

**The Siam Commercial Bank Public Company
Limited and its Subsidiaries**

Financial statements for the year ended
31 December 2019
and
Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of The Siam Commercial Bank Public Company Limited

Opinion

I have audited the consolidated and the Bank's financial statements of The Siam Commercial Bank Public Company Limited and its subsidiaries (the "Group") and of The Siam Commercial Bank Public Company Limited (the "Bank"), respectively, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2019, the consolidated and the Bank's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying 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).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and the Bank's Financial Statements* section of my report. I am independent of the Group and the Bank in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to my audit of the consolidated and the Bank's financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and the Bank's financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and the Bank's financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Allowance for doubtful accounts on loans to customers	
Refer to notes 3.5, 4.1 and 11 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>The allowance for doubtful accounts on loans to customers is considered a Key Audit Matter as it requires the application of judgments and use of subjective assumptions over both the timing of recognition, and the estimation of the amount of the allowance of certain loans and portfolios of loans to customers.</p> <p>As at 31 December 2019, loans to customers recorded in the consolidated and the Bank's financial statements amounted to Baht 2,147 billion and Baht 2,142 billion (approximately 72.4% and 72.5% of total assets), against which allowance for doubtful accounts in the consolidated and the Bank's financial statements amounted to Baht 111 billion and Baht 111 billion, respectively, were provided.</p> <p>Management has established a control framework over the estimation process of the allowance for doubtful accounts which includes governance procedures, management review and approval, and controls to ensure the integrity of data used in the process. The allowance for doubtful accounts is in accordance with the Bank of Thailand's guidelines which require the Bank to perform both quantitative and qualitative reviews of loans as an ongoing process. Within this framework:</p> <ul style="list-style-type: none"> • Individual assessments are made by management of loan grading and classification. Collateral valuation estimates are used in determining allowance for Non-Performing Loans. • The allowances are assessed on a portfolio basis for certain portfolios with similar risk characteristics. Expected Loss Model methodologies incorporating assumptions such as customer behavior and repayment abilities are selected, approved and applied to portfolios of loans of a similar nature and risk profile. 	<p>My audit procedures included:</p> <ul style="list-style-type: none"> • Performing a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors, customer segments, or which could influence the judgments and estimates. • Testing the design and operating effectiveness of selected controls surrounding the credit and impairment process. • Performing credit review procedures for a sample of loans, including a detailed review of the individual credit profile and other relevant information, from which I formed my own independent assessment. My sample included individually large exposures, loans subject to restructuring and reschedule, as well as a selection of loans identified in my risk assessment. • Using my own credit specialists to test model parameter assumptions and methodologies, including a review of reconciliations of data to underlying systems and back-testing results. • Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards and the Bank of Thailand notification and guidelines.

Valuation of financial instruments in the statement of financial position	
Refer to notes 3.3, 3.31, 3.32, 4, 5, 8 and 9 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>The valuation of financial instruments is considered a Key Audit Matter due to the degree of complexity involved in valuing certain level 2 instruments and the significance of judgment and estimates involved.</p> <p>As at 31 December 2019, financial assets measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 364 billion and Baht 362 billion, respectively. Financial liabilities measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 62 billion and Baht 62 billion, respectively which fair values of financial assets and financial liabilities are classified as level 2.</p> <p>There is a risk that financial instruments classified as "level 2" in the fair value hierarchy, may be mispriced in the statement of financial position because they are not based on objective external prices or, where these are not easily observable, the best estimate of what they may be.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> • Performing a risk assessment by considering the factors which could affect the fair value of financial instruments, both in terms of the inputs used for valuation and the appropriateness of valuation techniques applied. • Sampling financial instruments and checked that pricing inputs used were externally sourced and were correctly input into pricing models, including an assessment of the liquidity of prices, where applicable. I used my own valuation specialists to assess that the models were appropriate and tested the fair value of a sample of the Group and the Bank's debt securities and derivative positions independently and compared their valuation to the Group and the Bank's valuation. • Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards and the Bank of Thailand notification and guidelines.

Divestment of Life insurance subsidiary	
Refer to note 10.2 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>On 26 September 2019, the Bank sold all its shares (99.2%) in SCB Life Assurance PCL to FWD Group Financial Services Pte. Ltd (“FWD”). For a total consideration of Baht 92,720 million, of which Baht 75,000 million related to the share sale and Baht 17,720 million related to a long-term Distribution Agreement with FWD.</p> <p>The Bank recognised net gain on sale of investment in subsidiary of Baht 24,024 million and Baht 61,900 million in the consolidated and the Bank’s financial statements, respectively and recognised deferred income from long-term Distribution Agreement amounted to Baht 17,720 million under other liabilities in the consolidated and the Bank’s financial statements.</p> <p>The divestment is considered a Key Audit Matter due to the significance of the accounting and the complexity in share valuation method.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> • Reading the relevant transaction documents to understand the terms and conditions of the divestment. • Using my own specialist to assess share valuation report related to share valuation and computing the multiples used including references to source data which prepared by external expert engaged by the Bank. • Obtaining the evidence of consideration received and underlying accounting records. • Testing the calculation of net gain on sale of investment in subsidiary in the consolidated and the Bank’s financial statements. • Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards.

Potential impact from adoption TFRS 9	
Refer to note 47 to the financial statements.	
The key audit matter	How the matter was addressed in the audit
<p>The Group and the Bank are adopting TFRS 9 “Financial Instruments” from 1 January 2020. This new Financial Reporting Standard will affect the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting; such financial assets and liabilities comprise a substantial portion, approximately 97.0% and 95.9% of the total assets and liabilities of the Group and 97.2% and 96.0% of the total assets and liabilities of the Bank.</p> <p>Management have disclosed the estimation of the impact of TFRS 9, in particular the allowance for doubtful accounts on loans to customers which is based on expected credit losses, in note 47. Management’s estimation of the expected credit losses on loans measured at amortised cost is based on new and complex credit models which are dependent on significant management judgments and estimates including economic forward looking factors and post model adjustments.</p> <p>Due to the significance of the financial assets and liabilities affected by this new TFRS and significant judgments and estimates made by management, I consider this a Key Audit Matter.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> • Performing the risk assessment and the model scoping by considering the size, complexity and credit risk characteristics of each portfolio. • Considering the Group and the Bank’s accounting policies to determine whether these have been set up in accordance with the requirements of TFRS 9 and the relevant Bank of Thailand notification and guidelines. • Testing the design and operating effectiveness of selected controls over governance and model development. • Testing certain key technical decisions, assumptions and model methodologies, where appropriate, including involvement of my own credit risk specialists to inspect model documentation and model validation reports performed by expert engaged by the Bank’s management. • Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards and the Bank of Thailand notification and guidelines.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and the Bank's financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and Bank's financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and Bank's financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and Bank's financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

Responsibilities of Management and Those Charged with Governance for the Consolidated and the Bank's Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and the Bank's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and the Bank's financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Wilai Buranakittisophon)
Certified Public Accountant
Registration No. 3920

KPMG Phoomchai Audit Ltd.
Bangkok
19 February 2020

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Statement of financial position

Assets	<i>Note</i>	Consolidated		The Bank	
		31 December		31 December	
		2019	2018	2019	2018
		<i>(in thousand Baht)</i>			
Cash		47,615,159	47,116,872	47,450,329	46,443,366
Interbank and money market items, net	7	433,510,185	377,904,575	427,250,921	362,033,032
Derivative assets	8	63,132,091	41,682,825	63,283,308	41,533,759
Investments, net	9	312,065,032	568,853,597	310,504,994	272,994,919
Investments in subsidiaries and associate, net	10	78,148	47,391	6,727,117	18,988,748
Loans to customers and accrued interest receivables, net	11				
Loans to customers		2,146,866,947	2,170,100,801	2,141,954,439	2,154,332,379
Accrued interest receivables		2,946,093	3,334,205	2,920,413	3,028,442
Total loans to customers and accrued interest receivables		2,149,813,040	2,173,435,006	2,144,874,852	2,157,360,821
<i>Less</i> deferred revenue		(33,079,725)	(29,540,202)	(33,078,608)	(29,540,202)
<i>Less</i> allowance for doubtful accounts	11.9	(111,150,371)	(99,404,677)	(110,505,427)	(98,646,744)
<i>Less</i> revaluation allowance for debt restructuring	12	(3,122,081)	(3,867,951)	(3,122,081)	(3,867,951)
Total loans to customers and accrued interest receivables, net		2,002,460,863	2,040,622,176	1,998,168,736	2,025,305,924
Properties for sale, net	14	16,641,789	13,449,583	16,393,154	13,445,838
Premises and equipment, net	15	40,776,524	43,206,362	39,910,623	41,707,339
Goodwill and other intangible assets, net	16	19,186,569	25,491,592	18,450,769	15,697,382
Assets pending transfer	17	1,809,735	2,232,926	1,917,558	2,429,931
Deferred tax assets	44	2,004,629	197,811	1,809,077	106,779
Other assets, net	18	24,465,595	26,533,915	20,580,466	19,440,025
Total assets		2,963,746,319	3,187,339,625	2,952,447,052	2,860,127,042

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Statement of financial position

	Note	Consolidated		The Bank	
		31 December		31 December	
Liabilities and shareholders' equity		2019	2018	2019	2018
		<i>(in thousand Baht)</i>			
Liabilities					
Deposits	19	2,159,425,196	2,159,630,551	2,156,488,855	2,156,936,065
Interbank and money market items	20	145,844,197	142,528,617	145,870,962	145,599,164
Liability payable on demand		11,796,217	13,944,143	11,794,548	13,942,883
Liabilities to deliver security	3.11	18,335	1,144	-	-
Derivative liabilities	8	61,937,343	36,483,008	61,987,555	36,798,917
Debt issued and borrowings	21	77,952,008	107,560,901	76,355,562	106,065,393
Provisions	22	11,409,640	9,426,568	10,997,107	8,922,840
Liabilities under insurance contracts	23	-	278,220,199	-	-
Liabilities pending transfer	24	21,933,486	19,675,994	21,915,093	19,435,132
Deferred tax liabilities	44	138,921	423,164	-	-
Other liabilities	10.2, 25	72,444,505	38,462,288	69,093,197	31,240,768
Total liabilities		<u>2,562,899,848</u>	<u>2,806,356,577</u>	<u>2,554,502,879</u>	<u>2,518,941,162</u>
Shareholders' equity					
Share capital	27				
Authorized share capital					
3,582,735,096 preferred shares of Baht 10 each		35,827,351	35,828,427	35,827,351	35,828,427
3,417,264,904 common shares of Baht 10 each		<u>34,172,649</u>	<u>34,171,573</u>	<u>34,172,649</u>	<u>34,171,573</u>
Issued and paid-up share capital					
3,610,739 preferred shares of Baht 10 each		36,107	37,183	36,107	37,183
3,395,581,459 common shares of Baht 10 each		33,955,815	33,954,739	33,955,815	33,954,739
Premium on share capital					
Premium on preferred shares		14,121	14,541	14,121	14,541
Premium on common shares		11,110,070	11,109,650	11,110,070	11,109,650
Other reserves	28	16,169,935	15,668,579	16,135,730	16,535,798
Retained earnings					
Appropriated					
Legal reserve	28	7,000,000	7,000,000	7,000,000	7,000,000
Unappropriated		332,071,783	312,241,904	329,692,330	272,533,969
Total owners of the company		<u>400,357,831</u>	<u>380,026,596</u>	<u>397,944,173</u>	<u>341,185,880</u>
Non-controlling interests		488,640	956,452	-	-
Total shareholders' equity		<u>400,846,471</u>	<u>380,983,048</u>	<u>397,944,173</u>	<u>341,185,880</u>
Total liabilities and shareholders' equity		<u>2,963,746,319</u>	<u>3,187,339,625</u>	<u>2,952,447,052</u>	<u>2,860,127,042</u>

