

**Standard Chartered Bank (Thai)
Public Company Limited**

Interim financial statements
for the six-month period ended
30 June 2019
and
Independent Auditor's Report



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Independent Auditor's Report

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

Opinion

I have audited the interim financial statements of Standard Chartered Bank (Thai) Public Company Limited (the "Bank") which comprise the statements of financial position as at 30 June 2019, the 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 30 June 2019 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 Financial Statements* section of my report. I am independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the interim 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 Financial Statements

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

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

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

A.



Auditor's Responsibilities for the Audit of the Interim Financial Statements

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

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
27 August 2019

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

		30 June 2019	31 December 2018
Assets	Note	(in thousand Baht)	
Cash		84,032	79,687
Interbank and money market items, net	7, 25	33,169,806	47,375,352
Derivative assets	8, 25	16,009,967	12,466,585
Investments, net	9	56,416,987	52,213,111
Loans to customers and accrued interest receivable, net	10, 11, 15, 25		
Loans to customers		36,940,017	35,250,714
Accrued interest receivable		107,351	114,365
Total loans to customers and accrued interest receivable		37,047,368	35,365,079
Less deferred income		(153,036)	(183,608)
Less allowance for doubtful accounts	10.4, 12	(2,791,691)	(2,802,198)
Total loans to customers and accrued interest receivable, net		34,102,641	32,379,273
Customer's liability under acceptance		686,144	518,522
Premises and equipment, net	13	247,339	250,629
Deferred tax assets	14	59,684	312,724
Accounts receivable from sales of investments and debt securities in issue	15	3,484,411	990,080
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	25	5,469,345	4,513,621
Assets of disposal group classified as held for sale		7,262	7,262
Other assets, net	16, 25	633,528	554,883
Total assets		150,371,146	151,661,729
Liabilities and equity			
Liabilities			
Deposits	17, 25	62,652,684	61,350,816
Interbank and money market items	18, 25	32,438,908	28,655,303
Liabilities payable on demand		1,598,178	1,539,780
Liabilities to deliver security		218,945	444,589
Derivative liabilities	8, 25	16,518,729	11,349,618
Bank's liability under acceptances		686,144	518,522
Provisions	19	273,970	214,121
Accounts payable from purchase of investments	20	2,918,733	305,951
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	25	4,255,992	3,351,266
Accrued expenses	25	1,798,440	1,588,001
Other liabilities	21, 25	754,660	1,046,203
Total liabilities		124,115,383	110,364,170
Equity			
Share capital	22		
Authorised share capital		14,842,627	14,842,627
Issued and paid-up share capital		14,837,045	14,837,045
Premium on share capital	22	9,055,819	9,055,819
Other reserves	23	33,786	(73,240)
Retained earnings			
Appropriated			
Legal reserve	23	1,358,065	1,358,065
Unappropriated		971,048	16,119,870
Total equity		26,255,763	41,297,559
Total liabilities and equity		150,371,146	151,661,729

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

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

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

		Six-month period ended 30 June	
	Note	2019	2018
		(in thousand Baht)	
Interest income	25, 28	1,901,592	1,762,116
Interest expenses	29	775,976	681,119
Net interest income		1,125,616	1,080,997
Fees and service income		493,139	634,263
Fees and service expenses		86,113	65,672
Net fees and service income	30	407,026	568,591
Gains on trading and foreign exchange transactions, net	25, 31	1,031,464	774,284
Gains on investments, net	32	15,550	29,595
Other operating income	25	6,448	12,089
Total operating income		2,586,104	2,465,556
Other operating expenses	25		
Employee expenses	33	718,077	740,680
Directors' remuneration		3,900	3,900
Premises and equipment expenses		72,144	85,196
Taxes and duties		53,166	48,804
Service agreements		290,904	101,257
Others		346,621	179,782
Total other operating expenses		1,484,812	1,159,619
Impairment loss of loans (reversal of)	12, 34	4,403	(718,137)
Profit before income tax		1,096,889	2,024,074
Income tax	35	296,348	315,467
Profit for the period		800,541	1,708,607
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains (losses) on remeasuring available-for-sale investments		132,091	(113,846)
Gains (losses) on cash flow hedges of derivatives revaluation		1,692	(560)
Income tax relating to items that will be reclassified	35	(26,757)	22,881
Total items will be reclassified subsequently to profit or loss		107,026	(91,525)
<i>Items that will not be reclassified to profit or loss</i>			
Gains on remeasurements of defined benefit plans		14	-
Income tax relating to items that will not be reclassified	35	(3)	-
Total items that will not be reclassified to profit or loss		11	-
Other comprehensive income (loss) for the period, net of tax		107,037	(91,525)
Total comprehensive income for the period		907,578	1,617,082
Earnings per share			
Basic earnings per share (in Baht)	36	0.54	1.15

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

Six-month period ended 30 June 2018

Balance as at 1 January 2018

Transactions with owners, recorded directly in equity

Distribution to owners of the Bank

Dividends

Total distribution to owners of the Bank

Comprehensive income for the period

Profit for the period

Other comprehensive income

Available-for-sale investments

Net change in fair value recognised in equity, net of tax

Cash flow hedges

Net change of effective portion of fair value of

cash flow hedges, net of tax

Total other comprehensive income

Total comprehensive income for the period

Balance as at 30 June 2018

Six-month period ended 30 June 2019

Balance as at 1 January 2019

Transactions with owners, recorded directly in equity

Distribution to owners of the Bank

Dividends

Reversal of deferred tax

Total distribution to owners of the Bank

Comprehensive income for the period

Profit for the period

Other comprehensive income

Available-for-sale investments

Net change in fair value recognised in equity, net of tax

Cash flow hedges

Net change of effective portion of fair value of

cash flow hedges, net of tax

Gains on remeasurement of defined benefit plan, net of tax

Total other comprehensive income

Total comprehensive income for the period

Balance as at 30 June 2019

Note	Issued and paid-up share capital	Premium on share capital	Other reserves			Retained earnings			Total equity
			Available-for-sale investments	Gains (losses) on cash flow hedges	Total other reserves (in thousand Baht)	Legal reserve	Unappropriated		
	14,837,045	9,055,819	(11,337)	(488)	(11,825)	1,212,491	15,495,997	40,589,527	
37	-	-	-	-	-	-	(2,166,209)	(2,166,209)	
	-	-	-	-	-	-	(2,166,209)	(2,166,209)	
	-	-	-	-	-	-	1,708,607	1,708,607	
	-	-	(91,077)	-	(91,077)	-	-	(91,077)	
	-	-	-	(448)	(448)	-	-	(448)	
	-	-	(91,077)	(448)	(91,525)	-	-	(91,525)	
	-	-	(91,077)	(448)	(91,525)	-	1,708,607	1,617,082	
	14,837,045	9,055,819	(102,414)	(936)	(103,350)	1,212,491	15,038,395	40,040,400	
	14,837,045	9,055,819	(73,843)	603	(73,240)	1,358,065	16,119,870	41,297,559	
37	-	-	-	-	-	-	(15,964,661)	(15,964,661)	
14	-	-	-	-	-	-	15,287	15,287	
	-	-	-	-	-	-	(15,949,374)	(15,949,374)	
	-	-	-	-	-	-	800,541	800,541	
	-	-	105,673	-	105,673	-	-	105,673	
	-	-	-	1,353	1,353	-	-	1,353	
	-	-	-	-	-	-	11	11	
	-	-	105,673	1,353	107,026	-	11	107,037	
	-	-	105,673	1,353	107,026	-	800,552	907,578	
	14,837,045	9,055,819	31,830	1,956	33,786	1,358,065	971,048	26,255,763	

