Press Release: October 20, 2020

SCB ANNOUNCED THIRD-QUARTER PROFIT OF BAHT 4.6 BILLION AND NINE-MONTH PROFIT OF BAHT 22.3 BILLION

Bangkok: Siam Commercial Bank and its subsidiaries reported consolidated net profit (based on unreviewed financial statements) of Baht 4.6 billion, a 69% yoy decrease, for the third quarter of 2020. Net profit came down from higher normal provisions in this quarter and a one-off gain related to sale of shares in SCB Life Assurance PCL (SCB Life) recorded in the same period last year. Excluding these extraordinary items, pre-provision operating profit would have been largely unchanged yoy but net profit would have still fallen by 56% yoy. Net profit for the first nine months of 2020 was Baht 22.3 billion, a 36% yoy decrease.

Net interest income decreased 9% yoy to Baht 23.7 billion because of lower NII contribution following the SCB Life divestment as well as narrowing net interest margin mainly due to a sharp drop in interest rates following multiple rate cuts in the first half of this year. Total loans grew by 1% yoy and 3% ytd.

Excluding the one-time gain on sale of shares in SCB Life last year, non-NII growth in the third quarter would have increased 5% yoy to Baht 10.8 billion. As economic activities gradually resumed following the easing of lockdown restrictions, recurring non-interest income showed initial signs of recovery from the previous quarter with 10% qoq and 7% yoy growth.

Operating expenses declined 10% yoy to Baht 15.7 billion largely from effective cost control measures amid a tough economic environment. However, with revenue under pressure from the impact of the COVID-19 pandemic, the Bank's cost-to-income ratio for the third quarter increased to 46%.

In addition to the normal non-performing loan (NPL) formation, the Bank has qualitatively downgraded the riskiest and most vulnerable customers in the relief program following a detailed loan portfolio assessment. As a result, NPL ratio rose to 3.32% at the end of September from 3.05% at the end of June.

Given the economic uncertainty and potential credit migration brought about by COVID-19, the Bank set aside provisions of Baht 12.9 billion for the third quarter. NPL coverage was maintained at a high level of 146% and the Bank's capital adequacy ratio remains strong at 18.7%.

(Continued in the following page)

Arthid Nanthawithaya, Chairman of the Executive Committee and CEO, stated:

“Despite the economy showing signs of bottoming out as indicated by recent positive data, the path to economic recovery from COVID-19 remains uncertain and uneven across sectors. Since the start of the pandemic, the Bank has assisted more than 1.1 million customers with Baht 840 billion worth of loans under the relief program. In the third quarter, the majority of the Bank’s customers were able to resume their loan repayment after the end of the relief program while those who remain affected continue to receive assistance from the Bank during this uncertain time. The Bank has also launched an on-line marketplace, www.SCBShopDeal.com, to provide support for tourism-related SMEs and is in the final stage of preparation for a commercial release of a food-delivery platform “ROBINHOOD”. In addition, the Bank continues to focus on leveraging digital capabilities and partnerships to accelerate the development of new digital business models and to drive sustainable growth in the future.”

SCB – Financial Highlight

(Consolidated)

Unit: Baht million	3Q20	% qoq	% yoy	9M20	% yoy
Income	**34,485**	-4.9%	-43.0%	**108,402**	-17.3%
NII	23,724	-0.2%	-9.4%	73,278	-4.1%
Non-NII	10,761	-13.9%	-68.6%	35,124	-35.7%
Operating Expenses	**15,747**	-2.4%	-10.3%	**48,280**	-7.3%
Pre-Provision Operating Profit	**18,738**	-6.9%	-56.3%	**60,122**	-23.9%
Impairment Loss of Loans and Debt Securities	12,955	33.1%	-15.2%	32,415	21.9%
Net Profit	**4,641**	-44.5%	-68.6%	**22,252**	-36.3%
Loans	2,170,777	1.2%	1.0%	2,170,777	1.0%
Total Assets	3,225,381	3.7%	8.2%	3,225,381	8.2%
Deposits	2,406,641	6.7%	9.7%	2,406,641	9.7%
ROE	4.6%	-3.8%	-10.4%	7.4%	-4.6%
ROA	0.6%	-0.5%	-1.3%	1.0%	-0.5%
NIM on Earning Assets	3.12%	-0.08%	-0.56%	3.28%	-0.14%
Cost to Income Ratio	45.7%	1.2%	16.6%	44.5%	4.8%
Loan to Deposit Ratio	90.2%	-4.9%	-7.8%	90.2%	-7.8%
NPL%	3.32%	0.27%	0.31%	3.32%	0.31%
NPLs	89,909	13.0%	16.5%	89,909	16.5%
Coverage Ratio (Total Allowance to NPLs)	145.7%	-6.8%	1.9%	145.7%	1.9%
CAR	18.7%	0.6%	0.8%	18.7%	0.8%
Regulatory Capital	401,851	4.2%	6.3%	401,851	6.3%
Traditional Branches	859			859	
Investment Centers	12			12	
Business Centers	3			3	
Foreign Exchange Kiosks	67			67	

SCB
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Management Discussion and Analysis

For the third quarter and first nine months ended
September 30, 2020

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Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2020

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In the third quarter of 2020, Thai banks continued to face challenges from the COVID-19 pandemic which has caused an unprecedented disruption all over the world. Most countries reported negative GDP growth in the second quarter, including Thailand at -12.2% while the full year 2020 GDP is forecasted at -7.8%. The adoption of TFRS 9 since January 1, 2020 coupled with announcements by the Federation of Accounting Professions and the Bank of Thailand also complicated accounting treatments in certains areas. Details of key changes and the overall implications of TFRS 9 adoption can be found in the Appendix of this MD&A.

COVID-19

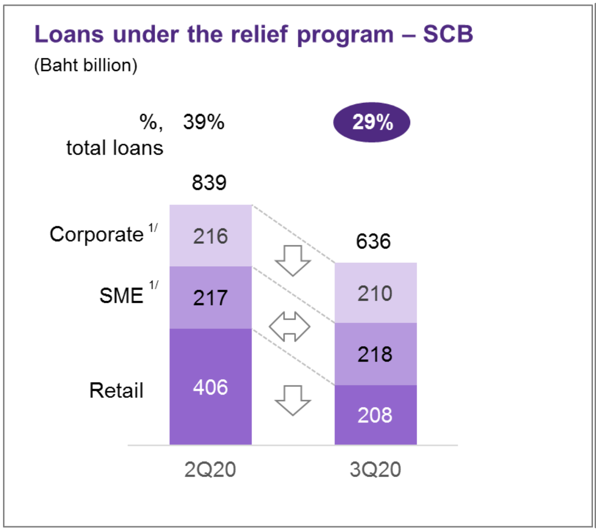
The COVID-19 outbreak was declared a global pandemic by the World Health Organization (WHO) on March 11. By the end of September 2020, the pandemic had spread to all continents with around 34 million people infected and more than 1 million fatalities. Thailand has successfully contained the spread of COVID-19 so far with only 393 new cases (largely from Thais returning from abroad) and 1 death in 3Q20, resulting in a total of 3,564 cases and 59 deaths at the end of September.

