions

| | Consolidated and Bank only | | | |
|---|-----------------------------------|-------------------------------|--------------|--------------|
| | Employee benefits | Contingent liabilities | Other | Total |
| | <i>(in million Baht)</i> | | | |
| At 1 January 2017 | 402 | 42 | 16 | 460 |
| Provisions made | 50 | 3 | - | 53 |
| Provisions used | (190) | - | - | (190) |
| Provision reversed | (21) | (8) | - | (29) |
| At 31 December 2017 and 1 January 2018 | 241 | 37 | 16 | 294 |
| Provisions made | 18 | - | - | 18 |
| Provisions used | (14) | - | - | (14) |
| Provision reversed | - | (13) | - | (13) |
| At 30 June 2018 | 245 | 24 | 16 | 285 |

22 Accounts payable from purchase of investments

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

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23 Other liabilities

| | Consolidated and Bank only | |
|--------------------------|----------------------------|------------------|
| | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | |
| Withholding tax payables | 381 | 168 |
| VAT payable | 42 | 11 |
| Other payables | 310 | 169 |
| Accrued interest payable | 114 | 92 |
| Others | 456 | 714 |
| Total | 1,303 | 1,154 |

24 Share capital

| | Par value per share <i>(in Baht)</i> | Consolidated and Bank only | | | |
|--------------------------------|--|---|---------------|--------------|---------------|
| | | 2018 | | 2017 | |
| | | Number | Amount | Number | Amount |
| | | <i>(in million shares / million Baht)</i> | | | |
| <i>Authorised</i> | | | | | |
| At 1 January - ordinary shares | 10 | 1,484 | 14,843 | 1,484 | 14,843 |
| At 30 June - 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 30 June - ordinary shares | 10 | <u>1,484</u> | <u>14,837</u> | <u>1,484</u> | <u>14,837</u> |

Share premium

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

25 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

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

Other reserves

Fair value change in available-for-sale investments

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

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Cash flow hedges

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

26 Contingent liabilities

| | Consolidated and Bank only | |
|------------------------------|-----------------------------------|----------------------|
| | 30 June | 31 December |
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Guarantees of loans | 1,532 | 273 |
| Letters of credit | 1,178 | 597 |
| Other contingencies | | |
| - Other letters of guarantee | 19,818 | 21,972 |
| - Committed line | 9,712 | 9,411 |
| - Other ^(*) | 3,941 | 1,663 |
| | <u>33,471</u> | <u>33,046</u> |
| Total | <u>36,181</u> | <u>33,916</u> |

^(*) As at 30 June 2018, this included the obligation to return the financial assets accepted as collateral from private reverse repo transaction and repledged for private repo transaction amounting to Baht 3,427 million (*31 December 2017: Baht 1,211 million*) and collateral per Credit Support Annex for derivative transaction amounting to Baht 514 million (*31 December 2017: Baht 452 million*).

Litigation

As at 30 June 2018, the Bank has received claims in respect of letters of guarantee and other items from the Bank's customers totaling Baht 75 million (excluding interest) (*31 December 2017: Baht 63 million*) and the lawsuit is under court process. As at 30 June 2018, the Bank has recorded provision for possible loss from these claims of Baht 4 million (*31 December 2017: Baht 4 million*).

27 Related parties

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

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

| Name of entity/Personnel | Country of incorporation/ nationality | Nature of relationship |
|---|--|--|
| Key management personnel | Thailand / Foreign | Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank and its subsidiary |
| Standard Chartered PLC | United Kingdom | Ultimate parent company of the Bank and its subsidiary |
| Standard Chartered Bank | United Kingdom | Immediate parent company of the Bank |
| Thai Exclusive Leasing Company Limited (*) | Thailand | Subsidiary, 99.9% shareholding |
| Standard Chartered (Thailand) Company Limited (*) | Thailand | Affiliated company of Standard Chartered Group |
| Resolution Alliance Limited | Thailand | Affiliated company of Standard Chartered Group |
| Standard Chartered Global Business Services Private Limited | India | Affiliated company of Standard Chartered Group |
| Standard Chartered Global Business Services SDN BHD | Malaysia | Affiliated company of Standard Chartered Group |
| Standard Chartered Global Business Services Private Limited | China | Affiliated company of Standard Chartered Group |
| Raffles Nominees Pte Ltd | Singapore | Affiliated company of Standard Chartered Group |
| Cartaban Nominees (Tempatan) SDN.BHD. | Malaysia | Affiliated company of Standard Chartered Group |