(นาย พชกร หวังศักดิ์)
(Mr. Pichom Wangdee)

กรรมการผู้จัดการใหญ่และประธานเจ้าหน้าที่บริหาร

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(Mr. Ashish Jain)

กรรมการและรองกรรมการผู้จัดการใหญ่

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

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

	Six-month period ended 30 June	
	2019	2018
	(in thousand Baht)	
<i>Cash flows from operating activities</i>		
Profit from operations before income tax	1,096,889	2,024,074
<i>Adjustments to reconcile profit from operations before income tax to net cash provided by (used in) operating activities</i>		
Depreciation	18,424	33,316
Impairment loss of loans (reversal of)	5,776	(716,228)
Amortisation of discount of debt instruments	(48,804)	(73,005)
Amortisation of discount of debt issued and borrowings	-	4,895
Gains on disposal of investments	(15,550)	(29,595)
Gains on disposal of premises and equipment	(1,037)	(108)
Provisions made	59,862	20,356
Reversal of impairment of fixed assets	-	(139,849)
Net interest income	(1,125,616)	(1,080,997)
Interest received	1,908,606	1,764,783
Interest paid	(787,980)	(659,822)
Income tax paid	(167,284)	(39,230)
Profit from operations before changes in operating assets and liabilities	943,286	1,108,590
<i>Decrease (increase) in operating assets</i>		
Interbank and money market items	14,205,546	(10,686,590)
Derivative assets and liabilities, net	1,606,815	515,948
Trading investments	(5,400,323)	1,901,985
Loans to customers	(1,736,158)	9,150,063
Other assets	(1,046,056)	(1,716,138)
<i>Increase (decrease) in operating liabilities</i>		
Deposits	1,301,868	5,690,299
Interbank and money market items	3,783,605	(1,775,510)
Liabilities payable on demand	58,398	(422,692)
Short-term debt issued and borrowings	-	(4,895)
Provisions used	-	(13,578)
Other liabilities	959,817	156,290
Net cash from operating activities	14,676,798	3,903,772
<i>Cash flows from investing activities</i>		
Purchase of premises and equipment	(15,134)	(1,633)
Proceeds from disposals of premises and equipment	1,037	128
Purchase of available-for-sale investments	(15,554,279)	(17,001,037)
Proceeds from available-for-sale investments	16,860,584	15,197,626
Net cash from (used in) investing activities	1,292,208	(1,804,916)

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

	Six-month period ended 30 June	
	2019	2018
	<i>(in thousand Baht)</i>	
<i>Cash flows from financing activities</i>		
Dividends paid	<u>(15,964,661)</u>	<u>(2,166,209)</u>
Net cash used in financing activities	<u>(15,964,661)</u>	<u>(2,166,209)</u>
Net increase (decrease) in cash	4,345	(67,353)
Cash at beginning of the period	<u>79,687</u>	<u>120,605</u>
Cash at end of the period	<u>84,032</u>	<u>53,252</u>
<i>Non-cash transactions</i>		
Gains (losses) on remeasuring available-for-sale investment, net of deferred tax	105,673	(91,077)
Gains (losses) on cash flow hedges of derivatives revaluation, net of deferred tax	1,353	(448)
Gains on remeasurement of defined benefit plans, net of deferred tax	11	-

 (นาย พลากร หวังหลี)
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 (นาย อชิษฐ์ แจน)
 (Mr. Ashish Jain)
 กรรมการและรองกรรมการผู้จัดการใหญ่

Standard Chartered Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 June 2019

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Standard Chartered Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 June 2019

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 27 August 2019.

1 General information

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

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

The Bank is a commercial bank, which provides a wide range of banking services to corporate and institutional clients.

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 *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions; 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”.

New and revised TFRSs are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRSs has resulted in changes in certain of the Bank’s accounting policies. These changes has no material effect on the interim financial statements.

The primary change is that the Bank has initially adopted TFRS 15 *Revenue from Contracts with Customers* (“TFRS 15”), which replaced TAS 18 *Revenue* (“TAS 18”), and related interpretations.

Under TFRS 15, the Bank recognises service income in an amount that reflects the consideration to which the Bank expects to be entitled to. In addition, judgement is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time. Whereas, under TAS 18, the Bank recognises revenue from rendering of services by reference to the stage of completion of the transaction at the end of the reporting period. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Such change in accounting policy has no material impacts on the interim financial statements.

In addition, the Bank has not early adopted a number of new TFRSs which are not yet effective for the current period in preparing these interim financial statements. Those new TFRSs that are relevant to the Bank operations are disclosed in note 38.

Standard Chartered Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 June 2019

(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>
Derivatives	Fair value
Trading and available-for-sale financial assets	Fair value

(c) *Functional and presentation currency*

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

(d) *Use of judgments and estimates*

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

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

Assumptions and estimation uncertainties

Information about assumptions and of estimation uncertainties that have a significant risk of resulting in a material adjustments to the carrying amounts of assets and liabilities 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 12	Allowance for doubtful accounts

Measurement of fair values

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

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

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

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

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

Standard Chartered Bank (Thai) Public Company Limited
Notes to the interim financial statements
For the six-month period ended 30 June 2019

3 Significant accounting policies

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

(a) Foreign currencies

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Foreign 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.

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

(b) Cash

Cash comprises cash on hand and cash in transit.

(c) Investments

Investments in subsidiary

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

Investments in debt and equity securities

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

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

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

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

Standard Chartered Bank (Thai) Public Company Limited

Notes to the interim financial statements

For the six-month period ended 30 June 2019

Initial recognition

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

Disposal of investments

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

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

(d) *Loans to customers*

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

(e) *Allowance for doubtful accounts*

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

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

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

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

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

(f) *Troubled debt restructuring*

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

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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.

(g) *Premises and equipment*

Recognition and measurement

Owned assets

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

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

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

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

Subsequent costs

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

Depreciation

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

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

Buildings	20 years
Equipment	3 - 5 years

No depreciation is provided on assets under construction.

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

(h) *Impairment*

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

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

(i) 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 remeasured at their fair values. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss unless the derivative is a designated hedge instrument in a cash flow hedge relationship. All derivatives are carried as assets when the fair value is positive as "Derivative assets" and as liabilities when the fair value is negative as "Derivative liabilities" in the statements of financial position.

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Hedging

Fair value hedge

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

Cash flow hedge

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

Discontinuing hedge accounting

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

(j) *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.

(k) *Employee benefits*

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Termination benefits

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

Short-term employee benefits

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

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

Share-based compensation

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

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

(l) Provisions

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

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

Restructuring costs

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

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(m) *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.