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(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Statement of profit or loss and other comprehensive income

	Note	Consolidated		The Bank	
		For the year ended		For the year ended	
		31 December		31 December	
		2019	2018	2019	2018
<i>(in thousand Baht)</i>					
Interest income	37	135,025,196	129,127,210	126,170,944	118,470,269
Interest expenses	38	35,623,651	32,757,797	35,537,905	32,701,604
Net interest income		99,401,545	96,369,413	90,633,039	85,768,665
Fee and service income	39	39,103,281	37,016,121	39,174,566	36,681,937
Fee and service expenses	39	9,433,183	8,559,783	8,327,557	7,354,816
Net fee and service income	39	29,670,098	28,456,338	30,847,009	29,327,121
Net gain on trading and foreign exchange transactions	40	6,816,701	7,944,828	6,579,982	7,764,554
Net gain on investments	41	5,382,879	2,930,164	4,741,734	2,705,633
Net gain on sale of investment in subsidiary	10.2	24,023,848	-	61,899,788	-
Share of profit from investment in associate		30,756	47,391	-	-
Dividend income		627,337	1,211,013	2,217,863	1,509,738
Net earned insurance premiums		34,950,839	50,591,839	-	-
Other operating income		540,736	583,655	373,031	282,587
Total operating income		201,444,739	188,134,641	197,292,446	127,358,298
Net insurance claims		35,346,903	49,909,813	-	-
Net operating income		166,097,836	138,224,828	197,292,446	127,358,298
Other operating expenses					
Employee expenses		33,280,574	29,347,037	29,803,086	25,969,307
Directors' remuneration		105,370	100,332	89,680	89,238
Premises and equipment expenses		13,894,163	13,263,885	12,902,297	12,318,209
Taxes and duties		4,626,728	4,488,694	4,362,186	4,138,577
Other expenses	42	18,630,978	17,438,800	20,656,435	19,812,844
Total operating expenses		70,537,813	64,638,748	67,813,684	62,328,175
Impairment loss on loans and debt securities	43	36,210,938	24,022,741	36,236,999	24,001,551
Profit from operation before income tax expense		59,349,085	49,563,339	93,241,763	41,028,572
Income tax expenses	44	19,098,182	9,468,272	17,792,258	7,553,082
Net profit		40,250,903	40,095,067	75,449,505	33,475,490

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

	Note	Consolidated														
		Issued and paid-up share capital		Premium on share capital		Gains (losses) on remeasuring available-for-sale investments	Losses arising from translating the financial statements of a foreign operation	Other reserves			Total other reserves	Retained earnings		Total owners of the company	Non-controlling interests	Total shareholders' equity
		Preferred shares	Common shares	Preferred shares	Common shares			Changes in revaluation surplus	Changes in hedge reserve	Others		Legal reserve	Unappropriated			
		shares	shares	shares	shares	investments	of a foreign operation	investments	of a foreign operation	investments	of a foreign operation	investments	of a foreign operation	investments	of a foreign operation	investments
<i>(in thousand Baht)</i>																
Year ended 31 December 2018		37,850	33,954,072	14,802	11,109,389	6,015,704	(330,032)	335,172	16,328,744	(2,364,496)	19,985,092	7,000,000	291,362,368	363,463,573	299,421	363,762,994
Dividend paid	29	-	-	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)	-	(18,695,557)
Conversion of preferred shares to common shares		(667)	667	(261)	261	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests without a change in control		-	-	-	-	3	-	-	-	(15)	(12)	-	-	(12)	(37)	(49)
Non-controlling interests arising on acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	648,000	648,000
Net profit		-	-	-	-	-	-	-	-	-	-	-	40,067,556	40,067,556	27,511	40,095,067
Other comprehensive (loss) income		-	-	-	-	(4,279,327)	(15,236)	253,247	-	-	(4,041,316)	-	(767,648)	(4,808,964)	(18,443)	(4,827,407)
Total comprehensive (loss) income		-	-	-	-	(4,279,327)	(15,236)	253,247	-	-	(4,041,316)	-	39,299,908	35,258,592	9,068	35,267,660
Transfer to retained earnings		-	-	-	-	-	-	-	(275,185)	-	(275,185)	-	275,185	-	-	-
Balance at 31 December 2018		37,183	33,954,739	14,541	11,109,650	1,736,380	(345,268)	588,419	16,053,559	(2,364,511)	15,668,579	7,000,000	312,241,904	380,026,596	956,452	380,983,048

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

		The Bank									
		Issued and		Premium on		Other reserves					
		paid-up share capital		share capital		Gains on	Changes in	Total	Retained earnings		Total
		Preferred	Common	Preferred	Common	remeasuring	revaluation	other	Legal	Unappropriated	shareholders'
<i>Note</i>		shares	shares	shares	shares	available-for-sale	surplus	reserves	reserve	equity	equity
		<i>(in thousand Baht)</i>									
	Year ended 31 December 2019										
	Balance at 1 January 2019	37,183	33,954,739	14,541	11,109,650	1,052,477	15,483,321	16,535,798	7,000,000	272,533,969	341,185,880
	Dividend paid	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)
	Conversion of preferred shares to common shares	(1,076)	1,076	(420)	420	-	-	-	-	-	-
	Net profit	-	-	-	-	-	-	-	-	75,449,505	75,449,505
	Other comprehensive income	-	-	-	-	4,345	-	4,345	-	-	4,345
	Total comprehensive income	-	-	-	-	4,345	-	4,345	-	75,449,505	75,453,850
	Transfer to retained earnings	-	-	-	-	-	(404,413)	(404,413)	-	404,413	-
	Balance at 31 December 2019	36,107	33,955,815	14,121	11,110,070	1,056,822	15,078,908	16,135,730	7,000,000	329,692,330	397,944,173

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

		The Bank									
		Issued and		Premium on		Other reserves					
		paid-up share capital		share capital		Gains (losses) on			Retained earnings		Total
		Preferred	Common	Preferred	Common	remeasuring	Changes in	Total	Legal	Unappropriated	shareholders'
<i>Note</i>		shares	shares	shares	shares	available-for-sale	revaluation	other	reserve	reserve	equity
		<i>(in thousand Baht)</i>									
Year ended 31 December 2018											
Balance at 1 January 2018		37,850	33,954,072	14,802	11,109,389	2,899,561	15,755,399	18,654,960	7,000,000	258,196,463	328,967,536
	Dividend paid	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)
	Conversion of preferred shares to common shares	(667)	667	(261)	261	-	-	-	-	-	-
	Net profit	-	-	-	-	-	-	-	-	33,475,490	33,475,490
	Other comprehensive loss	-	-	-	-	(1,847,084)	-	(1,847,084)	-	(714,505)	(2,561,589)
	Total comprehensive (loss) income	-	-	-	-	(1,847,084)	-	(1,847,084)	-	32,760,985	30,913,901
	Transfer to retained earnings	-	-	-	-	-	(272,078)	(272,078)	-	272,078	-
	Balance at 31 December 2018	37,183	33,954,739	14,541	11,109,650	1,052,477	15,483,321	16,535,798	7,000,000	272,533,969	341,185,880

(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of cash flows

	Consolidated		The Bank	
	For the year ended		For the year ended	
	31 December		31 December	
Note	2019	2018	2019	2018
	<i>(in thousand Baht)</i>			
Cash flows from operating activities				
Profit from operation before income tax expense	59,349,085	49,563,339	93,241,763	41,028,572
<i>Adjustments to reconcile profit from operation before income tax expense</i>				
<i>to cash receipts (payments) from operating activities</i>				
Depreciation and amortisation	6,063,727	4,756,762	5,756,554	4,539,874
Impairment loss on loans and debt securities	39,465,944	27,135,420	39,492,005	27,114,229
Loss on impairment of properties for sale	209,811	113,537	146,326	113,740
Provisions	1,582,425	1,408,839	1,775,749	1,332,451
(Gain) loss on sale of premises and equipment	(11,892)	58,172	(11,735)	47,016
Loss from write-off of premises and equipment	83,989	-	79,334	-
Loss on sale of properties for sale	797,192	594,641	797,232	594,641
Net loss (gain) on trading and foreign exchange transactions	1,899,790	(3,611,121)	2,372,429	(3,270,367)
Net gain on investments	(5,382,879)	(2,930,164)	(4,741,734)	(2,705,633)
Share of profit from investment in associate	(30,756)	(47,391)	-	-
Net gain on sale of investment in subsidiary	(24,023,848)	-	(61,899,788)	-
	80,002,588	77,042,034	77,008,135	68,794,523
Net interest income	(99,401,545)	(96,369,413)	(90,633,039)	(85,768,665)
Dividend income	(627,337)	(1,211,013)	(2,217,863)	(1,509,738)
Proceeds from interest	137,119,241	128,256,968	125,714,196	117,763,427
Interest paid	(34,056,597)	(32,051,579)	(34,054,968)	(31,978,303)
Proceeds from dividend	646,024	1,206,093	2,474,282	1,341,219
Income tax paid	(11,224,200)	(10,444,731)	(8,500,374)	(8,299,732)
Profit from operation before changes in operating assets and liabilities	72,458,174	66,428,359	69,790,369	60,342,731
<i>(Increase) decrease in operating assets</i>				
Interbank and money market items	(69,058,619)	(61,042,863)	(65,105,374)	(58,544,492)
Derivative assets	(29,591,112)	6,035,619	(28,302,851)	7,477,509
Investment in securities for trading	(14,132,432)	2,561,484	(14,022,028)	(2,282,221)
Loans to customers	(26,944,943)	(130,352,187)	(26,570,890)	(128,223,088)
Properties for sale	10,009,782	7,813,688	10,159,119	7,813,688
Other assets	(5,967,349)	2,338,067	(2,386,526)	(980,456)
<i>Increase (decrease) in operating liabilities</i>				
Deposits	(205,355)	67,173,351	(447,210)	69,045,776
Interbank and money market items	3,315,580	33,955,425	271,798	34,687,204
Liability payable on demand	(2,147,926)	(9,726,608)	(2,148,335)	(9,727,347)
Liabilities to deliver security	17,191	(58,756)	-	-
Derivative liabilities	25,967,327	(8,664,851)	25,586,308	(7,943,116)
Short-term debt issued and borrowings	(34,490,687)	27,146,655	(34,564,020)	28,809,454
Liabilities under insurance contracts	8,367,474	29,975,665	-	-
Other liabilities	10.2 36,208,076	3,378,907	29,926,870	3,873,109
Net cash (used in) from operating activities	(26,194,819)	36,961,955	(37,812,770)	4,348,751

