

(Translation)

**Standard Chartered Bank (Thai) PCL and its subsidiary
Explanatory note to the results of operations
For the six-month period ended 30 June 2019
Comparing with the same period of 2018**

Overall Performance

As a Corporate & Institutional Bank, SCB Thailand continues to make steady progress with improved customer flow, entering new relationships and deepening its existing relationships. The credit quality of the portfolio remains good and the balance sheet remains liquid and well capitalized. The bank is progressing on its strategic agenda and is well placed to deliver its 2019 corporate plan.

Total Income and Expense Items

Total income of THB 2,586 million was up 5% year over year due to the increase in client income momentum at the back of a couple of significant one-off FX transactions, and own account income.

The cost for H1'19 has been managed tightly. Total costs of THB 1,485 million increased by 28% primarily due to the reversal in H1 2018 of property impairment and Group recharge of THB 242 million and THB 231 million, respectively.

The loan impairment continues to be low. The Bank continues to closely monitor and manage the loan portfolio through relevant credit risk committees and continue to maintain high ratio of actual to regulatory loan loss provision as well as loan loss coverage ratio. The credit of THB 718 million in H1 2018 include a reversal of THB 600 million on account of general provision primarily related to commercial banking.

As at June 30, 2019, loan loss provisions for the Bank was Baht 2,792 million, with an excess provision over the regulatory reserve requirements of THB 499 million or 121.8 per cent of the regulatory reserve requirements. The loan loss coverage ratio of 125 per cent was maintained.

Operating profit before tax from continuing operations of Baht 1,097 million for H1'19 was 46 per cent lower the same period of 2018, primarily due to the reversal in H1 2018 for property impairment of THB 242 million, Group recharge of THB 231 million and loan impairment of THB 600 million on account of general provision related to commercial banking.

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