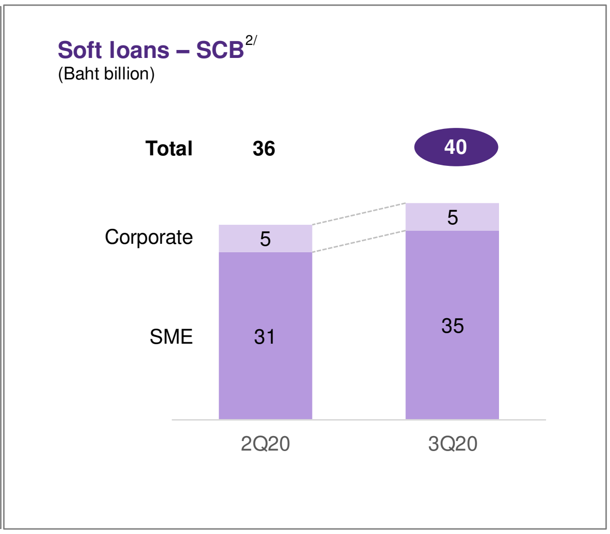
The global pandemic, however, has severely hit the Thai economy with GDP contracting by 12.2% yoy in 2Q20, the biggest decline in 22 years. This sharp fall in GDP growth was mainly driven by Thailand's strict lockdown compounded by a slump in tourism activities, export contraction, as well as reduced investment and private consumption. Recent economic data indicated that the Thai economy had bottomed out in the second quarter due to easing of lockdown restrictions and stimulus packages from the government. However, the pace of recovery seems to be uneven, consistent with SCB EIC's expectation that the Thai economy will recover only gradually given several risk factors especially weak labor market and rising business bankruptcy. Moreover, recovery of foreign tourist arrivals and the actual timing of fiscal disbursement in 2020 are likely to be slower-than-expected. As a result, SCB EIC revised down the 2020F GDP growth for Thailand to -7.8%, from -7.3%. On the Thai monetary policy, SCB EIC expects the BOT to keep its policy rate at 0.5% throughout 2020F and stand ready to implement further measures to support the economy.

The Bank's initial assessment of the impact of COVID-19 on future performance

The impact of COVID-19 on the Thai economy has been severe. Although we believe that the economy has passed the bottom, recovery is likely to be gradual. The Bank has an unwavering commitment to helping our customers given its strong position in both capital and liquidity.

At the end of September 2020, the Bank has helped over 1.1 million customers. New enrollment into the relief programs during the quarter was about 1% of total outstanding loans and is unlikely to increase significantly unless the pace of economic recovery is much slower than projected. For customers whose relief programs had ended during 3Q20 (mainly for mortgage and auto loans), over 60% were able to service their loans according to the terms set by the Bank while over 30% resumed repayment with term modifications. For those customers remaining in the relief programs (including those under the Government-mandated payment holiday program that will expire by the end of October), we expect that 50% will be able to pay back their loans while the rest will require further assistance. Customers in this latter category will be reassessed and migrated to the appropriate Bank-owned relief programs if the underlying businesses are deemed viable. Consequently, at the end of September 2020, loans under the relief programs declined to 29% of total loan book, from 39% at the end of June 2020. Soft loans made up relatively small proportion of total loans.





1/ Based on exposures at the customer level which is higher than the account level

2/ Including programs supported by GSB and Bank of Thailand

Given the BOT's relief measures that support pre-emptive debt restructuring to ensure that customers can recover in the long run, NPLs are not expected to increase significantly during the relief period. At the onset of the COVID-19 pandemic, the Bank assisted all eligible customers, some of which may have relatively weak financial positions prior to the pandemic. In the third quarter of this year, the Bank has conducted a total portfolio review to ensure an appropriate stage classification and to assess the need for qualitative NPL recognition based on internal risk ratings and customers' eventual ability to service debts under the latest economic situation. Non-retail customers are assessed based on future viability of their businesses given the economic outlook. Most qualitative downgrades were made to companies in the hard-hit sectors, during this deteriorating economy, but particularly the hospitality industries. For retail customers, qualitative downgrades were mostly applied to customers in the highest risk sub-segments which took into account both customer risk profiles and past records.

Although the non-relief loan portfolio is generally stronger, we continue to be vigilant and keep monitoring customers to ensure the Bank's overall credit health.

On a total loan portfolio basis, the increase in loans under stage 3 to 3.3% at the end of 3Q20 was mainly driven by qualitative downgrades of customers across the loan book and partly from normal new NPL formation.

Regarding provisions, the Bank focuses on portfolio monitoring to ensure that loan classification and provision are in line with credit risks, as well as setting aside Management Overlay to primarily cover macro downside risks. Consequently, the Bank's provisioning level is kept at an elevated level with comfortable capital cushion and is continuously adjusted to reflect changing environments. In 3Q20, the Bank set higher provision at Baht 12.9 billion, equivalent to a credit cost of 240 bps.

In terms of risk management, the Bank has implemented more stringent risk management while providing supports to credit customers. A new risk rating framework has been implemented whereby customers are sub-segmented into risk buckets with color coding or categorized according to their credit scores to facilitate close monitoring. For example, there are 10 risk buckets for retail customers where the bottom three are the most vulnerable. In addition to credit rating or scoring, non-retail customers are also subdivided and monitored on an industry basis.

Early on in the first few months of the COVID-19 outbreak, the Bank started 2 major digital initiatives, Robinhood and www.SCBShopDeal.com, with the goal of helping to revive the economy and providing further support for Thai SMEs. Robinhood, a food delivery platform, will provide services to restaurant operators without charging merchant GP and transmit payments to merchants within an hour. Currently, there are more than 10,000 merchants onboard and the Bank targets to sign up at least 20,000 merchants by the end of this year. SCBShopDeal, an on-line marketplace, allows tourism-related SME customers to promote special deals online. The Bank's goal is to have 10,000 shops on this marketplace by the end of this year.

To further mitigate the impact of COVID-19 on performance, the Bank continues to work on transformation initiatives with a cost-reduction focus, such as physical branch closure in addition to implementing disciplined cost control measures during this difficult time. The Bank also further enhances its non-interest income, particularly from wealth management/bancassurance businesses which started to pick up in 3Q20.

On June 18, 2020, the BOT issued an announcement on the enhancement of capital funds to cope with risks from coronavirus and also requested that all banks conduct a supervisory stress test to be submitted in mid-October. The BOT's scenarios are broadly in line with the assumptions used in the Bank's internal stress test.

The Bank's internal stress test requires higher provisions to safeguard against increasing potential risk and absorb losses from rising non-performing loans. The increase in non-performing loans in corporate and SME customers is driven mainly by hospitality-related industries, while the increase in the retail portfolio is related to higher unemployment rate.

In addition, worsening macroeconomic parameters also raise Expected Credit Loss (ECL) rates for the performing portfolio as well. However, the Bank expects its capital position to remain well above both regulatory requirements and its own internal targets, based on an internal stress test and the recent regulatory stress test under baseline scenario.

3Q20 and 9M20 Performance

Siam Commercial Bank reported (unreviewed) consolidated **net profit** of Baht 4,641 million for the third quarter of 2020, a 68.6% yoy decrease from Baht 14,798 million in 3Q19. The large decline was due to the base effect resulting from one-off items related to sale of shares in SCB Life Assurance PCL (SCB Life) recorded in 3Q19. Excluding these extraordinary items in 3Q19, pre-provision operating profit would have been relatively stable yoy but net profit would have decreased by 55.7% yoy due to higher provisions and lower NII which was partly offset by lower operating expenses (OPEX).