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of cash flows

	Note	Consolidated		The Bank	
		For the year ended		For the year ended	
		31 December		31 December	
		2019	2018	2019	2018
<i>(in thousand Baht)</i>					
Cash flows from investing activities					
Acquisition of available-for-sale securities		(289,452,773)	(403,574,752)	(289,452,773)	(253,321,752)
Proceeds from sale of available-for-sale securities		250,943,397	400,100,243	270,714,376	281,317,455
Acquisition of held-to-maturity securities		(593,002)	(3,940,521)	(593,002)	(607,321)
Proceeds from redemption of held-to-maturity securities		10,973,407	3,516,127	3,112,997	1,544,398
Acquisition of general investments		(2,323,366)	(1,068,871)	(2,318,648)	(1,060,894)
Proceeds from sale of general investments		54,939	1,330,155	54,939	1,330,155
Acquisition of investments in subsidiaries and/or associate		-	-	(348,000)	(972,049)
Proceeds from disposal of subsidiaries, net of cash disposed of	10.2	74,440,000	-	74,440,000	-
Proceeds from liquidation of subsidiaries		77,319	-	77,319	-
Acquisition of premises and equipment		(1,426,230)	(2,349,751)	(1,330,329)	(1,990,002)
Proceeds from sale of premises and equipment		169,842	194,717	10,070	177,435
Acquisition of intangible assets		(6,018,224)	(9,033,139)	(5,510,971)	(8,464,665)
Proceeds from sale of intangible assets		56,899	-	56,899	-
Net cash from (used in) investing activities		36,902,208	(14,825,792)	48,912,877	17,952,760
Cash flows from financing activities					
Proceeds from long-term debt issued		32,459,840	2,168,000	32,459,840	2,168,000
Repayment of long-term debt issued		(23,872,875)	-	(23,872,875)	-
Proceeds from long-term borrowings		116,203	138,213	116,203	138,213
Repayment of long-term borrowings		(80,755)	(59,838)	(80,755)	(59,838)
Repayment of long-term debenture		(20,000)	-	(20,000)	-
Dividend paid to equity holders of the Bank	29	(18,695,557)	(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)	-	-
Net cash used in financing activities		(10,021,144)	(15,801,231)	(10,093,144)	(16,449,182)
Losses arising from translating the financial statements of a foreign operation		(187,958)	(15,236)	-	-
Net increase in cash		498,287	6,319,696	1,006,963	5,852,329
Cash at 1 January		47,116,872	40,797,176	46,443,366	40,591,037
Cash at 31 December		47,615,159	47,116,872	47,450,329	46,443,366

Supplementary disclosures of cash flow information

Significant non-cash items were as follows:

Gains from foreign exchange revaluation on long-term debt issued	3,308,893	384,408	3,308,893	384,408
Gains (losses) from foreign exchange revaluation on banking book derivatives	65,099	(979,611)	65,099	(979,611)

(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

The accompanying notes form an integral part of the financial statements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
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The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from and are consistent with the Thai language statutory financial statements, and both the English and Thai language financial statements were approved and authorised for issue by the Board of Directors on 19 February 2020.

1 General information

The Siam Commercial Bank Public Company Limited, the “Bank”, is incorporated in Thailand and the Bank’s registered office is at 9 Ratchadapisek Road, Jatujak, Bangkok.

The Bank was established by Royal Charter on 30 January 1906 and was listed on the Stock Exchange of Thailand on 6 February 1976.

The principal business of the Bank is the provision of financial products and services through its Head Office and branch network in Thailand, its branches in Singapore, Hong Kong, Laos, Vietnam, Shanghai and Cayman Islands and its subsidiaries in Thailand and Cambodia. Details of the Bank’s subsidiaries as at 31 December 2019 and 2018 are given in note 10.

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”), guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission; and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

New and revised TFRS are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRS has resulted in changes in certain of the Bank and its subsidiaries’ accounting policies. There is no material impact on the Bank and its subsidiaries’ financial statements. The Bank and its subsidiaries have initially applied TFRS 15 *Revenue from Contracts with Customers* which replaces TAS 18 *Revenue* and related interpretations. The details of accounting policies are disclosed in notes 3.21 and 3.22.

In addition, the Bank and its subsidiaries have not early adopted a number of new and revised TFRS, which are not yet effective for the current period in preparing these financial statements. Those new and revised TFRS that are relevant to the Bank and its subsidiaries’ operations are disclosed in note 47.

(b) Functional and presentation currency

The financial statements are prepared in Thai Baht, which is the Bank and its subsidiaries’ functional currency.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

(c) Use of judgments and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of the Bank and its subsidiaries' accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 8	Derivatives
Note 11.9	Allowance for doubtful accounts
Note 22	Provisions

3 Significant accounting policies

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

3.1 Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the "Bank and its subsidiaries") and the Bank and its subsidiaries' interests in associate.

Business combinations

The Bank applies the acquisition method for all business combinations when control is transferred to the Bank, as describe in subsidiaries section, other than those with entities under common control.

The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Any gain on bargain purchase is recognised in profit or loss immediately.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Bank to the previous owners of the acquiree, and equity interests issued by the Bank. Consideration transferred also includes the fair value of any contingent consideration.

Any contingent consideration is measured at fair value at the date of acquisition, and remeasured at fair value at each reporting date. Subsequent changes in the fair value are recognised in profit or loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

Transaction costs that the Bank incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Step acquisition

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Subsidiaries

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

Non-controlling interests

At the acquisition date, the Bank measures any non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

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

Interests in equity - accounted investees

The Bank's interests in equity-accounted investees comprise interests in associate.

Associate is that entity in which the Bank has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associate are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Bank's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
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Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Bank and its subsidiaries' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include the accounts of the Head Office, all domestic and overseas branches and the Bank's subsidiaries. All inter-company transactions and balances within this Group have been eliminated.

3.2 Cash

Cash includes cash in hand and cash on collection.

3.3 Investments

The Bank classifies its investments in securities as trading securities, available-for-sale securities, held-to-maturity securities, general investments and investments in subsidiaries and associate. The Bank presents these investments in the statement of financial position as either investments or investments in subsidiaries and associate.

Debt securities and marketable equity securities that management acquires with the intention of holding for a short period of time in order to take advantage of anticipated changes in the underlying market values, are classified as trading securities and are stated at fair value. Changes in fair value are recognised in profit or loss as gain on trading. Interest income on trading securities is recognised using the accrual basis of accounting.

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments and are stated at fair value, with the valuation surplus or deficit on investments presented as a component of total equity until realised upon disposition or sale of the underlying securities. Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less impairment losses, if any. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable and are not subsidiaries and associate are classified as general investments and are stated at cost, less impairment losses, if any.

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

Investments in subsidiaries and associate in the Bank's financial statements are accounted for by the cost method less impairment losses, if any.

Investments in associate in the consolidated financial statements are accounted for by the equity method.

Valuation allowances are established and recognised in profit or loss, when impairment in the value of investments has occurred.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2019

Disposal of investments

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

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

3.4 Loans

Overdrafts are stated at the principal amounts including interest. Certain overdrafts for which special notice has been served on the borrower and other loans are stated at the principal amount. Unearned discounts received in advance are presented as a deduction from the loans.

Finance lease receivables are stated at the outstanding balance, net of unearned interest income. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of the contracts.

3.5 Allowance for doubtful accounts

The allowance for doubtful accounts represents estimation of probable losses that may have occurred from loans and other lending business at the reporting date. The amount is in compliance with the minimum allowance for doubtful accounts required based on the BoT's guidelines. The guidelines require banks to categorise their loan portfolios into six categories. Each loan category is subject to different levels of provisioning based on percentages established by the BoT. The guidelines established the maximum collateral valuation limits for the purpose of calculating the allowance for doubtful accounts.

In addition, the BoT requires banks to perform qualitative reviews of their loans as an ongoing process. The Bank and its subsidiaries, which are financial institutions, are required to periodically report the result of their compliance with these guidelines to the BoT.

For corporate loans, the Bank considers a borrower's ability to repay the obligation on an individual basis based on recent payment history, ability to generate future cash flows and other qualitative factors and the net present value of proceeds from liquidating collateral, if the expected source of repayment is from the liquidation of collateral. For SME and consumer loans, the Bank uses credit portfolio statistics to do the statistical analysis (Migration Analysis) for estimation of the deterioration in the portfolio and related allowance for loans. For finance lease receivables, since 1 September 2012, the Bank has used the Collective Approach method which considers the historical loss experience of each loan cohort.

Allowances for doubtful accounts established during the year are recognised as bad debt and doubtful accounts expense in profit or loss. Bad debts recovery is presented net of bad debt and doubtful accounts expense in profit or loss.

Bad debt written off is recorded as a decrease in the allowance for doubtful accounts. Write offs are only made for loans which the Bank has sought collection but has no prospect of further recovery. These procedures comply with BoT's notification and guidelines.

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For the year ended 31 December 2019

3.6 Troubled debt restructuring

Troubled debt restructuring can involve any one of the following: modification of repayment terms, a reduction in the debt amount, asset disposition for debt settlement, asset transfer, and debt to equity swap.

As for modification of repayment terms, the Bank complies the Bank of Thailand's regulations, whereby the Bank is required to use the collateral method to calculate loss and/or the current value of expected future cash flow. Fair value is calculated based on the market interest rate on the troubled debt restructuring date. Losses from troubled debt restructuring are recognised in profit or loss on the date of restructuring.

A reduction in the debt amount, asset disposition for debt settlement, asset transfer, and debt to equity swap may result in a loss from lower principal and accrued interest receivables. The Bank recognises this directly in profit or loss.

For asset transfers and debt to equity swaps, the Bank recognises the asset or transferred equity interests at fair value, less estimated selling expenses. However, the amount must not exceed the pending principal plus interest that the creditor is legally entitled to. Resultant gains or losses are recognised in profit or loss on the transfer date. This is in accordance with TAS 104 (revised 2016) *Accounting for Troubled Debt Restructuring*.

Subsequent to the troubled debt restructuring, the Bank recalculates the fair value of restructured debt based on the aforementioned discount rates as of the date of the financial statements and makes an adjustment to the valuation of the restructured debt, if the fair value has changed, in accordance with the BoT's criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed its value.

3.7 Properties for sale

Properties for sale consist of immovable and movable properties which are stated at the lower of cost or market value at the reporting date. Should the carrying value of a property for sale become impaired, an allowance for impairment will be recorded in accordance with TAS 36 (revised 2018) *Impairment of Assets*.

Gains or losses on sales of properties for sale are recognised as income or expense at the date of disposal.

3.8 Premises and equipment

Recognition and measurement

Owned assets

Premises and equipment are measured at cost less accumulated depreciation and impairment losses except for land and buildings which are measured at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

Revalued assets

Revaluations are performed by independent professional valuers with sufficient regularity according to guidelines prescribed by the BoT to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in value, on revaluation, is recognised in other comprehensive income and presented as “Revaluation surplus” in other reserves in equity unless it offsets a previous decrease in value recognised in profit or loss in respect of the same asset. A decrease in value is recognised in profit or loss to the extent it exceeds an increase previously recognised in other comprehensive income in respect of the same asset. The revaluation surplus is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset’s original cost and transferred directly to retained earnings. Upon disposal of a revalued asset, any remaining related revaluation surplus is transferred directly to retained earnings and is not taken into account in calculating the gain or loss on disposal.