(n) *Expenses*

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

(o) *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 expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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

(p) *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.

(q) *Earnings per share*

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

(r) *Segment information*

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

(s) *Offsetting*

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

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.

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

4.2 Market risk

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

- **Trading book:** The Bank provides clients access to financial markets, facilitation of which entails the Bank taking moderate market risk positions. All trading terms support client activity; there are no proprietary teams. Hence, income earned from market-risk related activities is primarily 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.

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Value at Risk (VaR)

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

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

The Bank applies two VaR methodologies:

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

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

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

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

Stress Testing

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

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

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.

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

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

Non-trading book and Treasury markets risk treatment

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

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

(a) Interest rate risk

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

	30 June 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	(in million Baht)			
Financial assets				
Cash	-	-	84	84
Interbank and money market items, net	772	29,212	3,185	33,169
Investments, net	2,609	53,790	18	56,417
Loans to customers and accrued interest receivable	7,630	27,082	2,182	36,894
Customer's liability under acceptance	-	-	686	686
Accounts receivable from sales of investments and debt securities in issue	-	-	3,484	3,484
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	5,469	-	-	5,469
Other assets	-	-	395	395
Total financial assets	16,480	110,084	10,034	136,598
Financial liabilities				
Deposits	50,651	7,396	4,606	62,653
Interbank and money market items	6,974	14,524	10,941	32,439
Liabilities payable on demand	-	-	1,598	1,598
Liabilities to deliver security	-	-	219	219
Bank's liability under acceptances	-	-	686	686
Accounts payable from purchase of investments	-	-	2,919	2,919
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	4,256	-	-	4,256
Other liabilities	-	-	90	90
Total financial liabilities	61,881	21,920	21,059	104,860
Off-financial reporting items, net	(12,800)	12,800	-	-

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	31 December 2018			Total
	Floating interest rate	Fixed interest rate	Non-interest bearing	
	(in million Baht)			
Financial assets				
Cash	-	-	80	80
Interbank and money market items, net	716	45,509	1,153	47,378
Investments, net	2,606	49,589	18	52,213
Loans to customers and accrued interest receivable	7,205	25,800	2,177	35,182
Customer's liability under acceptance	-	-	519	519
Accounts receivable from sales of investments and debt securities in issue	-	-	990	990
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	4,514	-	-	4,514
Other assets	-	-	403	403
Total financial assets	15,041	120,898	5,340	141,279
Financial liabilities				
Deposits	46,585	11,442	3,324	61,351
Interbank and money market items	8,589	13,035	7,031	28,655
Liabilities payable on demand	-	-	1,540	1,540
Liabilities to deliver security	-	-	445	445
Bank's liability under acceptances	-	-	519	519
Accounts payable from purchase of investments	-	-	306	306
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,351	-	-	3,351
Other liabilities	-	-	102	102
Total financial liabilities	58,525	24,477	13,267	96,269
Off-financial reporting items, net	6,868	(6,868)	-	-

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

	30 June 2019			31 December 2018		
	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	64,591	643	1.99	72,688	1,416	1.95
Investments	50,202	634	2.53	38,443	922	2.40
Loans to customers	36,030	625	3.47	41,703	1,253	3.00
Total	150,823	1,902	2.52	152,834	3,591	2.35
<i>Financial liabilities</i>						
Deposits	70,067	574	1.64	66,286	979	1.48
Interbank and money market items	30,418	201	1.32	21,956	368	1.68
Debt issued and borrowings	-	1	-	606	5	0.83
Total	100,485	776	1.54	88,848	1,352	1.52

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Significant financial assets and financial liabilities classified by earlier of maturity or interest repricing as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019				
	Immediate repricing	Within 6 months	Over 6 months to 1 year	Over 1 year to 5 years	Over 5 years
				(in million Baht)	
Financial assets					
Cash	-	-	-	-	84
Interbank and money market items, net	6,451	23,164	369	-	33,169
Investments, net	-	32,377	2,609	20,745	56,417
Loans to customers and accrued interest receivable	4,791	24,124	3,780	1,863	36,894
Customer's liability under acceptance	-	-	-	-	686
Accounts receivable from sales of investments and debt securities in issue	-	-	-	-	3,484
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	-	5,469	-	-	5,469
Other assets	-	-	-	-	395
Total financial assets	11,242	85,134	6,758	22,608	136,598
Financial liabilities					
Deposits	52,499	5,433	115	-	62,653
Interbank and money market items	13,647	1,407	1,901	3,321	32,439
Liabilities payable on demand	-	-	-	-	1,598
Liabilities to deliver security	-	-	-	-	219
Bank's liability under acceptances	-	-	-	-	686
Accounts payable from purchase of investments	-	-	-	-	2,919
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	-	4,256	-	-	4,256
Other liabilities	-	-	-	-	90
Total financial liabilities	66,146	11,096	2,016	3,321	104,860
Off-financial reporting items, net	-	33,746	(11,499)	(22,391)	-

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Financial liabilities						
Deposits	48,631	9,267	129	-	3,324	61,351
Interbank and money market items	13,253	1,424	325	1,200	7,031	28,655
Liabilities payable on demand	-	-	-	-	1,540	1,540
Liabilities to deliver security	-	-	-	-	445	445
Bank's liability under acceptances	-	-	-	-	519	519
Accounts payable from purchase of investments	-	-	-	-	306	306
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,351	-	-	-	-	3,351
Other liabilities	-	-	-	-	102	102
Total financial liabilities	65,235	10,691	454	1,200	13,267	96,269
Off-financial reporting items, net						
	-	18,441	6,772	1,171	-	-

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(b) Currency exchange rate risk

As at 30 June 2019 and 31 December 2018, net open position assets (liabilities) denominated in various currencies were as follows:

	30 June 2019	31 December 2018
	<i>(in million USD)</i>	
Net foreign currency exposure		
US Dollar	(0.1)	(47)
Euro (*)	1.0	1
Others (*)	0.4	(5)

(*) 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 2019 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 2019, the loan to deposits ratio of the Bank is 57% (*31 December 2018: 58%*).