On a **quarter-on-quarter** basis, net profit decreased by 44.5% qoq largely due to higher provisions and lower net gain on trading and FX transactions.

For the **first nine months of 2020**, net profit stood at Baht 22,252 million, a 36.3% yoy decrease from Baht 34,930 million in 9M19 mainly due to one-off items as explained earlier, higher provisions and lower NII. These were partially offset by higher net fee income and lower OPEX.

Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	3Q20	% qoq	% yoy	9M20	% yoy
Net interest income	23,724	-0.2%	-9.4%	73,278	-4.1%
Non-interest income	10,761	-13.9%	-68.6%	35,124	-35.7%
Total operating income	34,485	-4.9%	-43.0%	108,402	-17.3%
Operating expenses	15,747	-2.4%	-10.3%	48,280	-7.3%
Pre-provision operating profit	**18,738**	**-6.9%**	**-56.3%**	**60,122**	**-23.9%**
Expected credit loss/Impairment loss on loans and debt securities	12,955	33.1%	-15.2%	32,415	21.9%
Income tax	1,204	-43.0%	-90.7%	5,630	-67.9%
Non-controlling interests	(62)	NM	NM	(176)	NM
Net profit (attributable to shareholders of the Bank)	**4,641**	**-44.5%**	**-68.6%**	**22,252**	**-36.3%**
Other comprehensive income (loss)	(2,015)	NM	NM	(1,953)	NM
Total comprehensive income	**2,626**	**-68.4%**	**-90.3%**	**20,299**	**-63.4%**
ROAE	4.6%			7.4%	
ROAA	0.6%			1.0%	

NM denotes “not meaningful”

Share Information

Unit: Baht	3Q20	% qoq	% yoy	9M20	% yoy
EPS	1.37	-44.5%	-68.6%	6.55	-36.3%
BVPS	119.49	0.7%	2.7%	119.49	2.7%
Closing price	65.00	-10.3%	-44.9%	65.00	-44.9%
Shares outstanding* (Million shares)	3,399	0.0%	0.0%	3,399	0.0%
Market capitalization (Baht billion)	220.9	-10.4%	-44.9%	220.9	-44.9%

* Include both common and preferred shares

Income statement for the third quarter and first nine months ended September 30, 2020 (Consolidated basis)

Net interest income

Consolidated Unit: Baht million	3Q20	% qoq	% yoy	9M20	% yoy
Interest income	**28,582**	**-2.1%**	**-19.3%**	**90,045**	**-12.8%**
Loans	23,679	-1.8%	-11.4%	74,591	-3.6%
Interbank and money market	706	-24.8%	-50.0%	2,683	-38.0%
Financial leases	3,340	3.2%	-3.7%	9,838	-1.9%
Investments	850	-3.4%	-77.6%	2,858	-75.2%
Others	7	-60.2%	-83.7%	75	-20.2%
Interest expenses	**4,858**	**-10.3%**	**-47.4%**	**16,767**	**-37.6%**
Deposits	3,032	-12.1%	-43.0%	10,816	-27.3%
Interbank and money market	166	-27.9%	-55.1%	758	-38.9%
Borrowings	258	-30.2%	-71.6%	1,118	-62.7%
Contribution to the Deposit Protection Agency & FIDF	1,400	2.8%	-45.6%	4,054	-46.5%
Others	2	4.2%	-96.5%	21	-87.6%
Net interest income	**23,724**	**-0.2%**	**-9.4%**	**73,278**	**-4.1%**

- **Net interest income** in 3Q20 decreased by 9.4% yoy to Baht 23,724 million due to a sharp drop in interest income from loans given a contraction in net interest margin (NIM) following multiple interest rate cuts (with lending rates being cut 5 times during the past year). Another factor contributing to the decline in NII was lower interest income from investment after the divestment of SCB Life. These negative factors were partly offset by lower funding cost, a reduction in FIDF fee from 0.46% to 0.23%, and higher income recognition under TFRS 9. The Bank continues to record accrued interest income for customers in the relief programs with careful consideration to credit quality of customers. The degree of non-payment risk depends largely on the eventual outcome of the relief programs.
- On a **quarter-on-quarter** basis, net interest income was relatively flat since the impact of interest rate cuts (especially the lending rate cuts in April and May 2020) was offset by loan growth of 1.2% qoq as well as an improvement in funding cost.

- In the **first nine months of 2020**, net interest income decreased by 4.1% yoy to Baht 73,278 million largely due to lower interest income from investment after the divestment of SCB Life, and interest rate cuts which were offset by improved funding cost, higher income recognition under TFRS 9 and reduced FIDF fee as explained earlier.

Yield and cost of funding

Consolidated Unit: Percentage	3Q20	2Q20	1Q20	4Q19	3Q19[2/] (As reported)	3Q19[1/]
Net interest margin	3.12%	3.20%	3.54%	3.20%	3.68%	3.33%
Yield on earning assets	3.76%	3.93%	4.44%	4.42%	4.98%	4.51%
Yield on loans	5.01%	5.16%	5.71%	5.43%	5.61%	5.58%
Yield on interbank and money market	0.51%	0.67%	0.82%	1.27%	1.37%	1.49%
Yield on investment	1.04%	1.21%	1.51%	1.80%	5.41%	2.52%
Cost of funds[3/]	0.75%	0.86%	1.06%	1.46%	1.53%	1.53%
Cost of deposits[4/]	0.76%	0.85%	1.01%	1.41%	1.43%	1.43%

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

[1/] Projected ratios assume that SCB Life is still part of the Group for comparative purpose only.

[2/] There was a one-time adjustment to the life insurance subsidiary's policy loan book prior to the completion of FWD transaction that resulted in 5 bps, 5 bps and 6 bps increase in net interest margin, yield on earning assets and yield on loans, respectively in 3Q19.

[3/] Cost of funds = Interest expenses (including the contribution to DPA & FIDF) / Average interest-bearing liabilities.

[4/] Cost of deposits includes the contribution to the Deposit Protection Agency and FIDF fee.

SCB Interest Rates	Oct 12, 16	May 16, 17	Jan 4, 19	Aug 15, 19	Nov 8, 19	Feb 7, 20	Mar 24, 20	Apr 10, 20	May 25, 20
Lending rate (%)									
MLR	6.275	6.025	6.025	6.025	6.025	5.775	5.775	5.375	5.25
MOR	7.12	6.87	6.87	6.745	6.745	6.745	6.495	6.095	5.845
MRR	7.62	7.37	7.37	7.12	6.87	6.87	6.745	6.345	5.995
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.25
3-month deposits	0.90	0.90	0.90-1.15	0.90-1.15	0.65-0.90	0.60	0.50	0.50	0.375
6-month deposits	1.15	1.15	1.15-1.40	1.15-1.40	0.90-1.15	0.80	0.60	0.60	0.50
12-month deposits	1.40	1.40	1.40-1.65	1.40-1.65	1.15-1.40	0.90	0.65	0.65	0.50

* Excluding special campaigns which generally offer significantly higher rates but have different terms and conditions from the 3, 6, 12 month term deposits.