Subsequent costs

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

Depreciation

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

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

Premises	20 - 50 years
Building improvement	10 years
Furniture, fixtures, office equipment, equipment and vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

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

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3.9 Goodwill and other intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 3.1. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 3.10. Negative goodwill is recognised immediately in profit or loss.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Bank and its subsidiaries intend to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets which are software licenses that are acquired by the Bank and its subsidiaries and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative years are as follows:

Software licenses	5 - 10 years
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No amortisation is provided on software under installation.

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

3.10 Impairment

The carrying amounts of the Bank and its subsidiaries' assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Reversals of impairment

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

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

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3.11 Liabilities to deliver security

The subsidiary records its obligations to return borrowed securities as “liabilities to deliver security” in the statement of financial position.

This represents the subsidiary’s liability to return collateral, in the form of securities for private repurchase or securities borrowing and lending transactions where these securities are used to further borrow or lend in other transactions.

Gains or losses arising from securities sold short are included in determining profit or loss. Fees for borrowing and lending are recognised on an accrual basis.

3.12 Contract liabilities

A contract liability is the obligation to transfer services to the customer. A contract liability is recognised when the Bank and its subsidiaries receive or have an unconditional right to receive non-refundable consideration from the customer before the Bank and its subsidiaries recognise the related revenue.

3.13 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

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

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

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Bank and its subsidiaries determine the interest expenses on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligations, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expenses and other expenses related to defined benefit plans are recognised in profit or loss.

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

Other long-term employee benefits

The Bank and its subsidiaries’ net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the year in which they arise.

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Termination benefits

Termination benefits are expensed when the Bank and its subsidiaries can no longer withdraw the offer of those benefits. If benefits are not expected to be settled, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank and its subsidiaries have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.14 Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

3.15 Initial recognition

The Bank and its subsidiaries initially recognise the purchase and sale of investments in debt securities on the settlement date. All other financial instruments, including loans to customers, investments in equity securities, deposits and debt issued and borrowings are initially recognised on the trade date at which the Bank and its subsidiaries become a party to the contractual provisions of the instrument.

3.16 Measurement of fair values

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

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

Significant valuation issues are reported to the Bank's Audit Committee.

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

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.

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

The Bank and its subsidiaries recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2019.

3.17 Share capital

Preferred shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Bank's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Bank's shareholders

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity, net of any tax effects.

3.18 Interest income and interest expenses

The Bank recognises interest and discounts on loans as income on an accrual basis, except for interest on loans which are outstanding over 3 months at the date of the statement of financial position and interest from receivables under troubled debt restructuring agreements where the borrowers' ability to pay is uncertain. Such interest is recognised when received. The Bank reverses all accrued interest income for items which are no longer on an accrual basis. Interest on interbank and money market items and investments is recognised on an accrual basis.

Interest expenses are recognised in profit or loss on an accrual basis.

Interest income on restructured loans of the Bank and its subsidiaries are recognised on the same accrual basis as used for loans mentioned above, except for loans that are subject to monitoring for compliance with restructuring conditions, where the Bank and its subsidiaries recognise interest income on a cash basis until the borrowers have been able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

Interest or discounts, which are already included in the face value of notes receivable or loans, are deferred and taken up as income evenly over the term of the notes or loans.

3.19 Income from finance lease contracts

The Bank recognises income from finance lease contracts based on the effective interest method.

Reversal of income from finance lease receivables which are outstanding over three months from the due date is made in order to comply with the BoT's guidelines.

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3.20 Fee and service income

Fee and service income are recognised when a customer obtains control of the services in an amount that reflects the consideration to which the Bank and its subsidiaries expect to be entitled to. In addition, judgment is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time.

3.21 Commission revenue

The Bank and its subsidiaries act in the capacity of an agent and recognise the net amount of consideration as commission revenue.

3.22 Long-term advances received from customer

Long-term advances received from customer is recognised as revenue when the Bank and its subsidiaries transferred control over the services to the customer.

3.23 Dividend income

The Bank is recognised dividend income in profit or loss on the date which the Bank's rights to receive payment is established.

3.24 Net gain on trading and foreign exchange transactions

Net gain on trading and foreign exchange transactions are recognised based on the remeasurement to fair value of the underlying instruments in profit or loss on an accrual basis.

3.25 Contributions to the Deposit Protection Agency

Contributions to the Deposit Protection Agency are recorded as expenses on an accrual basis.

3.26 Income tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

3.27 Earnings per share

Since 10 May 2009, the conversion option of the preferred shares expired. Therefore, the preferred shares' rights are equivalent to the common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Bank by the number of common shares and preferred shares outstanding during the year.

3.28 Related parties

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Bank and its subsidiaries; a person or entity that are under common control or under the same significant influence as the Bank and its subsidiaries; or the Bank and its subsidiaries have direct or indirect control or joint control or have significant influence over the financial and managerial decision-making of a person or entity.

3.29 Segment reporting

Segment results that are reported to the Executive Committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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3.30 Foreign currencies

Foreign currency transactions

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

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

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

Foreign currency differences are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve until disposal of the investment, except to extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Bank disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Bank disposes of only part of an associate while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

A monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

3.31 Derivatives

Recognition of derivatives is as follows:

- 1 Derivatives for trading are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

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- 2 Derivatives for hedging: gains or losses resulting from the changes in fair values of contracts are recognised in accordance with the standard accounting treatment for income or expenses on hedged items as follows:
 1. Where hedged items are measured at fair value, hedging instruments are measured at fair value consistently.
 2. Where hedged items are measured on an accrual basis, hedging instruments are measured on an accrual basis consistently.

3.32 Hedging

Cash flow hedges

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

When a hedged forecast transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognised in other comprehensive income does not adjust the initial carrying amount of the asset or liability but remains in equity and is reclassified from equity to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

3.33 Sales of bills of exchange

Sales of bills of exchange, with recourse, that carry no acceptances or aval of the financial institutions are recorded as liabilities under the caption of “Liabilities under commercial papers sold”. The amount of loans recorded upon the purchase of the bills are credited when the bills are due and collected.

3.34 Other significant accounting policies of the life insurance subsidiary which is sold during the year

Premium written and premium earned

Short-term insurance contracts

Premium written is recognised on the inception date and are presented gross of premium ceded and commissions and brokerage expenses.

Premium earned comprises of premium written during the period and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage.

Long-term insurance contracts

First year premium written is recognised as revenue when the insurance policy is effective (or when premium is received and insurance policy is approved). Renewal premium income is recognised as revenue when premium is due and if the policy is still inforce at the end of reporting period. First year premium written and Renewal premium income are presented gross of premium ceded and commissions and brokerage expenses.

Premium received in advance is not recognised until the due date.

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Commissions and brokerage expenses

Commissions and brokerage expenses are recognised as expenses when incurred.

Benefits and claims expenses

Benefits and claims expenses consist of benefits, claims and losses adjustment paid during the year, net of subrogation recoveries and changes in provision for short-term insurance claims. These benefits and claims expenses are recognised as expenses when they are incurred or approved or notified or due of benefit payments as mention on insurance policy.

Reinsurance

Income and expense arising from reinsurance contracts are presented separately from income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the subsidiary from its direct obligations to its policyholders.

Premium ceded, reinsurer's share of change in unearned premium reserve, commission income and benefits, claims and loss adjustment expenses recovered from reinsurers are recognised as expense or revenue in accordance with the pattern of reinsurance service received when incurred.

4 Financial risk management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank and its subsidiaries' risk management framework. The Board has established at the Bank and, to the extent required, at its subsidiaries, Risk Oversight Committee, Executive Committee, Audit Committee, Technology Committee, Asset and Liability Management Committee (ALCO), Risk Management Committee, and Equity Investment Management Committee, which are collectively responsible for developing, implementing and monitoring the Bank and its subsidiaries risk management policies in specified areas and reporting regularly to the Board of Directors on their activities.

The Bank's Risk Oversight Committee and Risk Management Committee are responsible for overseeing the adequacy of the risk management framework in relation to the risks faced by the Bank and its subsidiaries.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank and its subsidiaries' risk management policies and procedures. In addition, the Bank's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

The Bank and its subsidiaries' risk management policies, Internal Capital Adequacy Assessment Policy (ICAAP Policy) and Recovery Plan Policy are established to identify and analyse the risks faced by the Bank and its subsidiaries, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank and its subsidiaries, through implementing and monitoring appropriate policies, procedures and measures, aim to establish an effective and efficient internal control environment, in which all employees understand their roles and obligations.

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4.1 Credit risk

Credit risk refers to risk arising from the failure of either debtors to repay principal and interest as agreed, or of counterparties to comply with conditions or contracts. Credit risk covers all types of financial products: transactions on-financial reporting such as loans, overdrafts, bills of exchange and other types of debts; and those off-financial reporting such as derivatives trading, letters of guarantee etc.

The Bank and its subsidiaries have established a credit function organisational structure based on a system of checks and balances. Business units are clearly separated from credit approval units. Credit approval authority at each level is assigned to match potential risk or loss levels. Credit risk management policies and frameworks for critical credit risk have been developed and approved by the Board of Directors. For example:

- Credit Policy Guide
- Collateral and NPA Appraisal Policy
- Loan Classification, Provision and Bad Debt Write-Off Policy
- Counterparty Risk Management Policy
- Country Risk Management Policy
- Model Risk Management Policy

Since credit risk varies by type of credit, different risk measurement methods are applied, ranging from basic statistical tools to more advanced ones, to appropriately reflect the credit risk of each type of product/transaction.

The Bank and its subsidiaries have credit risk reporting on a regular basis. The Bank and its subsidiaries credit risk report, including loan growth, debt quality, credit concentration, and investment diversification, is presented to the Risk Management Committee and Risk Oversight Committee on a monthly basis.

4.2 Interest rate risk

Interest rate fluctuation affects the Bank's interest income and expenses, and economic value of equity. Four main sub-types of interest rate risk are defined as follow:

- Repricing risk is the risk from maturity/timing mismatches of the Bank's assets and liabilities, which cause interest rates at reset to differ due to yield curve movements. For example, assuming all other factors are constant, if the Bank's assets can be repriced faster than liabilities (a positive gap), interest margins increase when interest rates rise. On the other hand, if the Bank's ability to reprice assets is slower than liabilities (a negative gap), then interest margins narrow when interest rates rise.
- Yield curve risk arises from interest rates at different maturities changing differently.
- Basis risk occurs when the Bank's assets and liabilities are based on different reference interest rates, e.g., fixed-deposit rates, interbank lending rates, THBFIX interest rates, etc. Therefore, any change in reference rates will affect interest rates tied with assets and liabilities differently.
- Options risk arises from implicit and explicit options in the Bank's assets and liabilities and off-financial reporting items where exercising these options might affect the Bank's revenue and costs. For example, an option on three-month deposit that allows early withdrawal before maturity will, if exercised, cause the Bank's costs to rise sooner than expected.

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To manage its interest rate risk, the Bank sets risk tolerance limits for both the trading book and banking book. For trading book exposures, there are limits on VaR, sensitivities to yield curve and basis shifts (basis point value), and stress testing. For banking book exposures, limits are determined based on percentage of income and capital.

