

**Part 3 Financial Status and Operational Results****13. Significant Financial Information****Auditor Report of the Independent Certified Public Accountants and Auditing Fees****Auditors****KPMG Phoomchai Audit Ltd.**

2017: Mr. Winid Silamongkol, CPA Registration No. 3378 of KPMG Phoomchai Audit Ltd.

2018: Mr. Winid Silamongkol, CPA Registration No. 3378 of KPMG Phoomchai Audit Ltd.

2019: Mrs. Wilai Buranakittisopon CPA Registration No. 3920 of KPMG Phoomchai Audit Ltd.

**Report of the Independent Certified Public Accountants for 2017-2019****2017**

Auditor's opinion was that the consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

**2018**

Auditor's opinion was that the consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

**2019**

Auditor's opinion was that the consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

**Appointment of Auditors and Determining Auditing Fees**

The Board assigned the Audit Committee to consider and propose the appointment of external auditors and auditing fees to shareholders for approval at every Annual General Meeting of shareholders. At the 2019 Annual General Meeting, shareholders approved the following items:

The appointment of Mrs. Wilai Buranakittisopon CPA Registration No. 3920, Mr. Charoen Phosamritlert CPA Registration No. 4068 and Miss Pantip Gulsantitamrong CPA Registration No. 4208, of KPMG

Phoomchai Audit Ltd. to be auditors of the Bank for the financial year 2019. The Bank of Thailand concurred with these appointments.

**Audit Fees**

In 2019, the total audit fees of the Bank and its subsidiaries were Baht 31.4 million. In addition, the Bank and its subsidiaries paid fees for services other than statutory audits as follows:

- Audits and examination as required by regulators, i.e., special audits and examination of banking returns
- Examination of foreign exchange booths
- Review of fixed asset revaluation
- Review of transfer pricing for transactions with related companies or entities
- Tax services

Non-audit fees were Baht 20.3 million, of which Baht 11.9 million was paid in the fiscal year of 2019 while the outstanding amount of Baht 8.4 million will be paid in 2020.

## THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

(in Baht thousand)

Assets	2019		2018		2017	
Cash	47,450,329	1.61%	46,443,366	1.62%	40,591,037	1.49%
Interbank and money market items, net	427,250,921	14.47%	362,033,032	12.66%	303,476,880	11.13%
Derivative assets	63,283,308	2.14%	41,533,759	1.45%	46,035,173	1.69%
Investments, net	310,504,994	10.52%	272,994,919	9.54%	299,032,913	10.97%
Investments in subsidiaries and associate, net	6,727,117	0.23%	18,988,748	0.66%	18,016,700	0.66%
Loans to customers and accrued interest receivables, net						
Loans to customers	2,141,954,439	72.55%	2,154,332,379	75.32%	2,046,282,647	75.08%
Accrued interest receivables	<u>2,920,413</u>	0.10%	<u>3,028,442</u>	0.11%	<u>2,963,859</u>	0.11%
Total loans to customers and accrued interest receivables	2,144,874,852	72.65%	2,157,360,821	75.43%	2,049,246,506	75.18%
Less deferred revenue	(33,078,608)	-1.12%	(29,540,202)	-1.03%	(25,216,417)	-0.93%
Less allowance for doubtful accounts	(110,505,427)	-3.74%	(98,646,744)	-3.45%	(84,936,081)	-3.12%
Less revaluation allowance for debt restructuring	<u>(3,122,081)</u>	-0.11%	<u>(3,867,951)</u>	-0.14%	<u>(4,291,141)</u>	-0.16%
Total loans to customers and accrued interest receivables, net	1,998,168,736	67.68%	2,025,305,924	70.81%	1,934,802,867	70.99%
Properties for sale, net	16,393,154	0.56%	13,445,838	0.47%	11,280,102	0.41%
Premises and equipment, net	39,910,623	1.35%	41,707,339	1.46%	42,890,983	1.57%
Goodwill and other intangible assets, net	18,450,769	0.62%	15,697,382	0.55%	8,778,161	0.32%
Assets pending transfer	1,917,558	0.06%	2,429,931	0.08%	2,300,059	0.08%
Deferred tax assets	1,809,077	0.06%	106,779	0.00%	25,740	0.00%
Other assets, net	20,580,466	0.70%	19,440,025	0.68%	18,401,385	0.68%
<b>Total assets</b>	<b>2,952,447,052</b>	<b>100.00%</b>	<b>2,860,127,042</b>	<b>100.00%</b>	<b>2,725,632,000</b>	<b>100.00%</b>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)**  
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)**

Liabilities and shareholders' equity	2019		2018		2017	
<b>Liabilities</b>						
Deposits	2,156,488,855	73.04%	2,156,936,065	75.41%	2,087,890,289	76.60%
Interbank and money market items	145,870,962	4.94%	145,599,164	5.09%	110,911,960	4.07%
Liability payable on demand	11,794,548	0.40%	13,942,883	0.49%	23,670,230	0.87%
Derivative liabilities	61,987,555	2.10%	36,798,917	1.29%	44,620,824	1.64%
Debt issued and borrowings	76,355,562	2.59%	106,065,393	3.71%	75,379,761	2.77%
Provisions	10,997,107	0.37%	8,922,840	0.31%	7,340,382	0.27%
Liabilities pending transfer	21,915,093	0.74%	19,435,132	0.68%	14,488,352	0.53%
Deferred tax liabilities	-	0.00%	-	0.00%	2,559,950	0.09%
Other liabilities	69,093,197	2.34%	31,240,768	1.09%	29,802,716	1.09%
<b>Total liabilities</b>	<b>2,554,502,879</b>	<b>86.52%</b>	<b>2,518,941,162</b>	<b>88.07%</b>	<b>2,396,664,464</b>	<b>87.93%</b>
<b>Shareholders' equity</b>						
Share capital						
Authorised share capital						
3,582,735,096 preferred shares of Baht 10 each	35,827,351	1.21%	35,828,427	1.25%	35,838,257	1.31%
3,417,264,904 common shares of Baht 10 each	34,172,649	1.16%	34,171,573	1.19%	34,161,743	1.25%
Issued and paid-up share capital						
3,610,739 preferred shares of Baht 10 each	36,107	0.00%	37,183	0.00%	37,850	0.00%
3,395,581,459 common shares of Baht 10 each	33,955,815	1.15%	33,954,739	1.19%	33,954,072	1.25%
Premium on share capital						
Premium on preferred shares	14,121	0.00%	14,541	0.00%	14,802	0.00%
Premium on common shares	11,110,070	0.38%	11,109,650	0.39%	11,109,389	0.41%
Other reserves	16,135,730	0.55%	16,535,798	0.58%	18,654,960	0.68%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.24%	7,000,000	0.24%	7,000,000	0.26%
Unappropriated	329,692,330	11.17%	272,533,969	9.53%	258,196,463	9.47%
Total owners of the company	397,944,173	13.48%	341,185,880	11.93%	328,967,536	12.07%
<b>Total shareholders' equity</b>	<b>397,944,173</b>	<b>13.48%</b>	<b>341,185,880</b>	<b>11.93%</b>	<b>328,967,536</b>	<b>12.07%</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,952,447,052</b>	<b>100.00%</b>	<b>2,860,127,042</b>	<b>100.00%</b>	<b>2,725,632,000</b>	<b>100.00%</b>

## THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2019		2018		2017	
Interest income	126,170,944	63.95%	118,470,269	93.02%	115,630,594	91.35%
Interest expenses	<u>35,537,905</u>	18.01%	<u>32,701,604</u>	25.68%	<u>32,766,978</u>	25.89%
Net interest income	90,633,039	45.94%	85,768,665	67.34%	82,863,616	65.47%
Fees and service income	39,174,566	19.86%	36,681,937	28.80%	37,424,662	29.57%
Fees and service expenses	<u>8,327,557</u>	4.22%	<u>7,354,816</u>	5.77%	<u>5,337,478</u>	4.22%
Net fees and service income	30,847,009	15.64%	29,327,121	23.03%	32,087,184	25.35%
Net gain on trading and foreign exchange transactions	6,579,982	3.34%	7,764,554	6.10%	6,888,659	5.44%
Net gain on investments	4,741,734	2.40%	2,705,633	2.12%	704,314	0.56%
Net gain on sale of investment in subsidiary	61,899,788	31.37%	-	0.00%	-	0.00%
Dividend income	2,217,863	1.12%	1,509,738	1.19%	3,349,891	2.65%
Other operating income	<u>373,031</u>	0.19%	<u>282,587</u>	0.22%	<u>681,923</u>	0.54%
<b>Total operating income</b>	<b>197,292,446</b>	<b>100.00%</b>	<b>127,358,298</b>	<b>100.00%</b>	<b>126,575,587</b>	<b>100.00%</b>
Other operating expenses						
Employee expenses	29,803,086	15.11%	25,969,307	20.39%	24,207,823	19.13%
Directors' remuneration	89,680	0.05%	89,238	0.07%	91,635	0.07%
Premises and equipment expenses	12,902,297	6.54%	12,318,209	9.67%	10,744,254	8.49%
Taxes and duties	4,362,186	2.21%	4,138,577	3.25%	4,050,500	3.20%
Other expenses	<u>20,656,435</u>	10.47%	<u>19,812,844</u>	15.56%	<u>16,349,431</u>	12.92%
Total operating expenses	67,813,684	34.37%	62,328,175	48.94%	55,443,643	43.80%
Impairment loss of loans and debt securities	<u>36,236,999</u>	18.37%	<u>24,001,551</u>	18.85%	<u>25,030,000</u>	19.77%
Profit from operating before income tax expense	93,241,763	47.26%	41,028,572	32.22%	46,101,944	36.42%
Income tax expenses	17,792,258	9.02%	7,553,082	5.93%	8,247,976	6.52%
<b>Net profit</b>	<b>75,449,505</b>	<b>38.24%</b>	<b>33,475,490</b>	<b>26.28%</b>	<b>37,853,968</b>	<b>29.91%</b>
Other comprehensive income (loss)						
<i>Items that will be reclassified subsequently to profit or loss</i>						
Gains (losses) on remeasuring available-for-sale investments	5,432	0.00%	(2,308,856)	-1.81%	717,378	0.57%
Change in hedge reserve	-	0.00%	1	0.00%	51,202	0.04%
Income tax relating to components of other comprehensive income						
(loss) will be reclassified subsequently to profit or loss	<u>(1,087)</u>	0.00%	<u>461,771</u>	0.36%	<u>(153,716)</u>	-0.12%
	<u>4,345</u>	0.00%	<u>(1,847,084)</u>	-1.45%	<u>614,864</u>	0.49%
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined benefit plans	-	0.00%	(893,131)	-0.70%	-	0.00%
Income tax relating to components of other comprehensive income						
(loss) will not be reclassified subsequently to profit or loss	-	0.00%	178,626	0.14%	-	0.00%
	<u>-</u>	0.00%	<u>(714,505)</u>	-0.56%	<u>-</u>	0.00%
Total other comprehensive income (loss), net of income tax	4,345	0.00%	(2,561,589)	-2.01%	614,864	0.49%
<b>Total comprehensive income</b>	<b>75,453,850</b>	<b>38.24%</b>	<b>30,913,901</b>	<b>24.27%</b>	<b>38,468,832</b>	<b>30.39%</b>

## THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2019	2018	2017
<b>Cash flows from operating activities</b>			
Profit from operating before income tax expense	93,241,763	41,028,572	46,101,944
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>			
Depreciation and amortisation	5,756,554	4,539,874	3,103,600
Impairment loss on loans and debt securities	39,492,005	27,114,229	27,460,613
Loss on impairment of properties for sale	146,326	113,740	11,304
Provisions	1,775,749	1,332,451	-
(Gain) loss on sale of premises and equipment	(11,735)	47,016	(21,405)
Loss from write-off of premises and equipment	79,334	-	-
Loss on sale of properties for sale	797,232	594,641	-
Net loss (gain) on trading and foreign exchange transactions	2,372,429	(3,270,367)	2,685,110
Net gain on investments	(4,741,734)	(2,705,633)	(704,314)
Net gain on sale of investment in subsidiary	(61,899,788)	-	-
	77,008,135	68,794,523	78,636,852
Net interest income	(90,633,039)	(85,768,665)	(82,863,616)
Dividend income	(2,217,863)	(1,509,738)	(3,349,891)
Proceeds from interest	125,714,196	117,763,427	116,837,369
Interest paid	(34,054,968)	(31,978,303)	(33,211,538)
Proceeds from dividend	2,474,282	1,341,219	2,303,359
Income tax paid	(8,500,374)	(8,299,732)	(8,604,425)
Profit from operating before changes in operating assets and liabilities	69,790,369	60,342,731	69,748,110
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	(65,105,374)	(58,544,492)	(59,585,388)
Derivative assets	(28,302,851)	7,477,509	7,061,739
Investment in securities for trading	(14,022,028)	(2,282,221)	19,682,058
Loans to customers	(26,570,890)	(128,223,088)	(116,824,562)
Properties for sale	10,159,119	7,813,688	8,512,888
Other assets	(2,386,526)	(980,456)	7,282,392
<i>Increase (decrease) in operating liabilities</i>			
Deposits	(447,210)	69,045,776	66,436,687
Interbank and money market items	271,798	34,687,204	7,133,035
Liability payable on demand	(2,148,335)	(9,727,347)	13,148,481
Derivative liabilities	25,586,308	(7,943,116)	(9,742,892)
Short-term debt issued and borrowings	(34,564,020)	28,809,454	(39,147,291)
Other liabilities	29,926,870	3,873,109	(1,017,702)
<b>Net cash (used in) from operating activities</b>	<b>(37,812,770)</b>	<b>4,348,751</b>	<b>(27,312,445)</b>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)**  
**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)**

	2019	2018	2017
<b>Cash flows from investing activities</b>			
Acquisition of available-for-sale securities	(289,452,773)	(253,321,752)	(376,873,023)
Proceeds from sale of available-for-sale securities	270,714,376	281,317,455	421,918,513
Acquisition of held-to-maturity securities	(593,002)	(607,321)	(669,600)
Proceeds from redemption of held-to-maturity securities	3,112,997	1,544,398	1,900,898
Acquisition of general investments	(2,318,648)	(1,060,894)	(234,570)
Proceeds from sale of general investments	54,939	1,330,155	30,208
Acquisition of investments in subsidiaries and/or associate	(348,000)	(972,049)	(457,553)
Proceeds from disposal of subsidiaries, net of cash disposed of	74,440,000	-	-
Proceeds from liquidation of subsidiaries	77,319	-	-
Acquisition of premises and equipment	(1,330,329)	(1,990,002)	(5,644,363)
Proceeds from sale of premises and equipment	10,070	177,435	78,654
Acquisition of intangible assets	(5,510,971)	(8,464,665)	(5,216,555)
Proceeds from sale of intangible assets	56,899	-	-
<b>Net cash from (used in) investing activities</b>	<b>48,912,877</b>	<b>17,952,760</b>	<b>34,832,609</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt issued	32,459,840	2,168,000	31,296,938
Repayment of long-term debt issued	(23,872,875)	-	(20,000,000)
Proceeds from long-term borrowings	116,203	138,213	152,459
Repayment of long-term borrowings	(80,755)	(59,838)	-
Repayment of long-term debenture	(20,000)	-	-
Dividend paid to equity holders of the Bank	(18,695,557)	(18,695,557)	(18,695,557)
<b>Net cash used in financing activities</b>	<b>(10,093,144)</b>	<b>(16,449,182)</b>	<b>(7,246,160)</b>
<b>Net increase in cash</b>	<b>1,006,963</b>	<b>5,852,329</b>	<b>274,004</b>
<b>Cash at 1 January</b>	<b>46,443,366</b>	<b>40,591,037</b>	<b>40,317,033</b>
<b>Cash at 31 December</b>	<b>47,450,329</b>	<b>46,443,366</b>	<b>40,591,037</b>
<b>Supplementary disclosures of cash flow information</b>			
Significant non-cash items were as follows:			
(Losses) gains on remeasuring available-for-sale investments	-	-	717,378
Changes in hedge reserve	-	-	51,202
Changes in revaluation surplus	-	-	-
Actuarial losses on defined benefit plans	-	-	-
Properties for sale from loan payment	-	-	8,204,517
Gains (losses) from foreign exchange revaluation on long-term debt issued	3,308,893	384,408	(3,385,277)
Gains (losses) from foreign exchange revaluation on banking book derivatives	65,099	(979,611)	121,881

## THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

(in thousand Baht)

Assets	2019		2018		2017	
Cash	47,615,159	1.61%	47,116,872	1.48%	40,797,176	1.35%
Interbank and money market items, net	433,510,185	14.63%	377,904,575	11.86%	316,733,080	10.47%
Derivative assets	63,132,091	2.13%	41,682,825	1.31%	43,499,427	1.44%
Investments, net	312,065,032	10.53%	568,853,597	17.85%	570,370,844	18.86%
Investments in subsidiaries and associate, net	78,148	0.00%	47,391	0.00%	-	0.00%
Loans to customers and accrued interest receivables, net						
Loans to customers	2,146,866,947	72.44%	2,170,100,801	68.09%	2,059,948,448	68.12%
Accrued interest receivables	2,946,093	0.10%	3,334,205	0.10%	3,328,131	0.11%
Total loans to customers and accrued interest receivables	2,149,813,040	72.54%	2,173,435,006	68.19%	2,063,276,579	68.23%
Less deferred revenue	(33,079,725)	-1.12%	(29,540,202)	-0.93%	(25,216,416)	-0.83%
Less allowance for doubtful accounts	(111,150,371)	-3.75%	(99,404,677)	-3.12%	(85,699,301)	-2.83%
Less revaluation allowance for debt restructuring	(3,122,081)	-0.11%	(3,867,951)	-0.12%	(4,291,141)	-0.14%
Total loans to customers and accrued interest receivables, net	2,002,460,863	67.57%	2,040,622,176	64.02%	1,948,069,721	64.42%
Properties for sale, net	16,641,789	0.56%	13,449,583	0.42%	11,283,644	0.37%
Premises and equipment, net	40,776,524	1.38%	43,206,362	1.36%	44,164,383	1.46%
Goodwill and other intangible assets, net	19,186,569	0.65%	25,491,592	0.80%	18,107,161	0.60%
Assets pending transfer	1,809,735	0.06%	2,232,926	0.07%	2,234,515	0.07%
Deferred tax assets	2,004,629	0.07%	197,811	0.01%	110,753	0.00%
Other assets, net	24,465,595	0.83%	26,533,915	0.83%	28,661,317	0.95%
<b>Total assets</b>	<b>2,963,746,319</b>	<b>100.00%</b>	<b>3,187,339,625</b>	<b>100.00%</b>	<b>3,024,032,021</b>	<b>100.00%</b>



## THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

Liabilities and shareholders' equity	2019		2018		2017	
<b>Liabilities</b>						
Deposits	2,159,425,196	72.86%	2,159,630,551	67.76%	2,092,457,200	69.19%
Interbank and money market items	145,844,197	4.92%	142,528,617	4.47%	108,573,192	3.59%
Liability payable on demand	11,796,217	0.40%	13,944,143	0.44%	23,670,751	0.78%
Liabilities to deliver security	18,335	0.00%	1,144	0.00%	59,900	0.00%
Derivative liabilities	61,937,343	2.09%	36,483,008	1.14%	44,984,107	1.49%
Debt issued and borrowings	77,952,008	2.63%	107,560,901	3.37%	78,538,067	2.60%
Provisions	11,409,640	0.38%	9,426,568	0.30%	7,729,706	0.26%
Liabilities under insurance contracts	-	0.00%	278,220,199	8.73%	248,244,534	8.21%
Liabilities pending transfer	21,933,486	0.74%	19,675,994	0.62%	14,615,892	0.48%
Deferred tax liabilities	138,921	0.00%	423,164	0.01%	3,589,507	0.12%
Other liabilities	72,444,505	2.44%	38,462,288	1.21%	37,806,171	1.25%
<b>Total liabilities</b>	<b>2,562,899,848</b>	<b>86.48%</b>	<b>2,806,356,577</b>	<b>88.05%</b>	<b>2,660,269,027</b>	<b>87.97%</b>
<b>Shareholders' equity</b>						
Share capital						
Authorised share capital						
3,582,735,096 preferred shares of Baht 10 each	35,827,351	1.21%	35,828,427	1.12%	35,838,257	1.19%
3,417,264,904 common shares of Baht 10 each	34,172,649	1.15%	34,171,573	1.07%	34,161,743	1.13%
Issued and paid-up share capital						
3,610,739 preferred shares of Baht 10 each	36,107	0.00%	37,183	0.00%	37,850	0.00%
3,395,581,459 common shares of Baht 10 each	33,955,815	1.15%	33,954,739	1.07%	33,954,072	1.12%
Premium on share capital						
Premium on preferred shares	14,121	0.00%	14,541	0.00%	14,802	0.00%
Premium on common shares	11,110,070	0.37%	11,109,650	0.35%	11,109,389	0.37%
Other reserves	16,169,935	0.55%	15,668,579	0.49%	19,985,092	0.66%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.24%	7,000,000	0.22%	7,000,000	0.23%
Unappropriated	332,071,783	11.20%	312,241,904	9.80%	291,362,368	9.63%
Total owners of the company	400,357,831	13.51%	380,026,596	11.92%	363,463,573	12.02%
Non-controlling interests	488,640	0.02%	956,452	0.03%	299,421	0.01%
<b>Total shareholders' equity</b>	<b>400,846,471</b>	<b>13.52%</b>	<b>380,983,048</b>	<b>11.95%</b>	<b>363,762,994</b>	<b>12.03%</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,963,746,319</b>	<b>100.00%</b>	<b>3,187,339,625</b>	<b>100.00%</b>	<b>3,024,032,021</b>	<b>100.00%</b>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31**

(in thousand Baht)