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

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

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

Significant transactions for the six-month period ended 30 June 2018 and 2017 with key management and other related parties were as follows:

| Six-month period ended 30 June | Consolidated | | Bank only | |
|--|---------------------|--------------------------|------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| | | <i>(in million Baht)</i> | | |
| Interest income | 76 | 113 | 76 | 113 |
| Gains (losses) on trading and foreign exchange transactions, net | 27 | (1,231) | 27 | (1,231) |
| Service agreements | 101 | 261 | 101 | 261 |
| Others | 27 | 76 | 27 | 85 |

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Significant balances and business transactions with executives and other related parties

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 30 June 2018 and 31 December 2017 were as follows:

| | Consolidated and Bank only | | | |
|---|-----------------------------------|-------------------------|-------------------------|-------------------------|
| | 30 June 2018 | | 31 December 2017 | |
| | Ending balance | Average | Ending balance | Average |
| | <i>(in million Baht)</i> | | | |
| <i>Loans to customers and accrued interest receivables</i> | | | | |
| To key management, including their related parties | <u>1,830</u> | <u>1,839</u> | <u>1,851</u> | <u>1,870</u> |
| | | | | |
| | Consolidated | | Bank only | |
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | | | |
| <i>Interbank and money market items (assets)</i> | | | | |
| Standard Chartered Group | <u>5,078</u> | <u>8,648</u> | <u>5,078</u> | <u>8,648</u> |
| <i>Derivative assets (marked to market value)</i> | | | | |
| Standard Chartered Group | <u>5,212</u> | <u>4,498</u> | <u>5,212</u> | <u>4,498</u> |
| <i>Collateral from Credit Support Annex agreements and margin receivables from private repo transactions</i> | | | | |
| Standard Chartered Group | <u>967</u> | <u>728</u> | <u>967</u> | <u>728</u> |
| <i>Other assets</i> | | | | |
| Standard Chartered Group | <u>69</u> | <u>5</u> | <u>69</u> | <u>5</u> |
| <i>Deposits</i> | | | | |
| Others | <u>560</u> | <u>627</u> | <u>607</u> | <u>627</u> |
| <i>Interbank and money market items (liabilities)</i> | | | | |
| Standard Chartered Group | <u>1,156</u> | <u>5,799</u> | <u>1,156</u> | <u>5,799</u> |
| <i>Derivative liabilities (fair value)</i> | | | | |
| Standard Chartered Group | <u>3,999</u> | <u>3,642</u> | <u>3,999</u> | <u>3,642</u> |
| <i>Collateral from Credit Support Annex agreements and margin payables from private repo transactions</i> | | | | |
| Standard Chartered Group | <u>2,147</u> | <u>1,684</u> | <u>2,147</u> | <u>1,684</u> |

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| | Consolidated | | Bank only | |
|--|--------------------------|---------------------|------------------|---------------------|
| | 30 June 2018 | 31 December 2017 | 30 June 2018 | 31 December 2017 |
| | <i>(in million Baht)</i> | | | |
| <i>Accrued expenses</i> | | | | |
| Standard Chartered Group | 811 | 1,266 | 811 | 1,266 |
| Others | 11 | 14 | 11 | 14 |
| Total | 822 | 1,280 | 822 | 1,280 |
| <i>Other liabilities</i> | | | | |
| Standard Chartered Group | 224 | 7 | 224 | 7 |
| <i>Other letters of guarantee</i> | | | | |
| Standard Chartered Group | 9,681 | 11,900 | 9,681 | 11,900 |
| <i>Derivatives (notional amount) - Foreign currency related</i> | | | | |
| Standard Chartered Group | 78,287 | 69,248 | 79,287 | 69,248 |
| <i>Derivatives (notional amount) - Interest rate related</i> | | | | |
| Standard Chartered Group | 171,376 | 204,860 | 171,376 | 204,860 |
| <i>Derivatives (notional amount) - Commodities</i> | | | | |
| Standard Chartered Group | 14,639 | 13,061 | 14,639 | 13,061 |
| <i>Six-month period ended 30 June</i> | | | | |
| | Consolidated | Bank only | | |
| | 2018 | 2017 | 2018 | 2017 |
| | <i>(in million Baht)</i> | | | |
| <i>Key management personnel</i> | | | | |
| Short-term employee benefits | 133 | 171 | 133 | 171 |
| Post-employment benefits | 4 | 6 | 4 | 6 |
| Share-based payments | 6 | 4 | 6 | 4 |
| Termination benefits | 9 | - | 9 | - |
| Total key management personnel compensation | 152 | 181 | 152 | 181 |

Directors' and executives' benefits

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

Significant agreements with related parties

(a) Services agreement

In 2011, the Bank entered into a services agreement with Standard Chartered Bank-UK relating to the provision of certain advisory and other services to the Bank by Standard Chartered Bank-UK. The fees payable by the Bank to Standard Chartered Bank-UK under the advisory and services agreement are based on an allocation of actual costs plus a margin, in accordance with the terms in the agreement.