As at 31 December 2019 and 2018, significant financial assets and liabilities can be repriced as follows:

	Consolidated							Total
	2019							
	Reprice on demand	Reprice within 3 months	Reprice within 3 - 12 months	Reprice within 1 - 5 years	Reprice Over 5 years	Non Performing Loans	Non interest bearing	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	47,615	47,615
Interbank and money market items *	11,777	388,062	2,869	-	226	-	30,733	433,667
Investments, net	-	86,225	68,042	127,191	22,711	-	7,896	312,065
Loans to customers **	997,389	379,210	209,008	393,255	49,713	85,212	-	2,113,787
Total financial assets	1,009,166	853,497	279,919	520,446	72,650	85,212	86,244	2,907,134
Financial liabilities								
Deposits	1,393,578	368,915	298,642	20,950	-	-	77,340	2,159,425
Interbank and money market items	10,449	102,834	7,186	17,696	-	-	7,679	145,844
Debt issued and borrowings	-	59,606	17,228	823	295	-	-	77,952
Total financial liabilities	1,404,027	531,355	323,056	39,469	295	-	85,019	2,383,221
Difference	(394,861)	322,142	(43,137)	480,977	72,355	85,212	1,225	523,913

* Before deducting allowance for doubtful accounts amounting to Baht 157 million

** Net of deferred revenue

	Consolidated							Total
	2018							
	Reprice on demand	Reprice within 3 months	Reprice within 3 - 12 months	Reprice within 1 - 5 years	Reprice Over 5 years	Non Performing Loans	Non interest bearing	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	47,117	47,117
Interbank and money market items *	4,397	332,390	4,368	2,517	5,867	-	28,613	378,152
Investments, net	-	35,211	182,033	99,116	227,986	-	24,508	568,854
Loans to customers **	990,271	407,991	176,763	440,849	54,298	70,389	-	2,140,561
Total financial assets	994,668	775,592	363,164	542,482	288,151	70,389	100,238	3,134,684
Financial liabilities								
Deposits	1,433,554	316,934	335,589	5,485	-	-	68,069	2,159,631
Interbank and money market items	8,783	95,185	7,550	22,633	-	-	8,378	142,529
Debt issued and borrowings	-	15,418	43,463	28,420	20,260	-	-	107,561
Total financial liabilities	1,442,337	427,537	386,602	56,538	20,260	-	76,447	2,409,721
Difference	(447,669)	348,055	(23,438)	485,944	267,891	70,389	23,791	724,963

* Before deducting allowance for doubtful accounts amounting to Baht 247 million

** Net of deferred revenue

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	The Bank							Total
	2019							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	47,450	47,450
Interbank and money market items *	11,763	386,518	1,624	-	-	-	27,503	427,408
Investments, net	-	86,198	68,349	127,035	22,712	-	6,211	310,505
Loans to customers **	996,104	378,332	208,197	392,181	49,713	84,349	-	2,108,876
Total financial assets	1,007,867	851,048	278,170	519,216	72,425	84,349	81,164	2,894,239
Financial liabilities								
Deposits	1,391,722	369,189	298,639	20,950	-	-	75,989	2,156,489
Interbank and money market items	10,552	102,985	7,186	17,399	-	-	7,749	145,871
Debt issued and borrowings	-	58,070	17,168	823	295	-	-	76,356
Total financial liabilities	1,402,274	530,244	322,993	39,172	295	-	83,738	2,378,716
Difference	(394,407)	320,804	(44,823)	480,044	72,130	84,349	(2,574)	515,523

* Before deducting allowance for doubtful accounts amounting to Baht 157 million

** Net of deferred revenue

	The Bank							Total
	2018							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	46,443	46,443
Interbank and money market items *	2,146	331,717	340	1,329	-	-	26,748	362,280
Investments, net	-	30,772	165,556	48,180	19,590	-	8,897	272,995
Loans to customers **	977,909	407,991	176,763	438,449	54,298	69,383	-	2,124,793
Total financial assets	980,055	770,480	342,659	487,958	73,888	69,383	82,088	2,806,511
Financial liabilities								
Deposits	1,432,850	316,294	335,589	5,485	-	-	66,718	2,156,936
Interbank and money market items	10,256	96,707	7,550	22,633	-	-	8,453	145,599
Debt issued and borrowings	-	14,821	41,918	29,066	20,260	-	-	106,065
Total financial liabilities	1,443,106	427,822	385,057	57,184	20,260	-	75,171	2,408,600
Difference	(463,051)	342,658	(42,398)	430,774	53,628	69,383	6,917	397,911

* Before deducting allowance for doubtful accounts amounting to Baht 247 million

** Net of deferred revenue

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As at 31 December 2019 and 2018, interest earning and interest bearing financial instruments were as follows:

	Consolidated					
	2019			2018		
	Average	Interest	Average	Average	Interest	Average
	(in million Baht)	(%)	(in million Baht)	(in million Baht)	(%)	(%)
Interbank and money market items, net (Assets)	405,707	5,737	1.4	347,319	5,456	1.6
Investments, net	440,459	12,833	2.9	569,612	13,495	2.4
Loans to customers *	2,127,174	116,325	5.5	2,087,646	110,038	5.3
Deposits	2,159,528	20,062	0.9	2,126,044	18,301	0.9
Interbank and money market items (Liabilities)	144,186	1,601	1.1	125,551	1,534	1.2
Debt issued and borrowings	92,756	3,625	3.9	93,049	3,012	3.2

	The Bank					
	2019			2018		
	Average	Interest	Average	Average	Interest	Average
	(in million Baht)	(%)	(in million Baht)	(in million Baht)	(%)	(%)
Interbank and money market items, net (Assets)	394,642	5,352	1.4	332,755	5,000	1.5
Investments, net	291,750	5,448	1.9	286,014	4,212	1.5
Loans to customers *	2,116,834	115,240	5.4	2,072,929	109,120	5.3
Deposits	2,156,712	20,034	0.9	2,122,413	18,282	0.9
Interbank and money market items (Liabilities)	145,735	1,637	1.1	128,256	1,579	1.2
Debt issued and borrowings	91,210	3,532	3.9	90,723	2,930	3.2

* Net of deferred revenue

4.3 Foreign exchange risk

Foreign exchange risk is the risk that occurs from changes in exchange rates which may affect the value of the financial instruments or may cause volatility in the Bank's earnings or fluctuations in value of the financial assets and liabilities.

It is the Bank's policy to manage foreign exchange risk by setting risk limits on foreign exchange risk exposures. These limits are net open position limits, open position by currency, management action triggers, and value at risk which are monitored on a daily basis and in compliance with the Bank of Thailand's regulations on foreign exchange.

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As at 31 December 2019 and 2018, financial assets and liabilities denominated in various currencies as follows:

	Consolidated				
	USD	EUR	JPY	SGD	Others
	2019 (in million Baht)				
Financial assets					
Cash	412	140	89	28	246
Interbank and money market items *	28,823	277	357	210	2,656
Investments, net	6,892	33	5,657	1,225	707
Loans to customers **	67,967	4,687	267	5	4,092
Accrued interest receivables	167	9	-	-	15
Total financial assets	104,261	5,146	6,370	1,468	7,716
Financial liabilities					
Deposits	32,632	1,650	380	38	2,349
Interbank and money market items	4,794	46	-	-	851
Debt issued and borrowings	57,768	-	-	-	-
Other liabilities	712	-	-	-	27
Total financial liabilities	95,906	1,696	380	38	3,227
On-financial reporting items, net	8,355	3,450	5,990	1,430	4,489
Off-financial reporting items - contingencies					
(currency swap contracts)	(179)	(2,468)	(5,420)	(1,070)	(2,336)
	Consolidated				
	USD	EUR	JPY	SGD	Others
	2018 (in million Baht)				
Financial assets					
Cash	1,021	181	105	40	280
Interbank and money market items *	39,072	247	503	436	2,052
Investments, net	17,465	5,616	5,937	882	508
Loans to customers **	81,747	5,804	148	11,074	2,098
Accrued interest receivables	243	11	-	5	5
Total financial assets	139,548	11,859	6,693	12,437	4,943
Financial liabilities					
Deposits	49,526	1,510	430	17	1,871
Interbank and money market items	5,168	111	-	-	507
Debt issued and borrowings	53,479	18	-	-	411
Other liabilities	570	-	-	-	8
Total financial liabilities	108,743	1,639	430	17	2,797
On-financial reporting items, net	30,805	10,220	6,263	12,420	2,146
Off-financial reporting items - contingencies					
(currency swap contracts)	(18,855)	(1,529)	(6,439)	(11,980)	(984)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

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	The Bank				
	2019				
	USD	EUR	JPY	SGD	Others
	<i>(in million Baht)</i>				
Financial assets					
Cash	263	140	89	28	245
Interbank and money market items *	22,741	277	357	210	2,645
Investments, net	6,891	33	5,657	1,225	677
Loans to customers **	65,450	4,687	267	5	3,825
Accrued interest receivables	156	9	-	-	14
Total financial assets	95,501	5,146	6,370	1,468	7,406
Financial liabilities					
Deposits	26,094	1,650	380	38	2,346
Interbank and money market items	4,967	46	-	-	553
Debt issued and borrowings	57,768	-	-	-	-
Other liabilities	710	-	-	-	24
Total financial liabilities	89,539	1,696	380	38	2,923
On-financial reporting items, net	5,962	3,450	5,990	1,430	4,483
Off-financial reporting items - contingencies (currency swap contracts)	(179)	(2,468)	(5,420)	(1,070)	(2,336)

	The Bank				
	2018				
	USD	EUR	JPY	SGD	Others
	<i>(in million Baht)</i>				
Financial assets					
Cash	368	181	105	40	280
Interbank and money market items *	33,710	247	503	436	2,042
Investments, net	9,352	33	5,937	882	508
Loans to customers **	78,818	5,804	148	11,074	2,098
Accrued interest receivables	228	11	-	5	5
Total financial assets	122,476	6,276	6,693	12,437	4,933
Financial liabilities					
Deposits	43,034	1,510	430	17	1,866
Interbank and money market items	5,376	111	-	-	475
Debt issued and borrowings	54,124	18	-	-	411
Other liabilities	569	-	-	-	8
Total financial liabilities	103,103	1,639	430	17	2,760
On-financial reporting items, net	19,373	4,637	6,263	12,420	2,173
Off-financial reporting items - contingencies (currency swap contracts)	(11,871)	(3,797)	(6,439)	(11,980)	(984)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

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4.4 Equity risk

Equity risk is the risk arising from changes in the price of equities or common stock that may cause volatility in earning or fluctuations in the value of financial assets. The Bank and its subsidiaries have policies to manage the risk by maintaining long-term equity investments and investing in growth potential equities and/or those intended to support the business. The Bank has established the Policy that only companies within the Financial Group that are engaged in the financial business with specific supervisory bodies and those permitted to engage in portfolio management can initiate action with respect to equity investments, as allowed under applicable regulations. The Bank has closely managed and monitored market situations to provide information for management to monitor the risk to the Bank. (Further details of equity investments are provided under notes 9 and 10).

4.5 Liquidity risk

Liquidity risk is the risk that the Bank may not be able to meet their obligations as they fall due, because of an inability to realise assets or to cover funding requirements at an appropriate price, thus resulting in losses to the Bank.

In order to manage liquidity risk, the Bank has established the Liquidity Risk Management Policy. The policy has been approved by the Board of Directors, with the Assets and Liabilities Management Committee taking an oversight responsibility to ensure compliance with the policy.