	Mar 12, 14	Mar 11, 15	Apr 29, 15	Dec 19, 18	Aug 7, 19	Nov 6, 19	Feb 5, 20	Mar 23, 20	May 20, 20
Policy rate (%)	2.00	1.75	1.50	1.75	1.50	1.25	1.00	0.75	0.50

Non-interest income

Consolidated Unit: Baht million	3Q20	% qoq	% yoy	9M20	% yoy
Net fee and service income	8,570	11.6%	15.9%	25,165	18.5%
Fee and service income	10,770	10.6%	10.6%	31,972	14.0%
Fee and service expenses	2,200	7.1%	-6.2%	6,807	0.0%
Gain on financial instruments measured at FVTPL/ Net gain on trading and foreign exchange transactions	1,422	-51.8%	13.1%	6,498	23.4%
Share of (loss) profit from investment in associate	-	NM	-100.0%	(78)	NM
Dividend income	9	-90.6%	-94.5%	150	-75.9%
Other income	423	-66.0%	264.1%	1,700	445.6%
Non-interest income excluding net gain on investments	**10,424**	**-12.4%**	**19.2%**	**33,435**	**21.4%**
Net gain on investments	337	-44.4%	-98.7%	1,689	-93.8%
Total non-interest income	**10,761**	**-13.9%**	**-68.6%**	**35,124**	**-35.7%**

NM denotes "not meaningful"

- **Non-interest income** fell by 68.6% yoy in 3Q20 to Baht 10,761 million largely due to a sharp decrease in non-recurring items which were one-off items related to sale of shares in SCB Life Assurance PCL in 3Q19. Excluding one-off items, non-interest income would have increased by 5.1% yoy. Recurring income grew by 7.2% yoy as a result of strong growth in bancassurance but was partially offset by a yoy decline in lending-related fees, transactional banking fees and fund management fees. Note that following the adoption of TFRS 9, loan-related fees (i.e. front-end fee and commitment fee) will be amortized according to the duration of the underlying loan and recorded in NII.
- On a **quarter-on-quarter** basis, non-interest income decreased by 13.9% qoq due to less net gain on trading and FX transactions and lower gain on sales of unsecured loans which have been written off. However, recurring income increased qoq from all products after economic activities resumed post-lockdown.
- In the **first nine months of 2020**, non-interest income decreased by 35.7% yoy to Baht 35,124 million. This decrease was largely due to one-off items related to sale of shares in SCB Life recorded in 3Q19. However, recurring income grew strongly mainly from bancassurance and partly from wealth management products. Note that the sharp drop in lending-related fees was due to the adoption of TFRS 9 as mentioned above and lower credit card spending following a drastic decline in tourist and local spending since the COVID-19 pandemic has begun.

Non-interest income

Consolidated Unit: Baht million	3Q20	% qoq	% yoy	9M20	% yoy
Transactional banking *	2,956	10.2%	-18.1%	9,115	-17.2%
Lending related **	1,384	13.1%	-37.7%	4,040	-34.2%
Wealth management ***	1,906	3.7%	-7.6%	5,767	5.9%
Bancassurance	2,956	12.3%	331.1%	8,747	372.6%
Recurring income	**9,202**	**9.9%**	**7.2%**	**27,669**	**13.2%**
Non-recurring and others	1,559	-62.2%	-94.1%	7,454	-75.6%
Total non-interest income	**10,761**	**-13.9%**	**-68.6%**	**35,124**	**-35.7%**

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

** Including loan related fee and credit cards

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

Operating expenses

Consolidated Unit: Baht million	3Q20	% qoq	% yoy	9M20	% yoy
Employee expenses	7,613	-8.0%	-2.1%	23,842	-3.6%
Premises and equipment expenses	3,245	15.0%	-8.5%	9,531	-6.8%
Taxes and duties	946	5.9%	-22.4%	2,851	-19.9%
Directors' remuneration	29	-3.4%	11.3%	87	12.3%
Other expenses	3,913	-5.0%	-21.6%	11,970	-11.0%
Total operating expenses	**15,747**	**-2.4%**	**-10.3%**	**48,280**	**-7.3%**
Cost to income ratio	**45.7%**			**44.5%**	

- **Operating expenses** decreased by 10.3% yoy to Baht 15,747 million in 3Q20 because of the Bank's continued cost control effort in this challenging economic environment. In addition to a reduction in OPEX following the divestment of SCB Life, other OPEX items that went down were: marketing and promotion expenses, premises and equipment expenses (from lower rental expenses and lower software rental and maintenance expenses), and staff costs.
- On a **quarter-on-quarter** basis, operating expenses decreased by 2.4% qoq due to lower staff cost and lower marketing and promotion expenses.
- In the **first nine months of 2020**, operating expenses decreased by 7.3% yoy to Baht 48,280 million from across all expense items due to the Bank's effective cost control measures amid the economic slowdown.

The Bank's cost-to-income ratio was 45.7% in 3Q20, and 44.5% for the first nine months of 2020. With income under increasing pressure from the low interest rate environment and uneven economic recovery, the Bank will continue to maintain strict cost discipline.

ECL/Impairment loss on loans and debt securities

Consolidated Unit: Baht million	3Q20	% qoq	% yoy	9M20	% yoy
ECL/Impairment loss on loans and debt securities	12,955	33.1%	-15.2%	32,415	21.9%
Credit cost (bps)	240			202	

- The Bank set aside **expected credit loss** in 3Q20 at Baht 12,955 million (240 bps of total loans) which reflected an elevated provision for economic uncertainty and potential downward credit migration brought on by customers severely affected by the COVID-19 pandemic. This amount already took into account the pro-cyclicality of forward-looking Expected Credit Loss (ECL) models and management overlay within a deteriorating economic environment under the TFRS 9 framework.

Balance sheet as of September 30, 2020 (Consolidated basis)

As of September 30, 2020, the Bank's total assets increased 8.2% yoy to Baht 3,225 billion largely due to an increase of interbank and money market items, higher investments and an expansion in loan growth. Details on the consolidated balance sheets are provided in the following sections:

Net loans and accrued interest receivables

Consolidated Unit: Baht million	Sep 30, 20	Jun 30, 20	Dec 31, 19	Sep 30, 19
Loans to customers	2,203,153	2,175,996	2,146,867	2,183,697
Less Deferred revenue	(32,376)	(31,611)	(33,080)	(33,629)
Total loans	**2,170,777**	**2,144,385**	**2,113,787**	**2,150,068**
Add Accrued interest receivables and unearned interest income	12,708	7,921	2,946	3,430
Total loans and accrued interest receivables and unearned interest income	**2,183,485**	**2,152,306**	**2,116,733**	**2,153,498**
Less Modification losses	(2,457)	(1,378)	-	-
Less Allowance for expected credit loss/allowance for doubtful accounts	(125,694)	(115,845)	(111,150)	(107,918)
Less Revaluation allowance for debt restructuring	-	-	(3,122)	(3,089)
Total loans and accrued interest receivables, net	**2,055,334**	**2,035,083**	**2,002,461**	**2,042,491**

Loans

By Segment (Consolidated) Unit: Baht million	Sep 30, 20	Jun 30, 20	% qoq	Dec 31, 19	% ytd	Sep 30, 19	% yoy
Corporate	779,967	779,979	0.0%	755,822	3.2%	798,877	-2.4%
SME	370,192	364,062	1.7%	350,837	5.5%	350,550	5.6%
Retail	1,020,618	1,000,344	2.0%	1,007,128	1.3%	1,000,641	2.0%
Housing loans*	663,616	655,277	1.3%	649,925	2.1%	651,557	1.9%
Auto loans	225,887	218,282	3.5%	219,187	3.1%	222,318	1.6%
Unsecured loans	127,788	124,040	3.0%	135,709	-5.8%	124,917	2.3%
Other loans	3,327	2,745	21.2%	2,307	44.2%	1,849	79.9%
Total loans	**2,170,777**	**2,144,385**	**1.2%**	**2,113,787**	**2.7%**	**2,150,068**	**1.0%**

* Including all home mortgage loans, some of which are from segments other than retail.