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The remaining periods to maturity of significant financial assets and financial liabilities as at 30 June 2019 and 31 December 2018 based on contractual maturity is as follows:

	At call	Within 6 months	Over 6 months to 1 year	30 June 2019 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	84	-	-	-	-	-	84
Interbank and money market items, net	6,573	26,290	306	-	-	-	33,169
Investments, net	-	4,921	3,162	22,313	26,003	18	56,417
Loans to customers and accrued interest receivables	4,516	16,494	5,043	8,338	2,503	-	36,894
Customer's liability under acceptance	67	527	92	-	-	-	686
Accounts receivable from sales of investments and debt securities in issue	3,484	-	-	-	-	-	3,484
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	5,469	-	-	-	-	-	5,469
Other assets	395	-	-	-	-	-	395
Total financial assets	20,588	48,232	8,603	30,651	28,506	18	136,598
Financial liabilities							
Deposits	55,257	7,281	115	-	-	-	62,653
Interbank and money market items	24,588	824	769	5,036	1,222	-	32,439
Liabilities payable on demand	1,598	-	-	-	-	-	1,598
Liabilities to delivery security	219	-	-	-	-	-	219
Bank's liability under acceptances	67	527	92	-	-	-	686
Accounts payable from purchase of investments	2,919	-	-	-	-	-	2,919
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	4,256	-	-	-	-	-	4,256
Other liabilities	90	-	-	-	-	-	90
Total financial liabilities	88,994	8,632	976	5,036	1,222	-	104,860
Net liquidity gap	(68,406)	39,600	7,627	25,615	27,284	18	31,738

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	At call	Within 6 months	Over 6 months to 1 year	31 December 2018 Over 1 year to 5 years (in million Baht)	Over 5 years	No maturity	Total
Financial assets							
Cash	80	-	-	-	-	-	80
Interbank and money market items, net	35,809	11,203	41	325	-	-	47,378
Investments, net	-	3,541	3,792	22,959	21,903	18	52,213
Loans to customers and accrued interest receivables	4,091	14,712	2,683	11,442	2,254	-	35,182
Customer's liability under acceptance	5	514	-	-	-	-	519
Accounts receivable from sales of investments and debt securities in issue	990	-	-	-	-	-	990
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	4,514	-	-	-	-	-	4,514
Other assets	403	-	-	-	-	-	403
Total financial assets	45,892	29,970	6,516	34,726	24,157	18	141,279
Financial liabilities							
Deposits	49,909	11,442	-	-	-	-	61,351
Interbank and money market items	20,284	1,100	-	6,071	1,200	-	28,655
Liabilities payable on demand	1,540	-	-	-	-	-	1,540
Liabilities to delivery security	445	-	-	-	-	-	445
Bank's liability under acceptances	5	514	-	-	-	-	519
Accounts payable from purchase of investments	306	-	-	-	-	-	306
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	3,351	-	-	-	-	-	3,351
Other liabilities	102	-	-	-	-	-	102
Total financial liabilities	75,942	13,056	-	6,071	1,200	-	96,269
Net liquidity gap	(30,050)	16,914	6,516	28,655	22,957	18	45,010

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Derivatives

The remaining periods to maturity of the notional amount of derivatives as at 30 June 2019 and 31 December 2018 are as follows:

	Within 1 year	30 June 2019 Over 1 year (in million Baht)	Total
<i>Foreign currency related</i>			
Forward exchange contracts	371,666	13,457	385,123
Cross currency swap contracts	32,992	123,608	156,600
Currency option contracts	4,813	431	5,244
<i>Interest rate related</i>			
Interest rate swap contracts	98,119	358,569	456,688
Interest rate option contracts	1,402	10,032	11,434
<i>Others</i>			
Bond forward contracts	5,659	16,515	22,174
Commodities	2,176	147	2,323
Total	516,827	522,759	1,039,586
	Within 1 year	31 December 2018 Over 1 year (in million Baht)	Total
<i>Foreign currency related</i>			
Forward exchange contracts	429,766	8,888	438,654
Cross currency swap contracts	33,949	133,997	167,946
Currency option contracts	9,783	122	9,905
<i>Interest rate related</i>			
Interest rate swap contracts	137,158	393,029	530,187
Interest rate option contracts	2,295	11,350	13,645
<i>Others</i>			
Bond forward contracts	4,168	13,553	17,721
Commodities	16,198	243	16,441
Total	633,317	561,182	1,194,499

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5 Fair value of financial assets and liabilities

Fair value hierarchy

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

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

5.1 Financial assets and liabilities measured at fair value

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

	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in million Baht)</i>			
30 June 2019				
<i>Financial assets</i>				
Derivatives				
- Foreign currency related	13	10,162	-	10,175
- Interest rate related	-	5,671	-	5,671
- Bond forward contracts	-	22	-	22
- Commodities contracts	-	142	-	142
Debt securities held for trading	-	31,456	-	31,456
Debt securities available-for-sale	-	24,943	-	24,943
<i>Financial liabilities</i>				
Derivatives				
- Foreign currency related	8	9,767	-	9,775
- Interest rate related	-	5,019	-	5,019
- Bond forward contracts	-	1,584	-	1,584
- Commodities contracts	-	141	-	141
	Fair value			Total
	Level 1	Level 2	Level 3	
	<i>(in million Baht)</i>			
31 December 2018				
<i>Financial assets</i>				
Derivatives				
- Foreign currency related	13	5,572	-	5,585
- Interest rate related	-	5,411	-	5,411
- Bond forward contracts	-	154	-	154
- Commodities contracts	-	1,317	-	1,317
Debt securities held for trading	-	26,149	-	26,149
Debt securities available-for-sale	-	26,046	-	26,046

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	Fair value			Total
	Level 1	Level 2 (in million Baht)	Level 3	
31 December 2018				
Financial liabilities				
Derivatives				
- Foreign currency related	14	5,607	-	5,621
- Interest rate related	-	4,080	-	4,080
- Bond forward contracts	-	318	-	318
- Commodities contracts	-	1,331	-	1,331

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

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

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 to Level 2 of the fair value hierarchy during the six-month period ended 30 June 2019 and for the year ended 31 December 2018.

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

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

5.2 Financial assets and liabilities not measured at fair value

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

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

Interbank and money market items (assets and liabilities)

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

General investments

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

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Loans to customers

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

Deposits

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

Liabilities payable on demand

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

Other financial instruments

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

6 Maintenance of capital fund

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

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 8 May 2015, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 30 June 2019 and 31 December 2018, the Bank's total capital funds can be categorised as follows:

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	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital and share premium	23,893	23,893
Legal reserve	1,358	1,212
Net profit after appropriation	33	13,213
Other reserves	95	(195)
Less capital deduction items on CET1	(60)	(313)
Total Tier 1 Capital Base	25,319	37,810
Tier 2 capital		
Provision for normal classified assets	73	37
Surplus of provision	272	311
Total Tier 2 Capital Base	345	348
Total Capital Base	25,664	38,158
Total Risk-Weighted Assets	80,601	87,336

	The BoT's regulation minimum requirement*		30 June 2019	31 December 2018
	2019	2018	<i>(%)</i>	
Capital Adequacy Ratio	11.00	10.375	31.84	43.69
Tier-1 Capital ratio	8.50	7.875	31.41	43.29
Tier-1 Common Equity ratio	7.00	6.375	31.41	43.29
Tier-2 Capital ratio	-	-	0.43	0.40
Capital after deducting capital add-on arising from Single Lending Limit <i>(in million Baht)</i>	-	-	25,664	38,158
Capital after deducting capital add-on arising from Single Lending Limit to total risk-weighted assets ratio	-	-	31.84	43.69

*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 2019 within 4 months after the period end date, as indicated in the notification, through the Bank's website www.sc.com/th/.