	2019		2018		2017	
Interest income	135,025,196	81.29%	129,127,210	93.42%	125,113,063	91.85%
Interest expenses	<u>35,623,651</u>	21.45%	<u>32,757,797</u>	23.70%	<u>32,803,548</u>	24.08%
Net interest income	99,401,545	59.85%	96,369,413	69.72%	92,309,515	67.77%
Fees and service income	39,103,281	23.54%	37,016,121	26.78%	36,854,858	27.06%
Fees and service expenses	<u>9,433,183</u>	5.68%	<u>8,559,783</u>	6.19%	<u>6,530,982</u>	4.79%
Net fees and service income	29,670,098	17.86%	28,456,338	20.59%	30,323,876	22.26%
Net gain on trading and foreign exchange transactions	6,816,701	4.10%	7,944,828	5.75%	7,089,951	5.21%
Net gain on investments	5,382,879	3.24%	2,930,164	2.12%	1,610,763	1.18%
Net gain on sale of investment in subsidiary	24,023,848	14.46%	-	0.00%	-	0.00%
Share of profit (loss) from investment in associate	30,756	0.02%	47,391	0.03%	(8,949)	-0.01%
Dividend income	627,337	0.38%	1,211,013	0.88%	1,032,097	0.76%
Net earned insurance premiums	34,950,839	21.04%	50,591,839	36.60%	49,231,848	36.14%
Other operating income	<u>540,736</u>	0.33%	<u>583,655</u>	0.42%	<u>989,649</u>	0.73%
Total operating income	201,444,739	121.28%	188,134,641	136.11%	182,578,750	134.04%
Net insurance claims	<u>35,346,903</u>	21.28%	<u>49,909,813</u>	36.11%	<u>46,366,273</u>	34.04%
<b>Net operating income</b>	<b>166,097,836</b>	<b>100.00%</b>	<b>138,224,828</b>	<b>100.00%</b>	<b>136,212,477</b>	<b>100.00%</b>
Other operating expenses						
Employee expenses	33,280,574	20.04%	29,347,037	21.23%	27,488,330	20.18%
Directors' remuneration	105,370	0.06%	100,332	0.07%	98,940	0.07%
Premises and equipment expenses	13,894,163	8.37%	13,263,885	9.60%	11,553,836	8.48%
Taxes and duties	4,626,728	2.79%	4,488,694	3.25%	4,417,007	3.24%
Other expenses	<u>18,630,978</u>	11.22%	<u>17,438,800</u>	12.62%	<u>14,091,949</u>	10.35%
Total operating expenses	70,537,813	42.47%	64,638,748	46.76%	57,650,062	42.32%
Impairment loss of loans and debt securities	<u>36,210,938</u>	21.80%	<u>24,022,741</u>	17.38%	<u>25,066,653</u>	18.40%
Profit from operating before income tax expense	59,349,085	35.73%	49,563,339	35.86%	53,495,762	39.27%
Income tax expenses	19,098,182	11.50%	9,468,272	6.85%	10,291,148	7.56%
<b>Net profit</b>	<b>40,250,903</b>	<b>24.23%</b>	<b>40,095,067</b>	<b>29.01%</b>	<b>43,204,614</b>	<b>31.72%</b>
Other comprehensive income (loss)						
<i>Items that will be reclassified subsequently to profit or loss</i>						
Gains (losses) on remeasuring available-for-sale investments	21,921,022	13.20%	(5,374,535)	-3.89%	6,079,641	4.46%
Losses arising from translating the financial statements of a foreign operation	(187,958)	-0.11%	(15,236)	-0.01%	(204,089)	-0.15%
Share of other comprehensive income of associate (using equity method)	-	0.00%	-	0.00%	72	0.00%
Change in hedge reserve	3,287,789	1.98%	319,201	0.23%	370,849	0.27%
Income tax relating to components of other comprehensive income						
(loss) will be reclassified subsequently to profit or loss	<u>(5,041,433)</u>	-3.04%	<u>1,011,067</u>	0.73%	<u>(1,290,097)</u>	-0.95%
	19,979,420	12.03%	(4,059,503)	-2.94%	4,956,376	3.64%
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Actuarial gains (losses) on defined benefit plans	59,643	0.04%	(959,880)	-0.69%	-	0.00%
Income tax relating to components of other comprehensive income						
(loss) will not be reclassified subsequently to profit or loss	<u>(11,929)</u>	-0.01%	<u>191,976</u>	0.14%	-	0.00%
	47,714	0.03%	(767,904)	-0.56%	-	0.00%
Total other comprehensive income (loss), net of income tax	20,027,134	12.06%	(4,827,407)	-3.49%	4,956,376	3.64%
<b>Total comprehensive income</b>	<b>60,278,037</b>	<b>36.29%</b>	<b>35,267,660</b>	<b>25.51%</b>	<b>48,160,990</b>	<b>35.36%</b>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)**  
**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31**

(in Baht thousand)

	2019	2018	2017
<b>Cash flows from operating activities</b>			
Profit from operating before income tax expense	59,349,085	49,563,339	53,495,762
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>			
Depreciation and amortisation	6,063,727	4,756,762	3,271,861
Impairment loss on loans and debt securities	39,465,944	27,135,420	27,497,266
Loss on impairment of properties for sale	209,811	113,537	12,411
Provisions	1,582,425	1,408,839	-
(Gain) loss on sale of premises and equipment	(11,892)	58,172	(24,479)
Loss from write-off of premises and equipment	83,989	-	-
Loss on sale of properties for sale	797,192	594,641	-
Net loss (gain) on trading and foreign exchange transactions	1,899,790	(3,611,121)	3,084,349
Net gain on investments	(5,382,879)	(2,930,164)	(1,610,763)
Share of (profit) loss from investment in associate	(30,756)	(47,391)	8,949
Net gain on sale of investment in subsidiary	(24,023,848)	-	-
	80,002,588	77,042,034	85,735,356
Net interest income	(99,401,545)	(96,369,413)	(92,309,515)
Dividend income	(627,337)	(1,211,013)	(1,032,097)
Proceeds from interest	137,119,241	128,256,968	126,765,200
Interest paid	(34,056,597)	(32,051,579)	(33,262,642)
Proceeds from dividend	646,024	1,206,093	1,028,378
Income tax paid	(11,224,200)	(10,444,731)	(10,793,147)
Profit from operating before changes in operating assets and liabilities	72,458,174	66,428,359	76,131,533
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	(69,058,619)	(61,042,863)	(59,424,924)
Derivative assets	(29,591,112)	6,035,619	7,527,791
Investment in securities for trading	(14,132,432)	2,561,484	14,543,299
Loans to customers	(26,944,943)	(130,352,187)	(118,710,261)
Properties for sale	10,009,782	7,813,688	8,512,888
Other assets	(5,967,349)	2,338,067	2,984,061
<i>Increase (decrease) in operating liabilities</i>			
Deposits	(205,355)	67,173,351	66,185,085
Interbank and money market items	3,315,580	33,955,425	7,620,033
Liability payable on demand	(2,147,926)	(9,726,608)	13,144,432
Liabilities to deliver security	17,191	(58,756)	9,306
Derivative liabilities	25,967,327	(8,664,851)	(8,005,015)
Short-term debt issued and borrowings	(34,490,687)	27,146,655	(36,174,269)
Liabilities under insurance contracts	8,367,474	29,975,665	31,250,087
Other liabilities	36,208,076	3,378,907	359,863
<b>Net cash (used in) from operating activities</b>	<b>(26,194,819)</b>	<b>36,961,955</b>	<b>5,953,909</b>

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)**  
**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)**