Total loans (net of deferred revenue) as of September 30, 2020 increased by 2.7% year-to-date (ytd), 1.0% yoy and 1.2% qoq. Details on changes in loan volume by customer segments are as follows:

- **Corporate** loans increased 3.2% ytd, decreased by 2.4% yoy and remained relatively flat qoq. The ytd increase in loans came mainly from top-quality corporates given less liquidity in the bond market since the onset of the pandemic.

- **SME** loans rose 5.5% ytd, 5.6% yoy and 1.7% qoq. The yoy growth was primarily driven by small SME customers which are one of the Bank's target segments as part of the strategy to grow high margin loans. However, the Bank has tightened its underwriting criteria in the current economic environment. The ytd and qoq growth was from the Bank's pro-active approach in providing financial assistance in the form of soft loans to qualified SME customers who have experienced cashflow difficulties, as well as less loans repayments given the Government-mandated payment holiday program for businesses with credit lines less than Baht 100 million.

- **Retail** loans increased 1.3% ytd, 2.0% yoy and qoq.
  - **Housing loans** increased 2.1% ytd, 1.9% yoy and 1.3% qoq largely due to demand of high-end housing development coupled with the effect of payment holiday under the relief program.
  - **Auto loans** increased by 3.1% ytd, 1.6% yoy and 3.5% qoq from the payment holiday introduced in late March as one of the relief measures. There were also some pockets of demand for new cars and My Car, My Cash product in the Bank's target segments.
  - **Unsecured loans** (personal loans and credit card receivables) decreased by 5.8% ytd but increased by 2.3% yoy and 3.0% qoq. The ytd decline was due to the Bank's decision to tighten its underwriting criteria and to focus on specific customer segments in the current economic environment. The yoy growth was driven by the Bank's strategy to grow high-margin loans in target customer segments while the qoq increase was mainly from an increase in credit card usage after the end of the lockdown period.

Deposits

Consolidated Unit: Baht million	Sep 30, 20	Jun 30, 20	% qoq	Dec 31, 19	% ytd	Sep 30, 19	% yoy
Demand	107,959	87,700	23.1%	77,549	39.2%	77,987	38.4%
Savings	1,720,816	1,577,688	9.1%	1,376,942	25.0%	1,404,318	22.5%
Fixed	577,866	589,350	-1.9%	704,934	-18.0%	711,517	-18.8%
Less than 6 months	119,045	130,321	-8.7%	110,568	7.7%	102,635	16.0%
6 months and up to 1 year	145,437	125,330	16.0%	244,694	-40.6%	268,906	-45.9%
Over 1 year	313,384	333,699	-6.1%	349,672	-10.4%	339,976	-7.8%
Total deposits	**2,406,641**	**2,254,738**	**6.7%**	**2,159,425**	**11.4%**	**2,193,822**	**9.7%**
CASA - Current & Savings Accounts (%)	76.0%	73.9%		67.4%		67.6%	
Gross loans to deposits ratio	90.2%	95.1%		97.9%		98.0%	
Liquidity ratio (Bank-only)	35.4%	31.6%		31.0%		30.4%	

As of September 30, 2020, total **deposits** increased by 11.4% ytd, 9.7% yoy and 6.7% qoq because of higher CASA. However, the amount of fixed deposits went down which caused the Bank's CASA proportion to rise to 76.0% at the end of September 2020. Gross loans to deposits ratio decreased to 90.2% at the end of September 2020 from 97.9% at the end of December 2019. Amid the current weak and uncertain economic environment, customers are likely to be more prudent and hold higher liquid assets such as CASA deposits.

The Bank's daily liquidity ratio of 35.4%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Investment Classification

Under TFRS 9, investments are classified into three categories: fair value to profit or loss (FVTPL), measured at amortized cost, and fair value to other comprehensive income (FVOCI). The new standards replace the previous classification as specified by TAS 105 which categorizes investments into held-to-maturity debt securities, available-for-sale securities, trading securities and general investment. The table below presents investment classication at the end of March, June and September this year.

Consolidated
Unit: Baht million

Investments (TFRS 9)	Sep 30, 20	Jun 30, 20	Mar 31, 20
Financial assets measured at FVTPL	43,431	39,358	59,226
Investments in debt securities measured at amortised cost	7,319	7,322	7,115
Investments in debt securities measured at FVOCI	303,896	247,672	215,328
Investments in equity securities measured at FVOCI	2,159	2,222	2,170
Net investment *	**313,374**	**257,216**	**224,613**
Investment in associate	-	-	78
Total	**356,805**	**296,574**	**283,917**

* Net investments are comprised of investments measured at amortised cost and measured at FVOCI

Investment in debt securities measured at FVOCI increased by 22.7% qoq mainly from higher investment in government and state enterprise securities while investment in corporate debt securities decreased qoq.

Investments classified under TAS 105 prior to the adoption of TFRS 9 at the end of September and December of last year are as follows:

Consolidated
Unit: Baht million

Investments	Dec 31, 19	Sep 30, 19
Trading securities and securities measured at fair value through P/L	29,814	30,651
Available-for-sale securities	270,740	228,716
Held-to-maturity securities	7,830	8,639
General investments	3,681	4,015
Net investment	**312,065**	**272,021**
Investment in associate	78	535
Total	**312,143**	**272,557**

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 gradually phased in 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 and 1.0% from 2020 onward. This Higher Loss Absorbency requirement (or D-SIBs buffer) is added on top of the 2.5% capital conservation buffer 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%
Additional buffers					
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 September 2020.

	Consolidated			**Bank-only**		
Unit: Baht million, %	**Sep 30, 20**	**Jun 30, 20**	**Sep 30, 19**	**Sep 30, 20**	**Jun 30, 20**	**Sep 30, 19**
Statutory Capital						
Common Equity Tier 1/ Tier 1	378,602	362,490	355,173	376,848	360,567	319,709
Tier 2 capital	23,249	23,102	22,964	23,280	23,076	22,884
Total capital	**401,851**	**385,592**	**378,137**	**400,128**	**383,643**	**342,593**
Risk-weighted assets	2,145,128	2,134,539	2,108,019	2,138,817	2,124,195	2,091,978
Capital Adequacy Ratio	**18.7%**	**18.1%**	**17.9%**	**18.7%**	**18.1%**	**16.4%**
Common Equity Tier 1/ Tier 1	17.6%	17.0%	16.9%	17.6%	17.0%	15.3%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

At the end of September 2020, the Bank's consolidated common equity Tier 1/Tier 1 capital increased significantly yoy, mainly as a result of appropriation of net profit. On a qoq basis, a 67 bps increase in common equity Tier 1/Tier 1 capital was mainly from the appropriation of 1H20 net profit. This strong capital position will enable the Bank to weather the current economic downturn and continue to assist its customers.