Capital management

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

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7 Interbank and money market items, net (assets)

	30 June 2019			31 December 2018		
	At call	Term	Total	At call	Term	Total
	<i>(in million Baht)</i>					
Domestic						
Bank of Thailand	2,914	7,980	10,894	3,812	6,961	10,773
Commercial banks	1,326	3,609	4,935	6,024	2,880	8,904
Other financial institutions	-	-	-	-	-	-
Total	4,240	11,589	15,829	9,836	9,841	19,677
Add accrued interest receivable	1	9	10	4	6	10
Less allowance for doubtful accounts	(2)	(36)	(38)	-	(19)	(19)
Total domestic, net	4,239	11,562	15,801	9,840	9,828	19,668
Foreign						
US Dollar	703	7,657	8,360	25,632	1,412	27,044
Japanese Yen	1,330	7,138	8,468	51	-	51
Euro	55	311	366	153	339	492
Chinese Yuan	4	-	4	28	-	28
Other currencies	54	-	54	67	-	67
Total	2,146	15,106	17,252	25,931	1,751	27,682
Add accrued interest receivable	187	6	193	101	4	105
Less allowance for doubtful accounts	-	(77)	(77)	(66)	(14)	(80)
Total foreign, net	2,333	15,035	17,368	25,966	1,741	27,707
Total domestic and foreign, net	6,572	26,597	33,169	35,806	11,569	47,375

8 Derivatives

8.1 Derivatives held for trading

As at 30 June 2019 and 31 December 2018, the fair value and notional amount of derivatives classified by type of risks are as follows:

	30 June 2019			31 December 2018		
Type of risks	Fair value		Notional amount	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
	<i>(in million Baht)</i>					
Foreign currency related	10,147	9,775	546,598	5,577	5,621	615,986
Interest rate related	5,671	5,004	467,122	5,411	4,070	541,532
Others						
- Bond forward contracts	22	1,584	22,174	154	318	17,721
- Commodities	142	141	2,323	1,317	1,331	16,441
	164	1,725	24,497	1,471	1,649	34,162
Total	15,982	16,504	1,038,217	12,459	11,340	1,191,680

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As at 30 June 2019 and 31 December 2018, proportions of the notional amount of derivative transactions, classified by counterparties, consisted of:

	30 June 2019	31 December 2018
Counterparties	(%)	
Financial institutions	70.2	73.7
Related parties	17.0	17.2
Other parties	12.8	9.1
Total	100.0	100.0

8.2 Derivatives held for hedging

8.2.1 Fair value hedges

Type of risks	30 June 2019			31 December 2018		
	Fair value		Notional amount (in million Baht)	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Interest rate related	-	15	1,000	-	10	2,300
Total	-	15	1,000	-	10	2,300

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 2019, the Bank recognised loss on fair value hedges in profit or loss amounted to Baht 4 million (30 June 2018: loss on fair value hedges Baht 1.5 million).

8.2.2 Cash flow hedges

Type of risks	30 June 2019			31 December 2018		
	Fair value		Notional amount (in million Baht)	Fair value		Notional amount
	Assets	Liabilities		Assets	Liabilities	
Foreign currency related	28	-	369	8	-	519
Total	28	-	369	8	-	519

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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 2019, the Bank recognised gain on cash flow hedges in other comprehensive income amounted to Baht 2 million (30 June 2018: loss on cash flow hedges Baht 0.6 million) and no gain or loss on cash flow hedges in profit or loss (30 June 2018: gain on cash flow hedges Baht 1 million).

As at 30 June 2019 and 31 December 2018, the time periods in which cash flows of hedged items are expected to impact in profit or loss are as follows:

Cash flows	30 June 2019			Total
	Within 3 months	Over 3 months to 1 year (in million Baht)	Over 1 year to 5 years	
Cash inflows	1	1	-	2
Cash outflows	-	-	-	-
Net cash flows	1	1	-	2

Cash flows	31 December 2018			Total
	Within 3 months	Over 3 months to 1 year (in million Baht)	Over 1 year to 5 years	
Cash inflows	1	2	1	4
Cash outflows	-	-	-	-
Net cash flows	1	2	1	4

9 Investments, net

9.1 As at 30 June 2019 and 31 December 2018, the Bank classifies investment types, as follows:

	30 June 2019	31 December 2018
	(in million Baht)	
Trading investments - Fair value		
Government bonds	28,036	23,468
Private debt instruments	3,420	2,681
Total	31,456	26,149
Available-for-sale investments - Fair value		
Government bonds	24,943	26,046
Total	24,943	26,046
General investments - Cost		
Domestic non-marketable equity securities	24	24
Foreign non-marketable equity securities	-	-
Total	24	24
Less allowance for impairment	(6)	(6)
Net	18	18
Total investments, net	56,417	52,213

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

	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
<i>Fair value changes in available-for-sale investments</i>		
Debt securities	70	(83)
Less fair value changes in fair value hedged investments	(30)	(10)
Less deferred tax	(8)	19
Net	32	(74)

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

	No. of companies	Cost	30 June 2019		
			Fair value <i>(in million Baht)</i>	Allowance for revaluation	Allowance for impairment
Non-listed companies in SET	2	13	7	-	6
Total	2	13	7	-	6

	No. of companies	Cost	31 December 2018		
			Fair value <i>(in million Baht)</i>	Allowance for revaluation	Allowance for impairment
Non-listed companies in SET	2	13	7	-	6
Total	2	13	7	-	6

10 Loans to customers and accrued interest receivable, net

10.1 Classified by type of loans

	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
Overdrafts	61	6
Loans	32,213	30,240
Bills	4,666	5,005
Less deferred revenue	(153)	(183)
Loans to customer net of deferred revenue	36,787	35,068
Add accrued interest receivable	107	114
Total loans to customers net of deferred revenue and accrued interest receivable	36,894	35,182
Less allowance for doubtful accounts		
- Minimum allowance as BoT's regulations	(2,293)	(2,286)
- Individual approach	(499)	(516)
- Excess allowance		
Total	(2,792)	(2,802)
Total loans to customers and accrued interest receivable, net	34,102	32,380

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10.2 Classified by currency and residence of debtors

	30 June 2019			31 December 2018		
	Domestic	Foreign	Total (in million Baht)	Domestic	Foreign	Total
Thai Baht	26,553	-	26,553	24,576	-	24,576
US Dollar	8,220	2,014	10,234	8,577	1,915	10,492
Other currencies	-	-	-	-	-	-
Total *	34,773	2,014	36,787	33,153	1,915	35,068

* Loans to customers net of deferred revenue

10.3 Classified by industry and loan classification

	30 June 2019				Doubtful of loss	Total
	Pass	Special mention	Substandard (in million Baht)	Doubtful		
Agriculture and mining	114	-	-	-	-	114
Manufacturing and commerce	19,872	16	6	-	2,223	22,117
Property development and construction	2,515	-	-	-	-	2,515
Infrastructure and services	6,782	-	-	-	-	6,782
Others	5,259	-	-	-	-	5,259
Total *	34,542	16	6	-	2,223	36,787

	31 December 2018				Doubtful of loss	Total
	Pass	Special mention	Substandard (in million Baht)	Doubtful		
Agriculture and mining	146	-	-	-	-	146
Manufacturing and commerce	19,928	7	-	-	2,246	22,181
Property development and construction	1,529	-	-	-	-	1,529
Infrastructure and services	6,291	-	-	-	-	6,291
Others	4,921	-	-	-	-	4,921
Total *	32,815	7	-	-	2,246	35,068