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(b) Outsourcing services

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

28 Non-cancellable operating lease agreements

The Bank and its subsidiary have entered into operating lease and service agreements of premises and property, office equipments and vehicles for the periods ranging from less than 1 year to 5 years. *(31 December 2017: less than from 1 year to 4 years)*. The period to maturity of long-term lease payments is as follows:

| | Consolidated and Bank only | |
|--------------------------------------|-----------------------------------|--------------------|
| | 30 June | 31 December |
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Within one year | 8 | 6 |
| After one year but within five years | 5 | 6 |
| Total | 13 | 12 |

29 Segment information

Client segments

The business in Thailand, consists of two client segments, namely Corporate and Institutional Banking (CIB) and Commercial Banking (CB) as follows;

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

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

Activities not directly related to a client segment are included in “Central and other items” which mainly include Asset and Liability Management and unallocated central costs. This segment information is reported in a manner consistent with the internal performance framework as presented to the Bank’s management.

Geographical segments

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

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By client segment

| <i>Six-month period ended</i> <i>30 June</i> | Corporate and Institutional Banking | | Commercial Banking | | Retail Banking(*) | | Central and other items | | Eliminations | | Consolidated | |
|---|--|--------|--------------------|--------|-------------------|-------|----------------------------|--------|--------------|------|--------------|---------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | <i>(in million Baht)</i> | | | | | | | | | | | |
| Net interest income | 603 | 385 | 27 | 129 | - | 1,321 | 451 | 366 | - | - | 1,081 | 2,201 |
| Other income | 1,241 | 824 | 9 | 87 | - | 143 | 135 | 77 | - | - | 1,385 | 1,131 |
| Operating income | 1,844 | 1,209 | 36 | 216 | - | 1,464 | 586 | 443 | - | - | 2,466 | 3,332 |
| Operating expenses | (1,108) | (929) | (46) | (267) | - | (942) | (6) | - | - | - | (1,160) | (2,138) |
| Operating profit (loss) before impairment loss of loans, debt securities and taxation | 736 | 280 | (10) | (51) | - | 522 | 580 | 443 | - | - | 1,306 | 1,194 |
| Impairment loss of loans and debt securities (reversal of) | 5 | - | (721) | (252) | - | 109 | (2) | - | - | - | (718) | (143) |
| Profit from operations | | | | | | | | | | | | |
| before income tax | 731 | 280 | 711 | 201 | - | 413 | 582 | 443 | - | - | 2,024 | 1,337 |
| Segment assets as at 30 June 2018 / 31 December 2017 | 80,553 | 71,050 | 925 | 13,736 | - | 26 | 83,005 | 70,462 | - | - | 164,483 | 155,274 |

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

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30 Interest income

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | |
|---------------------------------------|-----------------------------------|--------------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Interbank and money market items | 727 | 519 |
| Investments and trading transactions | 242 | 93 |
| Investments in debt securities | 125 | 206 |
| Loans to customers | 668 | 547 |
| Total | 1,762 | 1,365 |

31 Interest expenses

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | |
|--|-----------------------------------|------------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Deposits | 286 | 244 |
| Interbank and money market items | 178 | 129 |
| Contribution to Deposits Protection Agency and Financial Institutions Development Fund | 212 | 259 |
| Debt issued and borrowings | 5 | 15 |
| Total | 681 | 647 |

32 Net fees and service income

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | |
|---------------------------------------|-----------------------------------|------------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Fees and service income | | |
| - Acceptance, avals and guarantees | 45 | 58 |
| - Fund transfer fee | 149 | 118 |
| - Custody fee | 228 | 224 |
| - Others | 237 | 75 |
| | 659 | 475 |
| Fees and service expenses | | |
| - Commission fees | 16 | 31 |
| - Others | 50 | 48 |
| | 66 | 79 |
| Net | 593 | 396 |

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33 Gains on trading and foreign exchange transactions, net

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | |
|--|-----------------------------------|------------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Gains (losses) on trading and foreign exchange transactions, net | | |
| - Foreign currencies and foreign currency related derivatives | 303 | 365 |
| - Interest rate related derivatives | 474 | 184 |
| - Debt securities | (472) | 72 |
| - Others | 446 | (79) |
| Total | 751 | 542 |
| Gains (losses) on hedging transactions | (1) | 52 |
| Total | 750 | 594 |

34 Gains (losses) on investments, net

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | |
|--|-----------------------------------|------------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Gains (losses) on sales of Available-for-sale investments | 30 | (3) |
| Total | 30 | (3) |

35 Employee expenses

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | |
|---|-----------------------------------|------------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Management | | |
| Wages and salaries | 94 | 103 |
| Post-employment benefits - defined benefit plans | 4 | 5 |
| Share-based payment transactions | 6 | 4 |
| Others | 48 | 48 |
| | 152 | 160 |
| Other employees | | |
| Wages and salaries | 391 | 415 |
| Post-employment benefits - defined benefit plans | 14 | 14 |
| Share-based payment transactions | (4) | 1 |
| Others | 188 | 197 |
| | 589 | 627 |
| Total | 741 | 787 |

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The Bank and its subsidiary have established contributory provident fund for their employees. Membership of the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging from 3% to 15% of their basic salaries and by the Bank and its subsidiary at 10% of the employees' basic salaries. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by licensed Fund Managers.