The Bank manages and controls liquidity risk to ensure that it maintains adequate sources of liquidity in order to maintain sufficient future cash flows to cover its activities under both normal and stress situations by using cash flow reports or liquidity gap reports to monitor and control the Bank's overall liquidity risk. The Bank's policy is to maintain its liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and liquidity ratio (liquid assets as a percentage of total deposits) at the appropriate level and to monitor net cash outflows over different time horizons to ensure that the Bank will be able to meet its liquidity needs on a timely basis.

Additionally, the Bank also conducts stress testing on a regular basis under the BoT's scenarios and the Bank's own scenarios. Stress test results are incorporated into Bank's contingency funding plan which establishes scenario-specific action plans and explicit roles and responsibilities for liquidity management in the event of crisis.

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As at 31 December 2019 and 2018, financial assets and liabilities were classified according to their contractual maturity as follows:

	Consolidated							Total
	2019							
	Maturity on demand	Maturity within 3 months	Maturity within 3 - 12 months	Maturity 1 - 5 years	Maturity over 5 years	Non Performing Loans	No maturity	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	47,615	47,615
Interbank and money market items*	46,631	383,091	2,869	-	1,076	-	-	433,667
Investments, net	1,592	86,225	68,042	127,191	22,761	-	6,254	312,065
Loans to customers**	201,193	324,131	209,994	673,582	619,675	85,212	-	2,113,787
Accrued interest receivables	-	2,939	4	3	-	-	-	2,946
Total financial assets	249,416	796,386	280,909	800,776	643,512	85,212	53,869	2,910,080
Financial liabilities								
Deposits	1,454,491	373,924	304,748	26,262	-	-	-	2,159,425
Interbank and money market items	18,828	87,019	7,186	23,261	9,550	-	-	145,844
Debt issued and borrowings	-	17,421	2,242	42,918	15,371	-	-	77,952
Other liabilities	-	3,641	2,355	202	-	-	-	6,198
Total financial liabilities	1,473,319	482,005	316,531	92,643	24,921	-	-	2,389,419
Net liquidity gap	(1,223,903)	314,381	(35,622)	708,133	618,591	85,212	53,869	520,661

* Before deducting allowance for doubtful accounts amounting to Baht 157 million

** Net of deferred revenue

	Consolidated							Total
	2018							
	Maturity on demand	Maturity within 3 months	Maturity within 3 - 12 months	Maturity 1 - 5 years	Maturity over 5 years	Non Performing Loans	No maturity	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	47,117	47,117
Interbank and money market items*	51,607	313,083	4,445	2,517	6,500	-	-	378,152
Investments, net	-	29,288	165,691	47,551	20,557	-	10,902	273,989
Loans to customers**	202,836	327,793	223,087	662,421	654,035	70,389	-	2,140,561
Accrued interest receivables	-	3,334	-	-	-	-	-	3,334
Total financial assets	254,443	673,498	393,223	712,489	681,092	70,389	58,019	2,843,153
Financial liabilities								
Deposits	1,486,921	320,963	340,038	11,709	-	-	-	2,159,631
Interbank and money market items	18,013	81,578	5,950	28,538	8,450	-	-	142,529
Debt issued and borrowings	-	15,419	43,462	28,420	20,260	-	-	107,561
Other liabilities	-	2,431	2,210	310	-	-	-	4,951
Total financial liabilities	1,504,934	420,391	391,660	68,977	28,710	-	-	2,414,672
Net liquidity gap	(1,250,491)	253,107	1,563	643,512	652,382	70,389	58,019	428,481

* Before deducting allowance for doubtful accounts amounting to Baht 247 million

** Net of deferred revenue

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	The Bank							
	2019							
	Maturity on demand	Maturity within 3 months	Maturity within 3 - 12 months	Maturity 1 - 5 years	Maturity over 5 years	Non Performing Loans	No Maturity	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	47,450	47,450
Interbank and money market items*	44,245	381,538	1,625	-	-	-	-	427,408
Investments, net	1,592	86,198	68,349	127,035	22,712	-	4,619	310,505
Loans to customers**	199,909	323,252	209,183	672,508	619,675	84,349	-	2,108,876
Accrued interest receivables	-	2,920	-	-	-	-	-	2,920
Total financial assets	245,746	793,908	279,157	799,543	642,387	84,349	52,069	2,897,159
Financial liabilities								
Deposits	1,451,285	374,197	304,745	26,262	-	-	-	2,156,489
Interbank and money market items	19,001	87,170	7,186	22,964	9,550	-	-	145,871
Debt issued and borrowings	-	15,885	2,182	42,918	15,371	-	-	76,356
Other liabilities	-	3,635	2,355	198	-	-	-	6,188
Total financial liabilities	1,470,286	480,887	316,468	92,342	24,921	-	-	2,384,904
Net liquidity gap	(1,224,540)	313,021	(37,311)	707,201	617,466	84,349	52,069	512,255

* Before deducting allowance for doubtful accounts amounting to Baht 157 million

** Net of deferred revenue

	The Bank							
	2018							
	Maturity on demand	Maturity within 3 months	Maturity within 3 - 12 months	Maturity 1 - 5 years	Maturity over 5 years	Non Performing Loans	No Maturity	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	46,443	46,443
Interbank and money market items*	49,007	311,605	340	1,328	-	-	-	362,280
Investments, net	-	30,772	165,556	48,180	19,590	-	8,897	272,995
Loans to customers**	190,475	327,793	223,087	660,020	654,035	69,383	-	2,124,793
Accrued interest receivables	-	3,028	-	-	-	-	-	3,028
Total financial assets	239,482	673,198	388,983	709,528	673,625	69,383	55,340	2,809,539
Financial liabilities								
Deposits	1,484,867	320,322	340,038	11,709	-	-	-	2,156,936
Interbank and money market items	19,561	81,750	5,950	28,538	9,800	-	-	145,599
Debt issued and borrowings	-	14,821	41,918	29,066	20,260	-	-	106,065
Other liabilities	-	2,488	2,210	310	-	-	-	5,008
Total financial liabilities	1,504,428	419,381	390,116	69,623	30,060	-	-	2,413,608
Net liquidity gap	(1,264,946)	253,817	(1,133)	639,905	643,565	69,383	55,340	395,931

* Before deducting allowance for doubtful accounts amounting to Baht 247 million

** Net of deferred revenue

As at 31 December 2019, the liquidity ratio (liquid assets to total deposits) stood at 31.0% on a bank-only basis (2018: 25.0%).

Loans to deposits ratio

As at 31 December 2019 and 2018, the loans to deposits ratio in the consolidated financial statements were as follows:

	2019	2018
	(%)	
Gross loans to deposits ratio (Consolidated financial statements)	97.9	99.1

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The Bank will disclose the Liquidity Coverage Ratio (LCR) information under Bank of Thailand Notification number Sor Nor Sor 2/2561 dated 25 January 2018 on the Liquidity coverage ratio disclosure standards was as follows:

Location of disclosure The Bank's website under Investor Relations section at <https://www.scb.co.th/en/investor-relations/financial-information.html>
Date of disclosure Within 4 months after the year end date as indicated in the BoT notification

The disclosure for the year ended 31 December 2019 will be provided on or before 30 April 2020 on the Bank's website as noted above.

5 Fair value of assets and liabilities

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

5.1 Financial instruments measured at fair value

The fair value of financial instruments measured at fair value in the consolidated and the Bank statement of financial position were as follows:

	Consolidated			The Bank		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	<i>(in million Baht)</i>					
2019						
Financial assets						
Derivative assets						
- Foreign exchange rate	-	34,989	34,989	-	34,989	34,989
- Interest rate	-	27,573	27,573	-	27,573	27,573
- Others	-	486	486	-	637	637
Total	-	63,048	63,048	-	63,199	63,199
Investments						
- Trading securities	3,192	26,622	29,814	1,592	26,414	28,006
- Available-for-sale securities	952	269,788	270,740	951	269,767	270,718
Total	4,144	296,410	300,554	2,543	296,181	298,724
Total financial assets	4,144	359,458	363,602	2,543	359,380	361,923
Financial liabilities						
Derivative liabilities						
- Foreign exchange rate	-	31,308	31,308	-	31,308	31,308
- Interest rate	-	30,297	30,297	-	30,297	30,297
- Others	-	269	269	-	320	320
Total financial liabilities	-	61,874	61,874	-	61,925	61,925

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	Consolidated			The Bank		
	Level 1	Fair value Level 2	Total	Level 1	Fair value Level 2	Total
2018						
Financial assets						
Derivative assets						
- Foreign exchange rate	-	25,364	25,364	-	25,242	25,242
- Interest rate	-	15,590	15,590	-	15,035	15,035
- Others	-	101	101	-	629	629
Total	-	41,055	41,055	-	40,906	40,906
Investments						
- Trading securities	1,968	11,447	13,415	-	11,411	11,411
- Available-for-sale securities	20,389	412,274	432,663	6,785	242,013	248,798
Total	22,357	423,721	446,078	6,785	253,424	260,209
Total financial assets	22,357	464,776	487,133	6,785	294,330	301,115
Financial liabilities						
Derivative liabilities						
- Foreign exchange rate	-	21,002	21,002	-	21,450	21,450
- Interest rate	-	14,136	14,136	-	14,076	14,076
- Others	116	557	673	-	601	601
Total financial liabilities	116	35,695	35,811	-	36,127	36,127

The Bank and its subsidiaries determine Level 2 fair values for debt securities using quoted market prices for identical or similar instruments in active markets or other inputs that are observable market data.

Level 2 fair values for over-the-counter derivative financial instruments are derived using broker quotes in active markets. Fair values reflect the credit risk of the counterparty for financial assets in the form of derivatives and debt instruments.

5.2 Financial instruments not measured at fair value

Fair value of financial instruments which are not measured at fair value and for which there is a significant difference with carrying amount as at 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
2019				
Financial assets				
Derivative assets	84	151	84	151
Held-to-maturity securities	7,830	8,717	8,115	9,002
Financial liabilities				
Derivative liabilities	63	48	63	48

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	Consolidated		The Bank	
	Carrying amount	Fair value Level 2 <i>(in million Baht)</i>	Carrying amount	Fair value Level 2
2018				
Financial assets				
Derivative assets	628	409	628	409
Held-to-maturity securities	120,645	131,527	10,675	11,479
Financial liabilities				
Derivative liabilities	672	490	672	490

The following methods and assumptions are used in estimating fair market values of financial instruments as disclosed herein:

Interbank and money market items (Assets):	Fair value calculated based on present value of estimated cash flows, using the current interest rate in the money market.
Derivatives:	The fair values of derivatives are obtained from quoted market prices in active markets, where available. Fair values of derivatives in an illiquid market are obtained using an average price (quoted from several reliable sources), valuation technique and a benchmark price of instruments which have similar characteristics, as appropriate.
Investments:	<p>The following methodologies are used to determine the fair value of securities held by the Bank.</p> <ul style="list-style-type: none"> - The fair value of debt securities is estimated based on the Thai Bond Market Association's last average bid price. In situations where no auction prices are available, the fair value is estimated based on the last executed price. For debt securities with no active market price, the fair value is estimated based on the yield curve of debt securities plus a risk premium. - The bidding prices at The Stock Exchange of Thailand on the last business day of the year are used to estimate the fair value of listed private sector equity securities and listed unit trust. - The fair value of non-listed unit trusts is estimated based on the net asset value at the reporting date. - The fair value of foreign debt and equity securities listed on foreign stock exchanges is estimated by using the bid prices at such exchanges as of the last business day of the year. The fair value of non-listed foreign debt and equity securities is determined based on values quoted by reliable international financial institutions.