* Loans to customers net of deferred revenue

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10.4 Classified by loan classification

	30 June 2019			
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts*	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	34,649	29,763	1	298
Special mention	16	16	2	-
Substandard	6	6	100	6
Doubtful	-	-	100	-
Doubtful of loss	2,223	1,989	100	1,989
Total **	<u>36,894</u>	<u>31,774</u>		<u>2,293</u>
Excess allowance				499
Total				<u>2,792</u>

	31 December 2018			
	Loans to customers and accrued interest receivables (in million Baht)	Net amount used to set the allowance for doubtful accounts*	Rate used for setting the allowance for doubtful accounts (%)	Allowance for doubtful accounts (in million Baht)
Minimum allowance as per BoT's Regulations				
Pass	32,929	27,533	1	275
Special mention	7	7	2	-
Substandard	-	-	100	-
Doubtful	-	-	100	-
Doubtful of loss	2,246	2,011	100	2,011
Total **	<u>35,182</u>	<u>29,551</u>		<u>2,286</u>
Excess allowance				516
Total				<u>2,802</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.

** Loans to customers net of deferred revenue and accrued interest receivables

10.5 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 2019 and 31 December 2018, NPL net (including financial institutions) based on the above directive can be summarised as follows:

	30 June 2019	31 December 2018
Non-performing loans, net (<i>in million Baht</i>)	110	134
Total loans used for NPL net ratio calculation (<i>in million Baht</i>)	56,433	59,827
Ratio of total loans (%)	0.19	0.22

As at 30 June 2019 and 31 December 2018, NPL gross (including financial institutions) based on the above directive can be summarised as follows:

	30 June 2019	31 December 2018
Non-performing loans, gross (<i>in million Baht</i>)	2,229	2,246
Total loans used for NPL gross ratio calculation (<i>in million Baht</i>)	58,552	61,939
Ratio of total loans (%)	3.81	3.63

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

11 Troubled debt restructuring

During the six-month periods ended 30 June 2019 and 2018, details of restructured debts as at the date of restructuring, classified by the restructuring method were as follows:

Restructuring method	Terms of debt restructuring agreements	No. of customers	Six-month period ended 30 June 2019	
			Amount of debt before restructuring (<i>in million Baht</i>)	Amount of debt after restructuring
Modification of terms and conditions	-	-	-	-
Total		<u>-</u>	<u>-</u>	<u>-</u>

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

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 had outstanding balances of restructured debt as follows:

	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
Troubled restructured debt	<u>2,045</u>	<u>2,046</u>

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

	2019	2018
	<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 had no loss on debt restructuring for the six-month periods ended 30 June 2019 and 2018.

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

	2019	2018
	<i>(in million Baht)</i>	
Interest income	<u>2</u>	<u>2</u>

12 Allowance for doubtful accounts

	30 June 2019						Total
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance	
	<i>(in million Baht)</i>						
Beginning balance	275	-	-	-	2,011	516	2,802
Allowance for doubtful accounts	23	-	6	-	(22)	(1)	6
Bad debt written off	-	-	-	-	-	-	-
Others	-	-	-	-	-	(16)	(16)
Ending balance	<u>298</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>1,989</u>	<u>499</u>	<u>2,792</u>

	31 December 2018						Total
	Pass	Special mention	Sub standard	Doubtful	Doubtful of loss	Excess allowance	
	<i>(in million Baht)</i>						
Beginning balance	403	2	-	-	2,313	1,050	3,768
Allowance for doubtful accounts	(128)	(2)	-	-	(121)	(478)	(729)
Bad debt written off	-	-	-	-	(181)	-	(181)
Others	-	-	-	-	-	(56)	(56)
Ending balance	<u>275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,011</u>	<u>516</u>	<u>2,802</u>

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13 Premises and equipment

As at 30 June 2019 and 31 December 2018, changes in premises and equipment are as follows:

30 June 2019												
Net book value as of 1 January 2019	Cost					Accumulated depreciation					Net book value as of 30 June 2019	
	Beginning balance	Purchases and transfers in	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Beginning balance	Depreciation	Disposals and transfers out	Transfer to assets held for sale	Ending balance		Allowance for impairment
						(in million Baht)						
Buildings	229	-	-	-	763	534	12	-	-	546	-	217
Equipment	22	15	-	-	59	26	7	(4)	-	29	-	30
Total	251	15	-	-	822	560	19	(4)	-	575	-	247

31 December 2018													
	Net book value as of 1 January 2018	Cost					Accumulated depreciation					Net book value as of 31 December 2018	
		Beginning balance	Purchases and transfers in	Disposals and transfers out	Transfer to assets held for sale	Ending balance	Beginning balance	Depreciation	Disposals and transfers out	Transfer to assets held for sale	Ending balance		Allowance for impairment
							(in million Baht)						
Buildings	299	1,475	-	(712)	-	763	782	57	(305)	-	534	-	229
Equipment	37	329	4	(285)	-	48	292	15	(281)	-	26	-	22
Total	336	1,804	4	(997)	-	811	1,074	72	(586)	-	560	-	251

The gross amount of the Bank's fully depreciated premises and equipment that was still in use as at 30 June 2019 amounted Baht 4 million (31 December 2018: Baht 1 million).

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14 Deferred tax

Deferred tax assets and liabilities were as follows:

	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
Deferred tax assets	60	313

Movements in total deferred tax assets and liabilities during the six-month period ended 30 June 2019 and 2018 were as follows:

	(Charged) / Credited to:			
	At 1 January 2019	Profit or loss (note 35) (in million Baht)	Other comprehensive income	Reversal due to dividend payment
				At 30 June 2019
Deferred tax assets				
Investments	(1)	(306)	(26)	-
Loans and accrued interest receivables	148	33	-	-
Premises and equipment	30	-	-	-
Other assets	68	28	-	-
Provisions	41	(20)	-	15
Other liabilities	26	23	-	-
Cash flow hedges	1	-	-	-
Taxable loss carry forward	-	-	-	-
Total	313	(242)	(26)	15

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	At 1 January 2018	(Charged) / Credited to:		At 30 June 2018
		Profit or loss	Other comprehensive income (note 35) (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

15 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.