	2019	2018	2017
<b>Cash flows from investing activities</b>			
Acquisition of available-for-sale securities	(289,452,773)	(403,574,752)	(516,878,010)
Proceeds from sale of available-for-sale securities	250,943,397	400,100,243	528,910,230
Acquisition of held-to-maturity securities	(593,002)	(3,940,521)	(669,600)
Proceeds from redemption of held-to-maturity securities	10,973,407	3,516,127	1,707,990
Acquisition of general investments	(2,323,366)	(1,068,871)	(243,070)
Proceeds from sale of general investments	54,939	1,330,155	30,208
Proceeds from disposal of subsidiaries, net of cash disposed of	74,440,000	-	-
Proceeds from liquidation of subsidiaries	77,319	-	-
Acquisition of premises and equipment	(1,426,230)	(2,349,751)	(5,768,414)
Proceeds from sale of premises and equipment	169,842	194,717	83,694
Acquisition of intangible assets	(6,018,224)	(9,033,139)	(5,367,363)
Proceeds from sale of intangible assets	56,899	-	-
<b>Net cash from (used in) investing activities</b>	<b>36,902,208</b>	<b>(14,825,792)</b>	<b>1,805,665</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt issued	32,459,840	2,168,000	31,296,938
Repayment from long-term debt issued	(23,872,875)	-	(20,000,000)
Proceeds from long-term borrowings	116,203	138,213	152,459
Repayment of long-term borrowings	(80,755)	(59,838)	-
Repayment of long-term debenture	(20,000)	-	-
Dividend paid to equity holders of the Bank	(18,695,557)	(18,695,557)	(18,695,557)
Changes in non-controlling interests from capital increase in a subsidiary	72,000	-	-
Acquisition of non-controlling interests with a change in control	-	648,000	-
Acquisition of non-controlling interests without a change in control	-	(49)	(661)
<b>Net cash used in financing activities</b>	<b>(10,021,144)</b>	<b>(15,801,231)</b>	<b>(7,246,821)</b>
Losses arising from translating the financial statements of a foreign operation	(187,958)	(15,236)	(204,089)
<b>Net increase in cash</b>	<b>498,287</b>	<b>6,319,696</b>	<b>308,664</b>
<b>Cash at 1 January</b>	<b>47,116,872</b>	<b>40,797,176</b>	<b>40,488,512</b>
<b>Cash at 31 December</b>	<b>47,615,159</b>	<b>47,116,872</b>	<b>40,797,176</b>
<b>Supplementary disclosures of cash flow information</b>			
Significant non-cash items were as follows:			
Gains on remeasuring available-for-sale investments	-	-	6,079,641
Losses arising from translating the financial statements of a foreign operation	-	-	(204,089)
Share of other comprehensive income of associate (using equity method)	-	-	72
Changes in hedge reserve	-	-	370,849
Changes in revaluation surplus	-	-	-
Actuarial losses on defined benefit plans	-	-	-
Properties for sale from loan payment	-	-	8,204,517
Gains (losses) from foreign exchange revaluation on long-term debt issued	3,308,893	384,408	(3,385,277)
Gains (losses) from foreign exchange revaluation on banking book derivatives	65,099	(979,611)	121,881

**THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)**  
**FINANCIAL RATIOS**

	2019	2018	2017
<b>PROFITABILITY RATIO</b>			
Operating Profit Margin <sup>(1)</sup>	59.33%	55.84%	57.33%
Net Profit Margin	24.34%	28.99%	31.68%
Return on Equity	10.36%	10.78%	12.37%
Yield <sup>(2)</sup>	5.33%	5.30%	5.50%
Cost of Funds <sup>(3)</sup>	1.48%	1.39%	1.44%
Spread <sup>(4)</sup>	3.85%	3.92%	4.06%
Return on Investment	9.59%	2.88%	2.55%
<b>EFFICIENCY RATIO</b>			
Cost Income Ratio	42.47%	46.76%	42.32%
Net Interest Income to Asset	3.23%	3.10%	3.11%
Return on Asset	1.31%	1.29%	1.45%
Asset Turnover Ratio (Times)	0.05	0.04	0.05
<b>FINANCIAL POLICY RATIO</b>			
Liability to Total Equity (Times)	6.39	7.37	7.31
Loan to Borrowing Ratio	93.98%	93.84%	92.71%
Loan to Deposit Ratio	97.89%	99.12%	97.24%
Deposit to Liability Ratio	84.26%	76.95%	78.66%
Dividend payout <sup>(5)</sup>	52.54%	46.66%	43.32%
Total Capital Funds	18.08%	17.10%	17.73%
<b>ASSET QUALITY RATIO</b>			
Allowance for Doubtful Account to Loan and Accrued Interest Receivables	5.25%	4.64%	4.20%
Credit Cost <sup>(6)</sup>	1.70%	1.15%	1.26%
% Non-Performing Loan to Total Loans <sup>(7)</sup>	3.41%	2.85%	2.83%
Accrued Interest Receivables to Loan and Accrued Interest Receivables	0.14%	0.16%	0.16%

Remark:

(1) Operating Profit Margin = (Net interest income + net fee income + net insurance premium - tax and duties) / (Total interest income + gross fee income + gross insurance premium)

(2) Yield = Total interest income / (avg. loans + avg. interbank and money market assets)

(3) Cost of Funds = Total interest expense / (avg. deposits + avg. borrowings + avg. liability payable on demand + avg. interbank and money market liabilities)

(4) Spread = Yield - Cost of Funds

(5) Dividend payment in 2019 was Baht 6.25 per share (ordinary and preferred shares) as proposed to the Annual General Meeting of Shareholders in April 2020. (Interim dividend Baht 1.50 per share and special dividend Baht 0.75 per share)

(6) Credit cost = Provision / avg. loans

(7) % Non-Performing Loan to Total Loans used the guidelines specified in the BoT's notification

## 14. Management Discussion and Analysis

### Management Discussion and Analysis

For the year ended December 31, 2019

#### IMPORTANT DISCLAIMER:

The information contained in this document has been obtained from several sources, and Siam Commercial Bank PCL (the “Bank”) cannot confirm, in all cases, the accuracy and completeness of such data, particularly those sourced from outside the Bank. In addition, any forward looking statements are subject to change as market conditions and actual outcomes may differ from forecasts. The Bank makes no representation or warranty of any type whatsoever on the accuracy or completeness of the information contained herein.

Siam Commercial Bank PCL reported (audited) consolidated **net profit** of Baht 40,436 million for 2019. Pre-provision operating profit (PPOP) rose 29.9% from last year driven mainly by a one-time gain from sale of SCB Life, higher net interest income and higher net fee income but offset by higher operating expenses (OPEX). The Bank set aside provisions of Baht 36,211 million (+50.7% yoy), arising from the slower economy and its consequent potential impact on the Bank’s loan portfolio.

### Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	2019	2018	% yoy
Net interest income	99,402	96,369	3.1%
Non-interest income	66,696	41,855	59.3%
<b>Total operating income</b>	<b>166,098</b>	<b>138,225</b>	<b>20.2%</b>
Operating expenses	70,538	64,639	9.1%
<b>Pre-provision operating profit</b>	<b>95,560</b>	<b>73,586</b>	<b>29.9%</b>
Impairment loss on loans and debt securities	36,211	24,023	50.7%
Income tax	19,098	9,468	101.7%
Non-controlling interests	(185)	28	NM
<b>Net profit (attributable to shareholders of the Bank)</b>	<b>40,436</b>	<b>40,068</b>	<b>0.9%</b>
Other comprehensive income (loss)	19,863	(4,809)	NM
<b>Total comprehensive income</b>	<b>60,300</b>	<b>35,259</b>	<b>71.0%</b>
ROAE	10.4%	10.8%	
ROAA	1.3%	1.3%	

NM denotes “not meaningful”

**Share Information**

Unit: Baht	2019	2018	% yoy
EPS	11.90	11.79	0.9%
BVPS	117.78	111.80	5.3%
Closing price	122.00	133.50	-8.6%
Shares outstanding* (Million shares)	3,399	3,399	0.0%
Market capitalization (Baht billion)	414.7	453.8	-8.6%

\* Includes both common and preferred shares

**Income Statement for the year ended December 31, 2019 (Consolidated basis)****Net interest income**

Consolidated	2019	2018	% yoy
Unit: Baht million			
<b>Interest income</b>	<b>135,025</b>	<b>129,127</b>	<b>4.6%</b>
Loans	102,864	98,035	4.9%
Interbank and money market	5,737	5,456	5.1%
Financial leases	13,461	12,003	12.1%
Investments	12,833	13,495	-4.9%
Others	130	138	-6.0%
<b>Interest expenses</b>	<b>35,624</b>	<b>32,758</b>	<b>8.7%</b>
Deposits	20,062	18,301	9.6%
Interbank and money market	1,601	1,534	4.3%
Borrowings	3,625	3,012	20.3%
Contribution to the Deposit Protection Agency & FIDF	10,116	9,735	3.9%
Others	220	176	24.7%
<b>Net interest income</b>	<b>99,402</b>	<b>96,369</b>	<b>3.1%</b>

- **Net interest income** in 2019 increased by 3.1% yoy to Baht 99,402 million due to higher net interest margin following the Bank's strategy to grow high margin loans. The improved margin was substantial enough to outweigh the effect from the two lending rate cuts in 2019 and a 1.3% yoy decline in loan growth.