Asset Quality

At the end of September 2020, **gross NPLs** (on a consolidated basis) increased 13.0% qoq to Baht 89.9 billion. **Gross NPL ratio** increased to 3.32% from 3.05% at the end of June 2020 but fell from 3.41% at the end of December 2019. The qoq increase in NPLs was mainly from qualitative downgrades for loans under the relief program (as discussed on page 2) and partly from the normal NPL formation.

The Bank also continuously and proactively manages its NPL portfolio using debt restructuring, NPL sales and write offs. Given the BOT's measures, gross NPLs, gross NPL ratio and new NPLs at the end of this quarter may not fully reflect the current economic conditions.

In addition to the higher provisions required to match worsened macro-economic factors within the ECL model as discussed in the "ECL/Impairment Loss of Loans and Debt Securities" section, the Bank may also need to set aside additional provisions in anticipation of a rise in NPLs after the relief program expires. At the end of September 2020, the Bank's **coverage ratio** was 145.7%, up 11.6% from the end of 2019.

Unit: Baht million, %	Sep 30, 20 (TFRS 9)	Jun 30, 20 (TFRS 9)	Mar 31, 20 (TFRS 9)	Dec 31, 19	Sep 30, 19
Consolidated					
Non-Performing Loans (Gross NPLs)	89,909	79,596	83,621	85,212	77,207
Gross NPL ratio	3.32%	3.05%	3.17%	3.41%	3.01%
Gross NPL ratio by segment/product					
Corporate	3.86%	3.44%	3.51%	3.56%	3.18%
SME	9.13%	7.22%	7.76%	8.31%	7.51%
Retail	2.55%	2.65%	3.03%	2.90%	2.54%
Housing loans	3.36%	3.21%	3.33%	3.34%	2.90%
Auto loans	1.46%	1.86%	2.55%	2.29%	1.97%
Total allowance*	131,031	121,353	116,730	114,272	111,008
Total allowance to NPLs (Coverage ratio)	145.7%	152.5%	139.6%	134.1%	143.8%
Credit cost (Quarterly, bps)	240	184	185	180	284
Bank-only					
Non-Performing Loans (Gross NPLs)	88,768	78,459	82,467	84,349	76,217
Gross NPL ratio	3.28%	3.01%	3.14%	3.38%	2.97%

* Excluding interbank and money market items. Total allowance as of Sep 30, 20, Jun 30, 20 and Mar 31, 20 including loans, interbank and loan commitments, and financial guarantee contracts..

Loan Classification and Allowance for Expected Credit Losses

Under TFRS 9, loans are classified into 3 stages. The stages are based on changes in credit quality since initial recognition. Loans and allowance for expected credit losses at the end of September, June, and March this year were classified as follows:

Consolidated Unit: Baht million	Sep 30, 20 (TFRS 9)		Jun 30, 20 (TFRS 9)		Mar 31, 20 (TFRS 9)	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,418,919	46,966	2,310,333	39,468	2,343,999	31,814
Stage 2 (Underperforming)	200,932	30,758	222,488	34,389	207,447	34,717
Stage 3 (Non performing)	89,909	53,307	79,596	47,496	83,621	50,199
Total	**2,709,760**	**131,031**	**2,612,417**	**121,353**	**2,635,067**	**116,730**

* Including ECL for loans, interbank and loan commitments and financial guarantee contracts.

This TFRS 9 loan staging classification adopted since January 1, 2020 is not directly comparable to the previous loan classification. Loan classification as at December 31, 2019 and September 30, 2019 prior to the adoption of TFRS 9 are as follows:

	Dec 31, 19		Sep 30, 19	
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	2,010,934	20,678
Special mention	64,996	4,040	65,325	3,883
Substandard	36,234	19,618	30,775	16,356
Doubtful	17,821	6,353	17,029	7,253
Doubtful loss	31,244	16,763	29,436	16,805
Total	**2,116,733**	**67,177**	**2,153,499**	**64,975**
Allowance established in excess of BOT regulations		43,973		42,943
Total allowance		**111,150**		**107,918**

New NPLs by Segment and by Product (%)

	2020			2019				2018			
	3Q20	**2Q20**	**1Q20**	**4Q19**	**3Q19**	**2Q19**	**1Q19**	**4Q18**	**3Q18**	**2Q18**	**1Q18**
Total loans	**0.73%**	**0.45%**	**0.58%**	**0.73%**	**1.02%**	**0.54%**	**0.50%**	**0.48%**	**0.49%**	**0.44%**	**0.41%**
Corporate[1/]	0.52%	0.14%	0.11%	0.22%	1.77%	0.25%	0.12%	0.14%	0.25%	0.02%	0.06%
SME[1/]	2.44%	0.85%	1.12%	1.97%	0.90%	0.75%	0.99%	0.68%	0.73%	0.68%	0.79%
Housing loans[2/]	0.75%	0.55%	0.78%	0.78%	0.77%	0.83%	0.76%	0.85%	0.81%	0.93%	0.70%
Auto loans[3/]	0.10%	0.25%	1.20%	0.85%	0.72%	0.68%	0.61%	0.67%	0.57%	0.51%	0.43%
New NPLs (Baht billion)	**19.8**	**11.9**	**15.2**	**18.2**	**26.2**	**13.4**	**12.3**	**11.8**	**12.2**	**10.6**	**9.7**

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

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

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

In 3Q20, new NPL formation increased qoq to 0.73%, compared to 0.45% in 2Q20. The qoq increase in new NPLs was mainly from qualitative downgrades of customers in the relief programs across the loan portfolio, especially the highest risk and most vulnerable customers whose businesses have limited debt serviceability as well as partly from normal new NPL formation. However, this quarter's new NPLs may still not fully reflect the current economic conditions as the BOT's measures are designed to assist affected customers through this crisis and may have helped reduce/delay the impact of rising NPLs.

Sources and Uses of Funds

As of September 30, 2020, deposits accounted for 74.6% of SCB's funding base. Other major sources of funds were: 12.6% from shareholders' equity, 5.6% from interbank borrowings, and 2.2% from debt issuance. Uses of funds for this same period were: 67.3% for loans, 18.0% for interbank and money markets lending, 11.1% for investments in securities, and 1.3% held in cash.