16 Other assets, net

	30 June 2019	31 December 2018
	(in million Baht)	
Accrued interest and income receivable	395	403
Prepayments	12	-
Advance income tax	126	138
Other receivable	14	1
Others	87	13
Total	634	555

17 Deposits

17.1 Classified by type of deposits

	30 June 2019	31 December 2018
	(in million Baht)	
Current	4,681	3,804
Savings	50,576	46,105
Term		
- Less than 6 months	7,281	11,442
- 6 months to less than 1 year	115	-
Total	62,653	61,351

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17.2 Classified by currency and residence of depositors

	30 June 2019			31 December 2018		
	Domestic	Foreign	Total (in million Baht)	Domestic	Foreign	Total
Thai Baht	53,751	1,055	54,806	49,081	646	49,727
US Dollar	6,217	1,553	7,770	10,107	1,402	11,509
Other currencies	52	25	77	85	30	115
Total	60,020	2,633	62,653	59,273	2,078	61,351

18 Interbank and money market items (liabilities)

	30 June 2019			31 December 2018		
	At call	Term	Total (in million Baht)	At call	Term	Total
Domestic						
Commercial banks	6,615	2,152	8,767	3,520	2,596	6,116
Special financial institutions	1	-	1	301	-	301
Other financial institutions	8,036	4,469	12,505	8,973	4,477	13,450
Total domestic	14,652	6,621	21,273	12,794	7,073	19,867
Foreign						
US Dollar	2	1,230	1,232	2	1,298	1,300
Thai Baht	9,890	-	9,890	7,434	-	7,434
Japanese Yen	44	-	44	54	-	54
Total foreign	9,936	1,230	11,166	7,490	1,298	8,788
Total domestic and foreign	24,588	7,851	32,439	20,284	8,371	28,655

As at 30 June 2019, structured notes that are not designated at fair value in the financial statements amounted to Baht 4,469 million (31 December 2018: Baht 4,477 million).

19 Provisions

	Employee benefits	Contingent liabilities (in million Baht)	Other	Total
At 1 January 2018	241	37	16	294
Provisions made	33	4	-	37
Provisions used	(52)	-	-	(52)
Provision reversed	(30)	(29)	(6)	(65)
At 31 December 2018 and 1 January 2019	192	12	10	214
Provisions made	60	-	-	60
Provisions used	-	-	-	-
Provision reversed	-	-	-	-
At 30 June 2019	252	12	10	274

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20 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.

21 Other liabilities

	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
Withholding tax payables	72	121
VAT payable	9	40
Other payables	189	363
Accrued interest payable	90	102
Others	394	420
Total	754	1,046

22 Share capital

	Par value per share <i>(in Baht)</i>	30 June 2019 Number <i>(in million shares)</i>	30 June 2019 Amount <i>(in million Baht)</i>	31 December 2018 Number <i>(in million shares)</i>	31 December 2018 Amount <i>(in million Baht)</i>
Authorised					
At 1 January - ordinary shares	10	1,484	14,843	1,484	14,843
At ending - ordinary shares	10	1,484	14,843	1,484	14,843
Issued and paid-up					
At 1 January - ordinary shares	10	1,484	14,837	1,484	14,837
At ending - ordinary shares	10	1,484	14,837	1,484	14,837

Share premium

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

23 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 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.

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Other reserves

Fair value change in available-for-sale investments

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

Cash flow hedges

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

24 Contingent liabilities

	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
Guarantees of loans	103	162
Letters of credit	967	1,025
Other contingencies		
- Other letters of guarantee	17,423	17,370
- Committed line	10,292	11,257
- Others ^(*)	2,127	3,506
	<u>29,842</u>	<u>32,133</u>
Total	<u>30,912</u>	<u>33,320</u>

- ^(*) As at 30 June 2019, this included the obligation to return the financial assets accepted as collateral from private reverse repo transaction and repledged for private repo transaction amounting to Baht 1,501 million (*31 December 2018: 3,014 million*) and collateral per Credit Support Annex for derivative transaction amounting to Baht 626 million (*31 December 2018: 492 million*). The bank has the obligation to return the securities in the same amount.

Litigation

As at 30 June 2019, the Bank has received claims in respect of letters of guarantee and other items from the Bank's customers totaling Baht 695 million (excluding interest) (*31 December 2018: Baht 74 million*) and the lawsuit is under court process. As at 30 June 2019, the Bank has not recorded provision from these claims. (*31 December 2018: Baht 8 million*).

25 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
Standard Chartered PLC	United Kingdom	Ultimate parent company of the Bank
Standard Chartered Bank	United Kingdom	Immediate parent company of the Bank
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 are currently under liquidation process.

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

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

Significant transactions for the six-month period ended 30 June 2019 and 2018 with key management and other related parties were as follows:

Six-month period ended 30 June	2019	2018
	<i>(in million Baht)</i>	
Interest income	73	76
Gains (losses) on trading and foreign exchange transactions, net	(598)	27
Service agreements	293	101
Others	114	27

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

Significant balances and business transactions with key management, including their related parties and business entities in which the Bank, its directors or key management, including their related parties hold 10% or more of the paid up capital as of 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019		31 December 2018
	Ending balance	Average (in million Baht)	Ending balance
			Average
<i>Loans to customers and accrued interest receivable</i>			
To key management, including their related parties	<u>1,795</u>	<u>1,802</u>	<u>1,811</u>
			<u>1,829</u>
			30 June 2019
			31 December 2018
			(in million Baht)
<i>Interbank and money market items (assets)</i>			
Standard Chartered Group			<u>10,174</u>
			<u>20,180</u>
<i>Derivative assets (fair value)</i>			
Standard Chartered Group			<u>2,835</u>
			<u>3,280</u>
<i>Collateral from Credit Support Annex agreements and margin receivables from private repo transactions</i>			
Standard Chartered Group			<u>1,045</u>
			<u>1,282</u>
<i>Other assets</i>			
Standard Chartered Group			<u>183</u>
			<u>203</u>
<i>Deposits</i>			
Others			<u>581</u>
			<u>543</u>
<i>Interbank and money market items (liabilities)</i>			
Standard Chartered Group			<u>2,137</u>
			<u>2,320</u>
<i>Derivative liabilities (fair value)</i>			
Standard Chartered Group			<u>2,891</u>
			<u>3,034</u>
<i>Collateral from Credit Support Annex agreements and margin payables from private repo transactions</i>			
Standard Chartered Group			<u>998</u>
			<u>1,695</u>
<i>Accrued expenses</i>			
Standard Chartered Group			1,309
Others			940
			<u>7</u>
			<u>2</u>
Total			<u>1,316</u>
			<u>942</u>
<i>Other liabilities</i>			
Standard Chartered Group			<u>132</u>
			<u>193</u>

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	30 June 2019 (in million Baht)	31 December 2018
<i>Other letters of guarantee</i>		
Standard Chartered Group	<u>4,969</u>	<u>5,893</u>
<i>Derivatives (notional amount) - Foreign currency related</i>		
Standard Chartered Group	<u>64,954</u>	<u>59,279</u>
<i>Derivatives (notional amount) - Interest rate related</i>		
Standard Chartered Group	<u>109,959</u>	<u>133,233</u>
<i>Derivatives (notional amount) - Commodities</i>		
Standard Chartered Group	<u>1,391</u>	<u>15,896</u>
<i>Six-month period ended 30 June</i>	2019	2018 (in million Baht)
<i>Key management personnel</i>		
Short-term employee benefits	121	133
Post-employment benefits	4	4
Share-based payments	8	6
Termination benefits	-	9
Total key management personnel compensation	<u>133</u>	<u>152</u>

Directors' and executives' benefits

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

Significant agreements with related parties

(a) *Services agreement*

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

(b) *Outsourcing services*

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

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26 Non-cancellable operating lease agreements