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Loans to customers and accrued interest receivables:	<ul style="list-style-type: none">- For variable-rate loans that are repriced frequently and have no significant change in credit risk, fair values are based on carrying amount.- Fair values of other loans are estimated using discounted cash flow analyses, using market interest rates or the fair value of collateral. There is no significant difference with the carrying amount.
Deposits and interbank and money market items (Liabilities):	<ul style="list-style-type: none">- The carrying amount disclosed for deposits which are payable on demand by the depositor, are equal to the fair value of such deposits.- Fair values for fixed-deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar deposits.- The carrying amount of interbank and money market items approximates their fair value.
Liabilities payable on demand:	The carrying amount of liabilities payable on demand approximates fair value.
Debt issued and borrowings:	<ul style="list-style-type: none">- The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values.- Fair values of other borrowings are estimated using discounted cash flow analyses based on the Bank's current borrowing rates for similar types of borrowing arrangements.

6 Maintenance of capital fund

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

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

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	Basel III	
	Consolidated Supervision	
	2019	2018
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	307,655	287,738
Disclosed reserves		
Other comprehensive income	13,973	15,944
Other owner changes items	-	(2,365)
Capital deduction items on CET1	<u>(21,052)</u>	<u>(26,754)</u>
Total Tier 1 capital	<u>352,692</u>	<u>326,679</u>
Tier 2 capital		
Subordinated debt	-	20,000
Allowance for classified assets of “normal” category	<u>22,514</u>	<u>23,793</u>
Total Tier 2 capital	<u>22,514</u>	<u>43,793</u>
Total capital funds	<u>375,206</u>	<u>370,472</u>
Total risk weighted assets	2,075,492	2,166,374

	The BoT's regulation minimum requirement*	2019	The BoT's regulation minimum requirement*	2018
			(%)	
Total capital / Total risk weighted assets	11.5	18.1	10.375	17.1
Total Tier 1 capital / Total risk weighted assets	9.0	17.0	7.875	15.1
Total Tier 1 common equity / Total risk weighted assets	7.5	17.0	6.375	15.1
Total Tier 2 capital / Total risk weighted assets		1.1		2.0

* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019, and a D-SIB Buffer of 0.5% from 1 January 2019 increasing to 1.0% from 1 January 2020 onwards.

	2019	2018
	<i>(in million Baht)</i>	
Capital after deducting capital add-on arising from Single Lending Limit	375,206	370,472
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)	18.1	17.1

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	Basel III	
	2019	2018
	The Bank	
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	271,824	258,691
Other comprehensive income	13,632	13,985
Capital deduction items on CET1	<u>(20,260)</u>	<u>(19,609)</u>
Total Tier 1 capital	<u>317,312</u>	<u>305,183</u>
Tier 2 capital		
Subordinated debt	-	20,000
Allowance for classified assets of “normal” category	<u>22,432</u>	<u>22,953</u>
Total Tier 2 capital	<u>22,432</u>	<u>42,953</u>
Total capital funds	<u>339,744</u>	<u>348,136</u>
Total risk weighted assets	2,060,169	2,091,071

	The BoT's regulation minimum requirement*	2019	The BoT's regulation minimum requirement*	2018
Total capital / Total risk weighted assets	11.5	16.5	10.375 (%)	16.6
Total Tier 1 capital / Total risk weighted assets	9.0	15.4	7.875	14.6
Total Tier 1 common equity / Total risk weighted assets	7.5	15.4	6.375	14.6
Total Tier 2 capital / Total risk weighted assets		1.1		2.0

* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.5% in 2019, and a D-SIB Buffer of 0.5% from 1 January 2019 increasing to 1.0% from 1 January 2020 onwards.

	2019	2018
	<i>(in million Baht)</i>	
Capital after deducting capital add-on arising from Single Lending Limit	339,744	348,136
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)	16.5	16.6

Disclosures of capital maintenance information under Bank of Thailand Notification number Sor Nor Sor 4/2556 dated 2 May 2013 on the Public Disclosures of Capital Maintenance for Commercial Banks and Bank of Thailand Notification number Sor Nor Sor 5/2556 dated 2 May 2013 on the Public Disclosures of Capital Maintenance for Financial Group, were as follows:

Location of disclosure	The Bank's website under Investor Relations section at https://www.scb.co.th/en/investor-relations/financial-information.html
Date of disclosure	Within 4 months after the year end date as indicated in the BoT notification
Information as of	31 December 2019

The disclosure for the year ended 31 December 2019 will be provided on or before 30 April 2020 on the Bank's website as noted above.

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Capital management

The Bank and its subsidiaries policies are to maintain a strong capital base so as to provide a cushion against future uncertainties, engender market confidence in the Bank's robustness and to support business growth. Further, the impact of the level of capital on shareholders' returns is also considered together with the need to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

The Bank and its subsidiaries have complied with BoT imposed capital requirements throughout the period and, as noted in the table above, its capital level is well in excess of the minimum requirements.

7 Interbank and money market items, net (Assets)

As at 31 December 2019 and 2018, interbank and money market items, net (Assets) were as follows:

	Consolidated					
	2019		2018			
	Demand	Time	Total	Demand	Time	Total
	<i>(in million Baht)</i>					
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	19,901	346,882	366,783	17,929	289,585	307,514
Commercial banks	2,269	28,117	30,386	3,258	13,665	16,923
Other financial institutions*	<u>300</u>	<u>2,825</u>	<u>3,125</u>	<u>823</u>	<u>8,944</u>	<u>9,767</u>
Total	22,470	377,824	400,294	22,010	312,194	334,204
Add accrued interest receivables	-	85	85	-	794	794
Less allowance for doubtful accounts	<u>-</u>	<u>(100)</u>	<u>(100)</u>	<u>-</u>	<u>(124)</u>	<u>(124)</u>
Total domestic items	<u>22,470</u>	<u>377,809</u>	<u>400,279</u>	<u>22,010</u>	<u>312,864</u>	<u>334,874</u>
Foreign items:						
US Dollar	19,926	8,614	28,540	25,191	13,539	38,730
Japanese Yen	357	-	357	503	-	503
Euro	277	-	277	247	-	247
Other currencies	<u>3,601</u>	<u>497</u>	<u>4,098</u>	<u>3,656</u>	<u>-</u>	<u>3,656</u>
Total	24,161	9,111	33,272	29,597	13,539	43,136
Add accrued interest receivables	-	16	16	-	18	18
Less allowance for doubtful accounts	<u>-</u>	<u>(57)</u>	<u>(57)</u>	<u>-</u>	<u>(123)</u>	<u>(123)</u>
Total foreign items	<u>24,161</u>	<u>9,070</u>	<u>33,231</u>	<u>29,597</u>	<u>13,434</u>	<u>43,031</u>
Total domestic and foreign items	<u>46,631</u>	<u>386,879</u>	<u>433,510</u>	<u>51,607</u>	<u>326,298</u>	<u>377,905</u>

* Other financial institutions represent financial institutions which have a license to offer interest bearing loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

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	The Bank					
	Demand	2019 Time	Total	Demand	2018 Time	Total
	<i>(in million Baht)</i>					
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	19,901	346,882	366,783	17,929	289,585	307,514
Commercial banks	2,133	28,118	30,251	2,422	4,395	6,817
Other financial institutions*	300	2,825	3,125	1,124	8,944	10,068
Total	22,334	377,825	400,159	21,475	302,924	324,399
<i>Add</i> accrued interest receivables	-	85	85	-	100	100
<i>Less</i> allowance for doubtful accounts	-	(100)	(100)	-	(124)	(124)
Total domestic items	22,334	377,810	400,144	21,475	302,900	324,375
Foreign items:						
US Dollar	17,682	4,754	22,436	23,137	10,242	33,379
Japanese Yen	357	-	357	503	-	503
Euro	277	-	277	247	-	247
Other currencies	3,595	492	4,087	3,645	-	3,645
Total	21,911	5,246	27,157	27,532	10,242	37,774
<i>Add</i> accrued interest receivables	-	7	7	-	7	7
<i>Less</i> allowance for doubtful accounts	-	(57)	(57)	-	(123)	(123)
Total foreign items	21,911	5,196	27,107	27,532	10,126	37,658
Total domestic and foreign items	44,245	383,006	427,251	49,007	313,026	362,033

* Other financial institutions represent financial institutions which have a license to offer interest bearing loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

As at 31 December 2019, the Bank and its subsidiaries had restricted on interbank and money market items of Baht 1,165 million (2018: Baht 1,264 million).

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8 Derivatives

Derivatives are financial instruments whose characteristics are derived from fair value of underlying assets, or from interest and exchange rates or indices. The following derivatives are used by the Bank:

- 1 Forward exchange contracts which are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.
- 2 Currency and interest rate swaps which are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies and may also involve the exchange of related interest payments.
- 3 Interest rate swaps which are agreements that involve the exchange of interest obligations for a specified period without exchanging the underlying or notional principal.
- 4 Equity derivatives which are agreements that determined values based on level of the underlying equity's price or price of equity group or Equity Index.
- 5 Credit derivatives which are agreements to buy or sell guarantees of credit risk related to the ability to repay underlying assets.
- 6 Commodity derivatives which are a purchase or a sale of an underlying product or the exchange of cash flow calculated from a reference volume of product multiplied by the agreed price within a period of time and conditions as agreed in the contract.

The Bank has implemented policies to manage the foreign exchange risk and interest rate risk arising from the volatility of foreign exchange rates and interest rates by using derivatives for serving the client's needs as well as the Bank's assets and liabilities management needs. The Bank controls the counterparty risks by setting-up the credit limits, and controls the market risk by setting-up limits for management action triggers, net open position, basis point value, value at risk and management stress triggers.

The notional amount of derivatives at the year end does not represent the risk exposure arising from derivative transactions. The risks arising from derivatives will depend on the changes in the price of each derivative type before maturity of the contract.