**Yield and cost of funding**

Consolidated Unit: Percentage	2019	2018
Net interest margin	3.34%	3.21%
Yield on earning assets	4.54%	4.30%
Yield on loans	5.47%	5.27%
Yield on interbank and money market	1.41%	1.57%
Yield on investment	2.91%	2.37%
Cost of funds <sup>1/</sup>	1.49%	1.40%
Cost of deposits <sup>2/</sup>	1.39%	1.31%

**Note** Profitability ratios use the average of the beginning and ending balances as the denominator.

<sup>1/</sup> Cost of funds = Interest expenses (including the contribution to DPA & FIDF) / Average interest-bearing liabilities.

<sup>2/</sup> Cost of deposits includes the contribution to the Deposit Protection Agency and FIDF fee.

SCB Interest Rates	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16	May 16, 17	Jan 4, 19	Aug 15, 19	Nov 8, 19
<b>Lending rate (%)</b>									
MLR	6.525	6.525	6.275	6.275	6.275	6.025	6.025	6.025	6.025
MOR	7.37	7.37	7.37	7.12	7.12	6.87	6.87	6.745	6.745
MRR	7.87	7.87	7.87	7.62	7.62	7.37	7.37	7.12	6.87
<b>Deposit rate* (%)</b>									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	0.90-1.60	0.90	0.90	0.90	0.90	0.90	0.90-1.15	0.90-1.15	0.65-0.90
6-month deposits	1.15	1.15	1.15	1.15	1.15	1.15	1.15-1.40	1.15-1.40	0.90-1.15
12-month deposits	1.30	1.30	1.30	1.30	1.40	1.40	1.40-1.65	1.40-1.65	1.15-1.40
* Excluding special campaigns which generally offer significantly higher rates but have different terms and conditions from the 3, 6, 12 month term deposits.									
	Oct 17, 12	May 29, 13	Nov 27, 13	Mar 12, 14	Mar 11, 15	Apr 29, 15	Dec 19, 18	Aug 7, 19	Nov 6, 19
<b>Policy rate (%)</b>	2.75	2.50	2.25	2.00	1.75	1.50	1.75	1.50	1.25



**Non-interest income**

Consolidated	2019	2018	% yoy
Unit: Baht million			
Net fee and service income	29,670	28,456	4.3%
Fee and service income	39,103	37,016	5.6%
Fee and service expenses	9,433	8,560	10.2%
Net insurance premiums	(396)	682	NM
Net earned insurance premiums	34,951	50,592	-30.9%
Net insurance claims	35,347	49,910	-29.2%
<b>Net fee and insurance premium</b>	<b>29,274</b>	<b>29,138</b>	<b>0.5%</b>
Net gain on trading and foreign exchange transactions	6,817	7,945	-14.2%
Share of profit from investment in associate	31	47	-35.1%
Dividend income	627	1,211	-48.2%
Other income	541	584	-7.4%
<b>Non-interest income excluding net gain on investments</b>	<b>37,289</b>	<b>38,925</b>	<b>-4.2%</b>
Net gain on investments	5,383	2,930	83.7%
Net gain on sale of investment in subsidiary	24,024	-	NM
<b>Total non-interest income*</b>	<b>66,696</b>	<b>41,855</b>	<b>59.3%</b>

\* Excluding the one-time gain from the sale of SCB Life, non-NII would have increased by 2.0% yoy for 2019.

NM denotes "not meaningful"

- **Non-interest income** increased significantly by 59.3% yoy to Baht 66,696 million in 2019 mainly due to a one-time gain from the sale of SCB Life and higher net fee income from the new income stream generated by the bancassurance partnership, mutual fund business and loan-related fees. The above increases was partly offset by lower net gain on trading and foreign exchange transactions and negative net insurance premiums.

**Non-interest income**

Consolidated	2019	2018	% yoy
Unit: Baht million			
Transactional banking *	14,726	15,761	-6.6%
Lending related **	8,087	7,219	12.0%
Wealth management ***	7,303	6,995	4.4%
Bancassurance	3,641	2,284	59.4%
<b>Recurring income</b>	<b>33,757</b>	<b>32,259</b>	<b>4.6%</b>
Non-recurring and others	33,335	8,914	274.0%
Net insurance premiums	(396)	682	NM
<b>Total non-interest income</b>	<b>66,696</b>	<b>41,855</b>	<b>59.3%</b>

\* Including transactional fee, trade and FX income, and others

\*\* Including loan-related fees and credit cards

\*\*\* Including income from fund management, securities business, and others

NM denotes "not meaningful"

**Operating expenses**

Consolidated	2019	2018	% yoy
Unit: Baht million			
Employee expenses	33,281	29,347	13.4%
Premises and equipment expenses	13,894	13,264	4.8%
Taxes and duties	4,627	4,489	3.1%
Directors' remuneration	105	100	5.0%
Other expenses	18,631	17,439	6.8%
<b>Total operating expenses</b>	<b>70,538</b>	<b>64,639</b>	<b>9.1%</b>
<b>Cost to income ratio*</b>	<b>42.5%</b>	<b>46.8%</b>	

\* Excluding the one-time gain from the sale of SCB Life and one-time personnel expenses to comply with the new labor law, cost-to-income ratio would have been 48.7% in 2019.

- **Operating expenses** increased by 9.1% yoy to Baht 70,538 million in 2019 primarily due to higher staff cost, higher other expenses from amortization of software license as well as higher premises and equipment expenses which reflected higher depreciation from the Bank's transformation program. The increase in staff cost consisted of one-time personnel expenses in 1Q19 to comply with the new labor law, annual salary adjustment and re-skilling of workforce required.

Cost-to-income ratio stood at 42.5% in 2019. Excluding the one-time gain from the sale of SCB Life and one-time personnel expenses to comply with the new labor law, cost-to-income ratio would be at 48.7% due to higher staff cost from changing mix of skillsets, increasing depreciation expenses from transformation projects and IT-related expenses. Efforts are continuing in re-shaping the organization and adjusting the cost structure as more and more customers shift their banking services onto digital channels.

**Impairment loss on loans and debt securities**

Consolidated	2019	2018	% yoy
Unit: Baht million			
Impairment loss on loans and debt securities	36,211	24,023	50.7%
Credit cost (bps)	170	115	

- In 2019, **impairment loss on loans and debt securities** was set at Baht 36,211 million (170 bps of total loans). Out of this amount, Baht 9,100 million was an additional provision on top of the normalized requirement of Baht 27,111 million (127 bps of total loans) in 2019 to prepare for possible future adverse events amid increasing economic uncertainty. The normalized provision of 127 bps of total loans is higher than the 115 bps recorded in 2018 due to the slower economy.