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

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | |
|---------------------------------------|-----------------------------------|--------------|
| | 2018 | 2017 |
| | <i>(in million Baht)</i> | |
| Interbank and money market items | 17 | 70 |
| Loans to customers | (735) | (322) |
| Total | (718) | (252) |

37 Income tax

Income tax recognised in profit or loss

| <i>Six-month period ended 30 June</i> | <i>Note</i> | Consolidated and Bank only | |
|---------------------------------------|-------------|-----------------------------------|------------|
| | | 2018 | 2017 |
| | | <i>(in million Baht)</i> | |
| Current tax expense | | | |
| Current period | | 266 | 238 |
| Under provided in prior periods | | - | 65 |
| | | 266 | 303 |
| Deferred tax expense | | | |
| Movements in temporary differences | | 49 | 35 |
| Over provided in prior periods | | - | (28) |
| | 15 | 49 | 7 |
| Total | | 315 | 310 |

Distribution to

| | | |
|--|-----|-----|
| - Income tax from continued operation | 315 | 178 |
| - Income tax from discontinued operation | - | 132 |

Income tax recognised in other comprehensive income

| <i>Six-month period ended 30 June</i> | Consolidated and Bank only | | | | | |
|---------------------------------------|-----------------------------------|-------------|-------------|------------|-----------------------|------------|
| | 2018 | | | 2017 | | |
| | Before tax | Tax benefit | Net of tax | Before tax | Tax benefit (expense) | Net of tax |
| | <i>(in million Baht)</i> | | | | | |
| Cash flow hedges | - | - | - | (7) | 1 | (6) |
| Available-for-sale investments | (114) | 23 | (91) | 182 | (36) | 146 |
| Total | (114) | 23 | (91) | 175 | (35) | 140 |

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Reconciliation of effective tax rate

| <i>Six-month period ended 30 June</i> | Consolidated | | | |
|--|---------------------|--------------------------|-----------------|--------------------------|
| | 2018 | | 2017 | |
| | <i>Rate (%)</i> | <i>(in million Baht)</i> | <i>Rate (%)</i> | <i>(in million Baht)</i> |
| Profit before income tax | | 2,024 | | 1,337 |
| Income tax using the Thai corporation tax rate | 20 | 404 | 20 | 267 |
| Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net | | (89) | | 6 |
| Under provided in prior periods | | - | | 37 |
| Total | 15 | 315 | 23 | 310 |

| <i>Six-month period ended 30 June</i> | Bank only | | | |
|--|------------------|--------------------------|-----------------|--------------------------|
| | 2018 | | 2017 | |
| | <i>Rate (%)</i> | <i>(in million Baht)</i> | <i>Rate (%)</i> | <i>(in million Baht)</i> |
| Profit before income tax | | 2,024 | | 1,335 |
| Income tax using the Thai corporation tax rate | 20 | 404 | 20 | 267 |
| Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net | | (89) | | 6 |
| Under provided in prior periods | | - | | 37 |
| Total | 15 | 315 | 23 | 310 |

Income tax reduction

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

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38 Basic earnings per share

The calculations of basic earnings per share for the six-month periods ended 30 June 2018 and 2017 were based on the profit for the periods attributable to equity holders of the Bank and the number of ordinary shares outstanding during the periods as follows:

| <i>Six-month period ended 30 June</i> | Consolidated | | Bank only | |
|--|---------------------|--------------|------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Profit for the periods attributable to equity holders of the Bank (basic) <i>(in million Baht)</i> | <u>1,708</u> | <u>1,027</u> | <u>1,708</u> | <u>1,026</u> |
| Number of ordinary shares outstanding <i>(million shares)</i> | <u>1,484</u> | <u>1,484</u> | <u>1,484</u> | <u>1,484</u> |
| Basic earnings per share (in Baht) | <u>1.15</u> | <u>0.69</u> | <u>1.15</u> | <u>0.69</u> |
| Distribution to | | | | |
| - Basic earnings from continued operation per share | 1.15 | 0.28 | 1.15 | 0.28 |
| - Basic earnings from discontinued operation per share | - | 0.41 | - | 0.41 |

39 Dividends

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

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