Additional Financial Information

Consolidated Unit: Baht million, %	Sep 30, 20 (TFRS 9)	Jun 30, 20 (TFRS 9)	% qoq	Sep 30, 19	% yoy
Debt issued and borrowings	**71,632**	**69,849**	**2.6%**	**91,022**	**-21.3%**
Bonds	64,787	63,075	2.7%	90,201	-28.2%
Structured notes	1,017	423	140.4%	539	88.7%
Others	236	257	-8.2%	282	-16.3%
Fair value adjustment on qualifying FV hedge	5,592	6,094	-8.2%	-	NM
	3Q20	**2Q20**	**3Q19**	**9M20**	**9M19**
Yield on loans by segment					
Yield on loans	**5.01%**	**5.16%**	**5.61%**	**5.25%**	**5.43%**
Corporate	3.38%	3.73%	4.21%	3.73%	4.20%
SME	5.52%	5.93%	6.28%	5.95%	5.96%
Retail	6.22%	6.15%	6.63%	6.28%	6.40%
Housing loans	4.92%	4.63%	4.92%	4.93%	4.93%
Auto loans	6.02%	6.01%	6.28%	5.90%	6.29%
Credit card [1/]	15.80%	15.90%	15.58%	15.92%	15.52%
Speedy	18.69%	19.74%	22.22%	19.65%	21.49%
Auto loans portfolio					
New car	56.1%	55.6%	56.0%	56.1%	56.0%
Used car	25.6%	25.7%	26.8%	25.6%	26.8%
My car, My cash	18.3%	18.7%	17.2%	18.3%	17.2%
NPL reduction methodology					
Repayments, auctions, foreclosuresand account closed	54.5%	56.5%	34.2%	51.5%	39.2%
Debt restructuring	7.5%	6.9%	1.6%	5.7%	2.6%
NPL sales [2/]	19.3%	14.3%	25.6%	19.5%	30.2%
Write off	18.7%	22.3%	38.6%	23.3%	28.0%

[1/] Revolving only

[2/] The Bank sold NPLs of Baht 1.8 billion in 3Q20, 2.4 billion in 2Q20, Baht 5.6 billion in 3Q19, Baht 8.7 billion in 9M20 and Baht 16.6 billion in 9M19.

NM denotes "not meaningful"

APPENDIX

A. Adoption of TFRS 9

The Bank has adopted TFRS 9 since January 1, 2020. This new Financial Reporting Standard affects the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting. There are 5 major implications to the Bank; namely

- Interest income recognition: the effective interest rate principle will be used to determine interest income for step-rate loans,
- Fee income recognition: upfront fee earned at point of financial assets (mostly loans) origination will be amortized over the life of financial assets and recognized as interest income,
- Capital gain recognition – investment classification will be changed to FVTPL, FVOCI and amortised cost,
- Loan classification – loans are classified into 3 stages: Stage 1 (performing), Stage 2 (underperforming), Stage 3 (non-performing),
- Loan provisioning – the concept of expected credit loss will be applied.

Key impacts of TFRS 9 are presented in Table 1, Investment classification in Table 2, and loan classification and loan provisioning in the section below.

Table 1: Key Impact of TFRS 9

	Impacted Area	Previous	TFRS 9	Key Matters	P&L impact
Income	Interest income recognition	Contractual rate over contractual life	Effective Interest Rate (EIR) over expected life	- Impact from step rate loans (i.e. mortgage) - No Impact from single rate loan (fixed or floating rates) - Continue to record interest income even a loan is NPL (i.e. no stop accrued)	⬆
	Fee income related to loan origination	Upfront (Front-end fee and commitment fee)	Amortization based on EIR	- Fee amortization required for front end fee and commitment fee received from loan origination - Record fee income amortization in 'NII'.	⬇
	Capital gain recognition on equity instrument *(If classify as FVOCI)*	Recognize in P&L when sell	Realize in RE (No recycling to P/L)	- For equity instruments, if we classify as 'FVOCI', 'capital gain will be recognized to retained earning (RE), not in P&L. - No change for debt instruments. Capital gain can be realized in P&L when sell.	⬇
Impairment	Loan Classification	Pass (0-1 month past due)	- Stage 1 (Performing) - No significant increase in credit risk	- Aging Criteria is the same as before - **Significant increase in credit risk** (SICR) from origination date i.e. PD change, credit rating downgrade - **More Stringent criteria** i.e. rescheduled and restructured loans	
		Special Mention (1-3 month past due)	- Stage 2 (Underperforming) - Significant increase in credit risk		
		NPL (>3 month past due)	- Stage 3 (Non performing) - Credit impaired		
	General Provision	Allow	Do not allow		
	Provision Calculation	Pass (1%) Special Mention (2%) (after net collateral) NPL (100%) With additional provision based on Possible Impaired Loan (PIL)	Stage 1 (12 month expected credit loss) Stage 2 (Life time expected credit loss) Stage 3 (Life time expected credit loss)	- **More provision required** i.e. Lifetime ECL for stage 2 - **New provision required for off financial reporting items** e.g. undrawn commitment, unused credit line and financial guarantee - Beside modelling, **management overlay** could be defined given assumptions which have not reflected in the model yet.	

Table 2: Investment Classification

Product		Classification: Previous	Classification: TFRS 9	Measurement: Income	Measurement: Mark to market	Measurement: Provision	No recycling
Investment	Equity	General investment	FVOCI	Dividend	√	-	√
			FVTPL	Dividend	√	-	-
		AFS	FVOCI	Dividend	√	-	√
		Trading	FVTPL	Dividend	√	-	-
	Debt	HTM	AMC	Interest	-	√	-
		AFS	FVOCI	Interest	√	√	-
		Trading	FVTPL	Interest	√	-	-

FVTPL = Fair value through P&L, FVOCI = Fair value through OCI and AMC = Amortized cost

Loan classification and loan provisioning

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model, and loans are classified into 3 stages based on changes in credit quality since initial recognition. The three stages are defined as follows:

- **Stage 1 (Performing): 12-month ECL**

This comprises loans with no significant increase in credit risk since initial recognition. Loans are classified as stage 1 upon initial recognition (with the exception of purchased or originated credit impaired, or POCI, assets) and have ECL provision for 12 months (12-month ECL).

- **Stage 2 (Underperforming): Lifetime ECL not credit-impaired**

Loans are classified as stage 2 if they exhibit a significant increase in credit risk (SICR) since initial recognition. Loans with 30-day or more delinquency but not credit-impaired will be considered to have experienced a significant increase in credit risk. In this stage, a provision is made for the lifetime ECL representing losses over the life of the financial assets (lifetime ECL).

- **Stage 3 (Non-performing): Lifetime ECL credit-impaired**

This stage comprises loans that are credit-impaired or in default defined as at least 90-day delinquent in either principal or interest. Credit-impaired loans require lifetime provision.

Note that the BOT allows for certain exceptions on stage classification per its announcement dated February 28, 2020.

B. Measures by the Government and the Bank of Thailand (BOT) related to financial relief programs for customers affected by COVID-19 pandemic

The BOT Relief Measures Phase 1

On February 28, 2020, the BOT announced measures on loan staging which allow banks to classify non-NPL customers as of January 1, 2020 as performing, or Stage 1, immediately if they believe that such customers can perform according to the restructuring plans.

NPL customers as of January 1, 2019 can be classified as performing, or Stage 1, immediately if they can adhere to repayment schedule specified in the restructuring plans for three consecutive months or periods, whichever is longer. Banks shall constantly monitor and review customers' adherence to the new terms and conditions.

The BOT subsequently announced additional relief measures as follows:

For retail customers:

1. Grant principal and/or interest payment holiday of 3-6 months for all term loans (including mortgage, auto loans and SSME loans) beginning in April 2020 for affected non-NPL customers (as of March 1, 2020) who request assistance.

2. Reduce minimum credit card payment from 10% to 5% in 2020-2021, which will gradually rise to 8% in 2022 and fully revert back to 10% in 2023.