**Balance sheet as of December 31, 2019 (Consolidated basis)**

As of December 31, 2019, the Bank's total assets fell 7.0% yoy to Baht 2,964 billion due to the divestment of SCB Life and a decline in loan growth. Details on the consolidated balance sheets are provided in the following sections:

**Loans**

By Segment (Consolidated)	Dec 31, 19	Dec 31, 18	% yoy
Unit: Baht million			
Corporate	755,822	830,586	-9.0%
SME	350,837	341,305	2.8%
Retail	1,007,128	968,670	4.0%
Housing loans*	649,925	644,508	0.8%
Auto loans	219,187	203,075	7.9%
Unsecured loans	135,709	108,978	24.5%
Other loans	2,307	12,109	-80.9%
<b>Total loans</b>	<b>2,113,787</b>	<b>2,140,561</b>	<b>-1.3%</b>

\* Including all home mortgage loans, some of which are from segments other than retail. This is different from the sectorial loans listed in Additional Financial Information section.

**Total loans** (net of deferred revenue) as of December 31, 2019 decreased by 1.3% yoy. Details on changes in loan volume by customer segment are as follows:

- **Corporate** loans declined 9.0% yoy mainly because of loan repayments. This was in line with the Bank's strategy to optimize its loan portfolio based on the risk/return profile.
- **SME** loans rose 2.8% yoy due largely to more lending to small SME customers following the Bank's strategy to grow high margin loans in targeted customer segments.
- **Retail** loans grew 4.0% yoy with strong growth in high-margin lending products.
  - **Housing loans** increased 0.8% yoy mainly due to higher take-up of My Home, My Cash loans (a personal loan product collateralized by borrowers' properties) despite the BOT's macroprudential measures which took effect on April 1, 2019.
  - **Auto loans** expanded 7.9% yoy, largely driven by strong demand for new cars in the first half of 2019 and My Car, My Cash loans (a personal loan product collateralized by borrowers' automobiles).
  - **Unsecured loans** (personal loans and credit card receivables) surged 24.5% yoy, following the Bank's strategy to grow high-margin loans in targeted customer segments.
  - **Other loans** declined significantly by 80.9% yoy due mainly to deconsolidation of SCB Life's policy loans after its divestment in September 2019.

**Deposits**

Consolidated Unit: Baht million	Dec 31, 19	Dec 31, 18	% yoy
Demand	77,549	68,139	13.8%
Savings	1,376,942	1,418,782	-2.9%
Fixed	704,934	672,710	4.8%
Less than 6 months	110,568	133,341	-17.1%
6 months and up to 1 year	244,694	194,939	25.5%
Over 1 year	349,672	344,430	1.5%
<b>Total deposits</b>	<b>2,159,425</b>	<b>2,159,631</b>	<b>0.0%</b>
CASA - Current & Savings Accounts (%)	67.4%	68.9%	
Gross loans to deposits ratio	97.9%	99.1%	
Liquidity ratio (Bank-only)	31.0%	25.0%	

As of December 31, 2019, total **deposits** was relatively flat yoy as higher fixed deposits (boosted by fixed deposit campaigns in 2Q19) were offset by a decline in savings deposits. The Bank's CASA proportion remained stable at 67.4% at the end of December 2019.

The Bank's daily liquidity ratio of 31.0%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

**Statutory Capital**

Pursuant to Basel III guidelines, the Bank of Thailand (BOT) requires all Thai commercial banks to hold a capital conservation buffer from January 1, 2016 onward. This additional capital requirement had been phased in gradually to the common equity Tier 1 capital requirement at the rate of 0.625% p.a. and reached the 2.5% target since January 2019.

Furthermore, the Bank has been designated by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which resulted in a requirement to maintain an additional common equity Tier 1 (CET1) of 0.5% in 2019 that will increase to 1.0% in 2020. This Higher Loss Absorbency requirement (or D-SIBs buffer) is added on top of the capital conservation buffer of 2.5% to provide additional stability and resilience.

The minimum regulatory capital requirements which include the capital conservation buffer and the D-SIBs buffer (Higher Loss Absorbency) are shown in the table below.

Minimum regulatory capital requirement (%)	2016	2017	2018	2019	2020
Common equity Tier 1	4.50%	4.50%	4.50%	4.50%	4.50%
Tier 1 capital	6.00%	6.00%	6.00%	6.00%	6.00%
Total capital	8.50%	8.50%	8.50%	8.50%	8.50%
<u>Additional buffers</u>					
Capital conservation buffer	0.625%	1.25%	1.875%	2.50%	2.50%
D-SIB buffer	-	-	-	0.50%	1.00%
Common equity Tier 1	5.125%	5.75%	6.375%	7.50%	8.00%
Tier 1 capital	6.625%	7.25%	7.875%	9.00%	9.50%
Total capital	9.125%	9.75%	10.375%	11.50%	12.00%

Both current and upcoming regulatory changes have been incorporated into the Bank's long-term capital management plan well in advance. The Bank believes that its strong capital position, which is currently above the minimum regulatory requirement, together with high loan loss provisions, will enable the Bank to withstand any adverse shocks, be it Bank-specific or economy-wide.

The table below shows the Bank's total capital ratios under Basel III at the end of December 2019.

Unit: Baht million, %	Consolidated		Bank-only	
	Dec 31, 19	Dec 31, 18	Dec 31, 19	Dec 31, 18
<b>Statutory Capital</b>				
Common equity Tier 1/ Tier 1	352,692	326,679	317,312	305,183
Tier 2 capital	22,514	43,793	22,432	42,953
<b>Total capital</b>	<b>375,206</b>	<b>370,472</b>	<b>339,744</b>	<b>348,136</b>
Risk-weighted assets	2,075,492	2,166,374	2,060,169	2,091,071
<b>Capital Adequacy Ratio</b>	<b>18.1%</b>	<b>17.1%</b>	<b>16.5%</b>	<b>16.6%</b>
Common equity Tier 1/ Tier 1	17.0%	15.1%	15.4%	14.6%
Tier 2 capital	1.1%	2.0%	1.1%	2.0%

At the end of December 2019, the Bank's consolidated common equity Tier 1/Tier 1 capital increased significantly yoy, mainly as a result of capital released from the divestment of SCB Life as well as appropriation of net profit. On the other hand, Tier 2 capital declined yoy due to early redemption of Tier 2 subordinated debentures of Baht 20 billion in 3Q19. Overall, the Bank's capital position remains strong, which enables the Bank to pursue any future growth opportunities.

### Asset Quality

At the end of December 2019, **gross NPLs** (on a consolidated basis) increased 21.1% yoy to Baht 85.2 billion and the **gross NPL ratio** rose yoy to 3.41%. Loan quality deteriorated across all segments which reflected a challenging business environment as economic headwinds intensified in the second half of 2019. Another reason for increased NPLs in this period was the Bank's qualitative loan classification of some corporate and SME customers. The Bank's **coverage ratio** remained high at 134.1% at the end of 2019.

Unit: Baht million, %	Dec 31, 19	Dec 31, 18
<b>Consolidated</b>		
Non-Performing Loans (Gross NPLs)	85,212	70,389
Gross NPL ratio	3.41%	2.85%
Non-Performing Loans (Net NPLs)	42,761	35,699
Net NPL ratio	1.74%	1.47%
<u>Gross NPL ratio by segment/product</u>		
Corporate	3.56%	2.16%
SME	8.31%	7.97%
Retail	2.90%	2.60%
Housing loans	3.34%	3.13%
Auto loans	2.29%	1.80%
Allowance for doubtful accounts and debt restructuring*	114,272	103,273
Total allowance to NPLs (Coverage ratio)	134.1%	146.7%
Credit cost (bps)	170	115
<b>Bank-only</b>		
Non-Performing Loans (Gross NPLs)	84,349	69,383
Gross NPL ratio	3.38%	2.84%
Non-Performing Loans (Net NPLs)	42,498	35,406
Net NPL ratio	1.73%	1.47%

\* Excluding interbank and money market items.