The Bank has entered into operating lease and service agreements of branches office, office equipments and vehicles for the periods ranging from less than 1 year to 4 years. (31 December 2018: from less than 1 year to 4 years) The period to maturity of long-term lease payments is as follows:

	30 June 2019	31 December 2018
	<i>(in million Baht)</i>	
Within one year	6	4
After one year but within five years	2	3
Total	8	7

27 Segment information

Client segments

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

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

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

Geographical segments

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

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By client segment

Six-month period ended 30 June

	Corporate and Institutional Banking		Commercial Banking		Central and other items		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	<i>(in million Baht)</i>							
Net interest income	755	603	4	27	367	451	1,126	1,081
Other income	1,462	1,241	5	9	(6)	135	1,461	1,385
Operating income	2,217	1,844	9	36	361	586	2,587	2,466
Operating expenses	(1,402)	(1,108)	-	(46)	(83)	(6)	(1,485)	(1,160)
Operating profit (loss) before impairment loss of loans and taxation	815	736	9	(10)	278	580	1,102	1,306
Impairment loss of loans (reversal of)	6	5	-	(721)	(1)	(2)	5	(718)
Profit from operations before income tax	809	731	9	711	279	582	1,097	2,024
Segment assets as at 30 June 2019 / 31 December 2018	96,875	82,602	41	71	53,455	68,988	150,371	151,661

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28 Interest income

<i>Six-month period ended 30 June</i>	2019	2018
	<i>(in million Baht)</i>	
Interbank and money market items	643	727
Investments and trading transactions	433	242
Investments in debt securities	201	125
Loans to customers	625	668
Total	1,902	1,762

29 Interest expenses

<i>Six-month period ended 30 June</i>	2019	2018
	<i>(in million Baht)</i>	
Deposits	355	286
Interbank and money market items	201	178
Contribution to Deposits Protection Agency and Financial Institutions Development Fund	219	212
Debt issued and borrowings	1	5
Total	776	681

30 Net fees and service income

<i>Six-month period ended 30 June</i>	2019	2018
	<i>(in million Baht)</i>	
Fees and service income		
- Acceptance, avals and guarantees	51	45
- Fund transfer fee	121	149
- Custody fee	215	228
- Others	106	212
	493	634
Fees and service expenses		
- Commission fees	30	16
- Others	56	49
	86	65
Net	407	569

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31 Gains on trading and foreign exchange transactions, net

<i>Six-month period ended 30 June</i>	2019 (in million Baht)	2018
Gains (losses) on trading and foreign exchange transactions, net		
- Foreign currencies and foreign currency related derivatives	2,197	303
- Interest rate related derivatives	(1,135)	474
- Debt securities	1,691	(475)
- Others	(1,718)	473
Total	1,035	775
Gains (losses) on hedging transactions	(4)	(1)
Total	1,031	774

32 Gains on investments, net

<i>Six-month period ended 30 June</i>	2019 (in million Baht)	2018
Gains on sales of available-for-sale investments	16	30
Total	16	30

33 Employee expenses

<i>Six-month period ended 30 June</i>	2019 (in million Baht)	2018
Management		
Wages and salaries	85	94
Post-employment benefits - defined benefit plans	4	4
Share-based payment transactions	8	6
Others	36	48
	133	152
Other employees		
Wages and salaries	331	391
Post-employment benefits - defined benefit plans	56	14
Share-based payment transactions	3	(4)
Others	195	188
	585	589
Total	718	741

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

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34 Impairment loss of loans (reversal of)

<i>Six-month period ended 30 June</i>	2019 (in million Baht)	2018
Interbank and money market items	-	17
Loans to customers	4	(735)
Total	4	(718)

35 Income tax

Income tax recognised in profit or loss

<i>Six-month period ended 30 June</i>	Note	2019 (in million Baht)	2018
Current tax expense			
Current period		-	266
Under provided in prior periods		54	-
		54	266
Deferred tax expense			
Movements in temporary differences		312	49
Over provided in prior periods		(70)	-
	14	242	49
Total		296	315

Income tax recognised in other comprehensive income

<i>Six-month period ended 30 June</i>	Before tax	2019 Tax benefit	Net of tax (in million Baht)	Before tax	2018 Tax benefit	Net of tax
Cash flow hedges	-	-	-	-	-	-
Available-for-sale investments	132	(26)	106	(114)	23	(91)
Total	132	(26)	106	(114)	23	(91)

Reconciliation of effective tax rate

<i>Six-month period ended 30 June</i>	2019 Rate (%)	2019 (in million Baht)	2018 Rate (%)	2018 (in million Baht)
Profit before income tax		1,097		2,024
Income tax using the Thai corporation tax rate	20	220	20	404
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		92		(89)
Over provided in prior periods		(16)		-
Total	27	296	15	315

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36 Basic earnings per share

The calculations of basic earnings per share for the six-month periods ended 30 June 2019 and 2018 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>	2019	2018
Profit for the periods attributable to equity holders of the Bank (basic) (in million Baht)	<u>801</u>	<u>1,708</u>
Number of ordinary shares outstanding (million shares)	<u>1,484</u>	<u>1,484</u>
Basic earnings per share (in Baht)	<u>0.54</u>	<u>1.15</u>

37 Dividends

At the annual general meeting of the shareholders of the Bank held on 22 April 2019, the shareholders approved the appropriation of a dividend of Baht 1.78 per share, amounting to Baht 2,641 million. The dividends were paid to shareholders in May 2019.

The Board of Directors Meeting held on 14 December 2018 passed a resolution approving an interim dividend payment of Baht 8.98 per share, amounting to Baht 13,324 million. The dividends were paid to shareholders in January 2019.

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.

38 Thai Financial Reporting Standards (TFRSs) not yet adopted

A number of new TFRSs which are relevant to the Bank's operations are expected to have significant impact on the Bank's financial statements on the date of initial application. Those TFRSs become effective for annual financial reporting periods beginning on or after 1 January 2020 are as follows:

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

* TFRS - Financial instruments standards

(a) TFRS - Financial instruments standards

These TFRSs establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRSs are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

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(b) TFRS 16 Leases

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

Management is presently considering the potential impact of adopting and initially applying TFRSs on the financial statements.

39 Reclassification of accounts

Certain accounts in the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income and the statement of cash flows for the six-month period ended 30 June 2018 which are included in the 2019 interim financial statements for comparative purposes, have been reclassified to conform to the presentation in the 2019 interim financial statements as follows:

		2018	
	Before reclassification	Reclassification (in million Baht)	After reclassification
<i>Statement of financial position as at 31 December 2018</i>			
Interbank and money market items, net	47,378	(3)	47,375
Loans to customers and accrued Interest receivable, net	32,563	(183)	32,380
Other liabilities	1,232	(186)	1,046
<i>Statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2018</i>			
Fee and service income	658	(24)	634
Gains on trading and foreign exchange Transactions, net	750	24	774
<i>Statement of cash flows for the six-month period ended 30 June 2018</i>			
Interbank and money market items	(10,688)	2	(10,686)
Loans to customers	9,153	(3)	9,150
Other liabilities	171	(15)	156