For non-retail customers

Measure 1: A loan payment holiday of 6 months for all companies with a line of credit not exceeding Baht 100 million to provide needed liquidity.

Companies with a line of credit with a commercial bank not exceeding Baht 100 million are automatically eligible to defer both principal and interest payments for 6 months. However, customers can opt out of the relief program. This payment holiday will not be considered missed payment and will not affect the credit history.

Measure 2: Soft loans to provide liquidity for customers with a credit line not exceeding Baht 500 million at a concessional interest rate of 2% per annum and interest-free (subsidized by the Ministry of Finance) for the first 6 months.

The BOT will provide soft loans of Baht 500 billion at 0.01% interest rate per annum to financial institutions for 2 years. Financial institutions will then lend this money to eligible customers at a concessional rate of 2% per annum.

For eligibility, customers must:

(i) operate domestically,

(ii) not be listed on the Stock Exchange of Thailand (SET) or the Market for Alternative Investment (MAI),

(iii) have a credit line with a financial institution not exceeding Baht 500 million, and

(iv) still have a performing loan with normal repayment status or less than 90 days in arrears (non-NPL) as of December 31, 2019.

The maximum drawdown for the soft loan is 20% of outstanding loan balance as of December 31, 2019.

On October 16, 2020, the BOT issued a notice to grant a 6-month extension for financial institutions to submit for the BOT's soft loans in accordance with the Royal Decree and to include companies listed on the the Market for Alternative Investment (MAI) as qualified soft loan recipients.

Moreover, the BOT reduced the FIDF fee from 0.46% of deposit base to 0.23% per annum for 2 years beginning January 1, 2020, as a relief for banks to support the economy. The BOT expects banks to pass on the savings to borrowers, and therefore, on April 10, 2020, SCB announced a 0.40% reduction for all "M-based" lending rates.

The Government Soft Loan Program

On March 10, 2020, the Government of Thailand approved measures to help business owners directly and indirectly affected by the COVID-19 pandemic. One of the key measures is the soft loan program in the total amount of Baht 150 billion which will be provided by the Government Savings Bank (GSB). GSB will provide soft loans to banks at the interest rate of 0.01% for 2 years which are to be lent to affected business owners with the limit of Baht 20 million per customer and at the rate of no more than 2%.

The BOT Relief Measures Phase 2

On June 19, 2020, the BOT issued the second phase of measures to further assist retail customers with details as follows:

1. Reduce interest rate ceiling by 2-4% per annum

Interest rate ceiling for credit cards and personal loans (effective from August 1, 2020) will be reduced as follows:

Type	**Previous Ceiling % p.a.**	**New Ceiling % p.a.**
1. Credit cards	18%	16%
2. Personal loans under supervision		
• Revolving loans	28%	25%
• Installment loans	28%	25%
• Car title loans	28%	24%

2. Increase credit card, revolving loan, and installment loan limit

For borrowers with good repayment track record and less than Baht 30,000 monthly income who need additional credit lines, their credit limit will be temporarily increased from 1.5 times to 2 times of their average monthly income until December 31, 2021 (effective from August 1, 2020).

3. Additional minimum relief measures for retail borrowers in phase 2 (effective from July 1, 2020) Banks shall extend the scope and duration of assistance for non-NPL (as of March 1, 2020) retail customers affected by COVID-19 by offering at least the minimum relief options to impacted customers according to loan type.

Types	Minimum measures
Credit cards	Convert to long-term loans with 48 installments or extend the term according to borrowers' ability to pay at interest rate not exceeding 12%
Personal loans with revolving lines such as cash cards	• Reduce the minimum payment according to borrowers' ability to pay, or • Convert to long-term loans with 48 installment or extend the term according to borrowers' ability to pay at interest rate not exceeding 22%
Personal loans with installment and car title loans	Reduce installment amount by at least 30% with interest rate not exceeding 22%
Hire purchase loans	• Payment holiday (principal and interest) for 3 months, or • Reduce installment amount by extending the term
Mortgage loans	• Payment holiday (principal and interest) for 3 months, or • Payment holiday on principal for 3 months and consider reducing interest rate as appropriate, or • Reduce installment amount by extending the term

Customers can request assistance by contacting the Bank through our website, apps, call center, or text messages from July 1, 2020 to December 31, 2020.

4. Debt restructuring

Banks shall accelerate borrowers' debt restructuring process, taking borrowers' ability to pay as the key consideration, in order to provide financial relief for borrowers. Debt restructuring may entail extending repayment period, converting short-term to long-term loans, deferring payments, and reducing interest rates. Banks will work with severely impacted borrowers who fall into NPLs and consider delaying foreclosure or seizing collaterals.

DR BIZ Program

On August 21, 2020, the BOT and financial institutions launched the DR BIZ program for business customers. The objective of this program is to coordinate assistance and debt relief for customers with multiple creditors which will be done through a standardized debt solution that creditors have agreed upon to ensure quick and comprenhensive debt restructuring decisions.

To be eligible, business customers must owe between Baht 50-500 million with multiple financial institutions. Furthermore, customers must not be NPL or be NPL with any financial institutions after January 1, 2019, unless it can be proven that they were impacted by COVID-19. Customers can request to join the DR BIZ program by contacting their banks from September 1, 2020 onwards.

Debt Consolidation

On August 27, 2020, the BOT released new debt relief measure to help retail customers by allowing customers who have mortgages with banks to consolidate other unsecured personal loans (credit card, unsecured loans, auto loans) to utilize the same collaterals. Eligible customers must have mortgage loans (non-NPLs) and unsecured loans (both non-NPLs and NPLs) with the same bank. With this debt consolidation, interests charged on unsecured loans will be capped at the Minimum Retail Rate (MRR).

Debt consolidation requests can be made directly to customers' own banks from September 1, 2020 to December 31, 2020.

The BOT's measures to accommodate SMEs in the relief program under the Royal Decree

The BOT has issued a policy guidance on October 16, 2020 that provides measures to assist SME customers under the payment holiday per the Royal Decree whose loans are due on October 22. These new measures will allow financial institutions to provide proactive and targeted assistance to each customer as follows:

1. Customers who have earned sufficient income, or whose businesses have returned to normal, are to resume regular repayment after the measure is over.
2. Customers whose businesses have resumed but not recovered shall undergo debt restructuring according to their repayment ability. Banks are allowed to freeze loan staging during the negotiation period until the end of 2020.
3. For customers who have not been able to resume their debt repayment, banks may consider extending the deferral period on a case by case basis for up to 6 months after the end of 2020.
4. Customers who have lost communication with their banks are advised to contact their respective banks for appropriate financial assistance to prevent them from being classified as NPLs.

Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	September 30, 2020
Moody's Investors Service	
Outlook	Stable
Bank deposits	Baa1/P-2
Senior unsecured MTN	(P) Baa1
Other short term	(P) P-2
S&P Global Ratings	
Counterparty Credit Rating	BBB+/A-2
Outlook	Negative
Senior Unsecured (Long Term)	BBB+
Senior Unsecured (Short Term)	A-2
Fitch Ratings	
Foreign Currency	
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Outlook	Stable
Senior Unsecured	BBB
Viability Rating	bbb
National	
Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable
Subordinated Debenture	AA(tha)