	Dec 31, 19		Dec 31, 18	
Consolidated Unit: Baht million	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts
Normal	1,966,438	20,403	2,019,500	20,661
Special mention	64,996	4,040	53,968	3,500
Substandard	36,234	19,618	23,034	12,831
Doubtful	17,821	6,353	13,246	4,318
Doubtful loss	31,244	16,763	34,147	17,902
<b>Total</b>	<b>2,116,733</b>	<b>67,177</b>	<b>2,143,895</b>	<b>59,212</b>
Allowance established in excess of BOT regulations		43,973		40,193
<b>Total allowance</b>		<b>111,150</b>		<b>99,405</b>

**Special mention loans** increased by 20.4% yoy in 2019 mainly in the SME and Retail segments, particularly auto loans, but declined qoq.

**New NPLs by Segment and by Product**

	2019				2018				2019	2018
	4Q19	3Q19	2Q19	1Q19	4Q18	3Q18	2Q18	1Q18		
<b>Total loans</b>	<b>0.73%</b>	<b>1.02%</b>	<b>0.54%</b>	<b>0.50%</b>	<b>0.48%</b>	<b>0.49%</b>	<b>0.44%</b>	<b>0.41%</b>	<b>2.80%</b>	<b>1.80%</b>
Corporate <sup>1/</sup>	0.22%	1.77%	0.25%	0.12%	0.14%	0.25%	0.02%	0.06%	2.51%	0.46%
SME <sup>1/</sup>	1.97%	0.90%	0.75%	0.99%	0.68%	0.73%	0.68%	0.79%	4.58%	2.90%
Housing loans <sup>2/</sup>	0.78%	0.77%	0.83%	0.76%	0.85%	0.81%	0.93%	0.70%	3.15%	3.26%
Auto loans <sup>3/</sup>	0.85%	0.72%	0.68%	0.61%	0.67%	0.57%	0.51%	0.43%	2.85%	2.10%
<b>New NPLs (Baht billion)</b>	<b>18.2</b>	<b>26.2</b>	<b>13.4</b>	<b>12.3</b>	<b>11.8</b>	<b>12.2</b>	<b>10.6</b>	<b>9.7</b>	<b>70.1</b>	<b>44.3</b>

<sup>1/</sup> In 2Q18, some SME customers experienced sales turnover growth and were reclassified as Corporate customers. Data as of 1Q18 are restated figures.

<sup>2/</sup> Most of new NPLs in housing loans were concentrated among customers who are self-employed with high levels of leverage and high loan-to-value ratios. The Bank has tightened its underwriting standards for these segments since early 2014.

<sup>3/</sup> Excluding the cases in which cars had been repossessed before the end of the month on the month that loans were classified as NPL.

New NPL formation in 2019 trended up significantly from the previous year across all segments amid the softening economic environment except for housing loans. In 4Q19, new NPL formation still remained high due to qualitative classification of some corporate and SME customers as well as deterioration of certain SME and retail portfolios given the conservative standard of the Bank.

**Sources and Uses of Funds**

As of December 31, 2019, deposits accounted for 72.9% of SCB's funding base. Other major sources of funds were: 13.5% from shareholders' equity, 4.9% from interbank borrowings, and 2.6% from debt issuance. Uses of funds for this same period were: 71.3% for loans, 14.6% for interbank and money market lending, 10.5% for investments in securities, and 1.6% held in cash.

**Additional Financial Information**

Consolidated	Dec 31, 19	Dec 31, 18	% yoy
Unit: Baht million, %			
<b>Loans by Sector</b>	<b>2,113,787</b>	<b>2,140,561</b>	<b>-1.3%</b>
Agricultural and mining	16,820	19,798	-15.0%
Manufacturing and commercial	554,901	610,341	-9.1%
Real estate and construction	169,798	166,640	1.9%
Utilities and services	363,278	376,276	-3.5%
Housing loans <sup>1/</sup>	544,388	552,772	-1.5%
Other loans	464,602	414,734	12.0%
<b>Investment</b>	<b>312,143</b>	<b>568,901</b>	<b>-45.1%</b>
Trading securities and securities measured at fair value through P/L	29,814	13,415	122.2%
Available-for-sale securities	270,740	432,663	-37.4%
Held-to-maturity securities	7,830	120,645	-93.5%
General investments	3,681	2,131	72.7%
Investment in associate	78	47	64.9%
<b>Debt issued and borrowings</b>	<b>77,952</b>	<b>107,561</b>	<b>-27.5%</b>
Bonds	76,060	86,694	-12.3%
Subordinated bonds	-	20,000	-100.0%
Structured notes	1,596	607	162.9%
Others	296	260	13.8%
<b>NPL breakdown by status (Bank-only)</b>			
Restructured and being serviced	76.1%	75.1%	1.0%
Under negotiation for restructuring	4.9%	2.9%	2.0%
In litigation	8.6%	8.4%	0.2%
In foreclosure process	10.4%	13.6%	-3.2%
<b>Troubled debt restructured loans</b>	<b>40,970</b>	<b>33,493</b>	<b>22.3%</b>
Restructured loans which are classified as NPL	10,166	10,257	-0.9%
Restructured loans which are not classified as NPL	30,804	23,236	32.6%
	<b>2019</b>	<b>2018</b>	
<b>Yield on loans</b>	<b>5.47%</b>	<b>5.27%</b>	
Corporate	4.23%	4.16%	
SME	6.07%	5.93%	
Retail	6.41%	6.15%	
Housing loans	4.91%	4.99%	
Auto loans	6.38%	6.29%	
Credit card <sup>2/</sup>	15.43%	16.44%	
Speedy	21.42%	20.78%	
<b>Auto loan portfolio</b>			
New car	56.1%	56.3%	
Used car	26.0%	27.4%	
My car, My cash	17.9%	16.3%	
<b>NPL reduction methodology</b>			
Repayments, auctions, foreclosures and account closed	41.3%	52.4%	
Debt restructuring	2.5%	7.0%	
NPL sales <sup>3/</sup>	24.3%	28.3%	
Write off	31.9%	12.3%	

<sup>1/</sup> Classified by sector/product and excludes retail loans where customers use their home as collateral. (These loans are classified under "Other loans" in accordance with regulatory guidelines.) Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of December 31, 2019 and December 31, 2018, was Baht 650 billion and Baht 645 billion, respectively.

<sup>2/</sup> Revolver only

<sup>3/</sup> The Bank sold NPLs of Baht 16.7 billion in 2019 and Baht 17.4 billion in 2018.



**Credit Ratings**

<b>Credit Ratings of Siam Commercial Bank PCL</b>		<b>December 31, 2019</b>
<b>Moody's Investors Service</b>		
Outlook		Positive
Bank deposits		Baa1/P-2
Senior unsecured MTN		(P) Baa1
Other short term		(P) P-2
<b>S&amp;P Global Ratings</b>		
Counterparty Credit Rating		BBB+/A-2
Outlook		Stable
Senior Unsecured (Long Term)		BBB+
Senior Unsecured (Short Term)		A-2
<b>Fitch Ratings</b>		
<b><u>Foreign Currency</u></b>		
Long Term Issuer Default Rating		BBB+
Short Term Issuer Default Rating		F2
Outlook		Stable
Senior Unsecured		BBB+
Viability Rating		bbb+
<b><u>National</u></b>		
Long Term Rating		AA+(tha)
Short Term Rating		F1+(tha)
Outlook		Stable
Subordinated Debenture		AA(thai)