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As at 31 December 2019 and 2018, the notional amount of derivatives was as follows:

	Consolidated			Total
	2019			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,389,622	13,794	-	1,403,416
Foreign currency swap contracts	111,977	299,222	128,903	540,102
Interest rate swap contracts	727,545	1,094,745	339,846	2,162,136
Equity derivatives	8,663	386	-	9,049
Commodity derivatives	103	-	-	103

	Consolidated			Total
	2018			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,169,594	21,705	1,948	1,193,247
Foreign currency swap contracts	101,712	307,835	151,452	560,999
Interest rate swap contracts	647,429	1,279,355	383,705	2,310,489
Equity derivatives	4,888	2,317	-	7,205
Commodity derivatives	563	-	-	563

	The Bank			Total
	2019			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,389,626	13,794	-	1,403,420
Foreign currency swap contracts	111,977	299,222	128,903	540,102
Interest rate swap contracts	727,545	1,094,745	339,846	2,162,136
Equity derivatives	8,969	386	-	9,355
Commodity derivatives	103	-	-	103

	The Bank			Total
	2018			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,169,594	21,705	1,948	1,193,247
Foreign currency swap contracts	103,010	314,225	148,481	565,716
Interest rate swap contracts	641,829	1,259,200	385,338	2,286,367
Equity derivatives	7,251	3,159	-	10,410
Commodity derivatives	563	-	-	563

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8.1 Trading book derivatives

As at 31 December 2019 and 2018, fair value and notional amount classified by type of risk were as follows:

Type of risk	Consolidated					
	2019		Notional amount	2018		Notional amount
	Fair value Assets	Fair value Liabilities		Fair value Assets	Fair value Liabilities	
	<i>(in million Baht)</i>					
Foreign exchange rate	34,989	31,308	1,905,097	25,364	21,002	1,645,232
Interest rate	27,573	30,297	2,102,643	15,590	14,136	2,247,376
Equity derivatives	482	265	9,049	83	656	7,205
Commodity derivatives	4	4	103	18	17	563
Total	63,048	61,874	4,016,892	41,055	35,811	3,900,376

Type of risk	The Bank					
	2019		Notional Amount	2018		Notional amount
	Fair value Assets	Fair value Liabilities		Fair value Assets	Fair value Liabilities	
	<i>(in million Baht)</i>					
Foreign exchange rate	34,989	31,308	1,905,101	25,242	21,450	1,649,949
Interest rate	27,573	30,297	2,102,643	15,035	14,076	2,223,254
Equity derivatives	633	316	9,355	611	584	10,410
Commodity derivatives	4	4	103	18	17	563
Total	63,199	61,925	4,017,202	40,906	36,127	3,884,176

8.2 Banking book derivatives

As at 31 December 2019 and 2018, carrying amount and notional amount classified by type of risk were as follows:

Type of risk	Consolidated and the Bank					
	2019		Notional amount	2018		Notional Amount
	Carrying amount Assets	Carrying amount Liabilities		Carrying amount Assets	Carrying amount Liabilities	
	<i>(in million Baht)</i>					
Foreign exchange rate	84	63	38,421	628	672	109,014
Interest rate*	455	4	59,493	112	51	63,113
Total	539	67	97,914	740	723	172,127

* Carrying amount at the end of the year for interest rate swap contracts held for banking book are accrued interest receivables or payables based on the contracts. Accrued interest receivables are presented as a part of "Other assets" and accrued interest payables are presented as a part of "Other liabilities" in the consolidated and the Bank's financial statements.

The carrying amount of derivative assets and liabilities for trading book derivatives is based on fair value and banking book derivatives is based on an accrual basis in accordance with the accounting policy disclosed in note 3.31.

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As at 31 December 2019 and 2018, the proportions, determined based on the notional amount of derivatives contracts divided by type of counterparty were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	(%)			
Counterparty				
Financial institutions	75.69	71.04	75.68	70.57
Affiliated companies	-	-	0.05	0.38
Third parties	24.31	28.96	24.27	29.05

9 Investments, net

9.1 Classification of investments in securities

As at 31 December 2019 and 2018, the investments in securities of the Bank and its subsidiaries were classified as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	Fair value	Fair value	Fair value	Fair value
	(in million Baht)			
Trading securities				
Government and state enterprise securities	22,072	9,974	22,040	9,944
Corporate debt securities	4,550	1,473	4,374	1,467
Domestic equity securities	3,192	1,968	1,592	-
Total	29,814	13,415	28,006	11,411

	Consolidated		The Bank	
	2019	2018	2019	2018
	Fair value	Fair value	Fair value	Fair value
	(in million Baht)			
Available-for-sale securities				
Government and state enterprise securities	258,768	348,508	258,768	228,742
Corporate debt securities	-	39,497	-	-
Foreign debt securities	10,999	24,249	10,999	13,271
Domestic equity securities	949	18,528	928	4,904
Foreign equity securities	24	1,881	23	1,881
Total	270,740	432,663	270,718	248,798

	Consolidated		The Bank	
	2019	2018	2019	2018
	Cost /	Cost /	Cost /	Cost /
	Amortised	Amortised	Amortised	Amortised
	cost	cost	cost	cost
	(in million Baht)			
Held-to-maturity securities				
Government and state enterprise securities	7,586	119,074	7,575	10,072
Corporate debt securities	30	68	326	364
Foreign debt securities	214	239	214	239
Other securities	-	1,300	-	-
Total	7,830	120,681	8,115	10,675
Less allowance for impairment	-	(36)	-	-
Total	7,830	120,645	8,115	10,675

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	Consolidated		The Bank	
	2019 Cost	2018 Cost	2019 Cost	2018 Cost
	<i>(in million Baht)</i>			
General investments				
Domestic non-marketable equity securities	724	1,023	707	1,003
Foreign non-marketable equity securities	<u>3,192</u>	<u>1,296</u>	<u>3,192</u>	<u>1,296</u>
Total	3,916	2,319	3,899	2,299
Less allowance for impairment	<u>(235)</u>	<u>(188)</u>	<u>(233)</u>	<u>(188)</u>
Total	<u>3,681</u>	<u>2,131</u>	<u>3,666</u>	<u>2,111</u>
Total investments, net	<u>312,065</u>	<u>568,854</u>	<u>310,505</u>	<u>272,995</u>

Investments in the consolidated financial statements as at 31 December 2019 reflected the impact from divestment in SCB Life Assurance PCL.

9.2 Unrealised gains (losses) on available-for-sale securities and held-to-maturity securities

As at 31 December 2019 and 2018, unrealised gains (losses) on available-for-sale securities and held-to-maturity securities were as follows:

Type of securities	Consolidated							
	2019				2018			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised cost	Unrealised gains	Unrealised losses	Fair value
	<i>(in million Baht)</i>							
Available-for-sale securities	269,416*	1,525	(201)	270,740	430,342*	5,955	(3,634)	432,663
Held-to-maturity securities	<u>7,830*</u>	<u>887</u>	<u>-</u>	<u>8,717</u>	<u>120,645*</u>	<u>10,945</u>	<u>(63)</u>	<u>131,527</u>
Total	<u>277,246</u>	<u>2,412</u>	<u>(201)</u>	<u>279,457</u>	<u>550,987</u>	<u>16,900</u>	<u>(3,697)</u>	<u>564,190</u>

Type of securities	The Bank							
	2019				2018			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised cost	Unrealised gains	Unrealised losses	Fair value
	<i>(in million Baht)</i>							
Available-for-sale securities	269,397*	1,522	(201)	270,718	247,609*	1,882	(693)	248,798
Held-to-maturity securities	<u>8,115*</u>	<u>887</u>	<u>-</u>	<u>9,002</u>	<u>10,675*</u>	<u>804</u>	<u>-</u>	<u>11,479</u>
Total	<u>277,512</u>	<u>2,409</u>	<u>(201)</u>	<u>279,720</u>	<u>258,284</u>	<u>2,686</u>	<u>(693)</u>	<u>260,277</u>

* Net of allowance for impairment

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9.3 Investments in companies with holding of 10% and upwards

As at 31 December 2019 and 2018, investments in mutual funds and financial services companies as well as other companies, other than subsidiaries and associate, of which the Bank and its subsidiaries hold 10% or more of the fund or the paid-up capital in each company, classified by industry, were as follows:

	Number of companies	Consolidated		Number of companies	The Bank	
		2019 (in million Baht)	2018 (in million Baht)		2019 (in million Baht)	2018 (in million Baht)
Mutual funds and financial services	2	-	-	2	-	-
Others	8-9	343	216	7-8	343	216
		343	216		343	216

9.4 Investments in companies with problems in their financial positions

As at 31 December 2019, the Bank and its subsidiaries held investments in a number of securities issued by companies with problems in their financial positions and operating results. The Bank and its subsidiaries have made a provision for diminution in the value of securities equal to the amount by which the cost exceeds the market value of respective securities. The aggregate cost of these securities is Baht 276 million (2018: Baht 59 million).

10 Investments in subsidiaries and associate, net

10.1 Type of investments in subsidiaries and associate

As at 31 December 2019 and 2018, the Bank and its subsidiaries had an investment in associate, net of allowance for impairment were as follows:

	Type of business	Type of share	Direct and indirect shareholding		Consolidated Investment value			
			2019	2018	Cost method		Equity method	
					2019	2018	2019	2018
			(%)		(in million Baht)			
Associate								
Sahaviriya Steel Industries PCL [*]	Steel industry	Common	40.2	40.2	-	-	78	47
Total investments in associate, net					-	-	78	47

* On 28 March 2018, the Bank acquired common shares in Sahaviriya Steel Industries Public Company Limited through a debt-to-equity swap under a rehabilitation plan.

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As at 31 December 2019 and 2018, the Bank had investments in subsidiaries and associate, net of allowance for impairment and dividend income for the years were as follows:

	Type of business	Type of share	Direct shareholding		The Bank Investment value Cost method		Dividend income for the year	
			2019	2018	2019	2018	2019	2018
			(%)		(in million Baht)			
Subsidiaries								
Finance & Insurance								
Cambodian Commercial Bank Ltd.	Banking	Common	100.0	100.0	2,688	2,688	100	130
Rutchayothin Assets Management Co., Ltd.	Asset management	Common	100.0	100.0	25	25	-	-
SCB Securities Co., Ltd.	Securities	Common	100.0	100.0	2,207	2,207	185	12
SCB-Julius Baer Securities Co., Ltd.	Securities	Common	60.0	60.0	1,080	972	-	-
SCB Asset Management Co., Ltd.	Asset management	Common	100.0	100.0	222	222	1,353	474
Siam Commercial Leasing PCL*	Collection	Common	-	99.4	-	1,533	-	-
SCB Life Assurance PCL**	Life insurance	Common	-	99.2	-	12,540	-	-
Services								
SCB Training Centre Co., Ltd.	Training center	Common	100.0	100.0	390	390	-	-
Siam Phitiwat Co., Ltd.*	Appraisal services	Common	-	100.0	-	10	-	-
SCB Plus Co., Ltd.	Collection	Common	100.0	100.0	1	1	350	423
SCB Protect Co., Ltd.	Non-life insurance broker	Common	100.0	100.0	2	2	-	10
SCB Abacus Co., Ltd.	Data analytics and digital lending	Common	100.0	100.0	250	10	-	-
Other								
Sor. Or. Kor. PCL***	Commercial	Common	99.7	99.7	583	583	-	-
Indirect subsidiaries								
Mahisorn Co., Ltd.****	Property management	Common	-	-	-	-	-	-
Digital Ventures Co., Ltd.*****	Financial technology and venture capital	Common	-	-	-	-	-	-
SCB-Julius Baer (Singapore) Pte. Ltd.*****	Securities	Common	-	-	-	-	-	-
Associate								
Sahaviriya Steel Industries PCL*****	Steel industry	Common	40.2	40.2	-	-	-	-
Total					7,448	21,183	1,988	1,049
<i>Less allowance for impairment</i>					(720)	(2,194)		
Total investments in subsidiaries and associate, net					6,728	18,989		

* The Company was liquidated during 2019.

** On 26 September 2019, the Bank sold all its shares in SCB Life Assurance PCL.

*** The Company is under liquidation.

**** Subsidiary of SCB Plus Co., Ltd. (100% shareholding)

***** Subsidiary of SCB Securities Co., Ltd. (100% shareholding)

***** Subsidiary of SCB-Julius Baer Securities Co., Ltd. (100% shareholding)

***** On 28 March 2018, the Bank acquired common shares in Sahaviriya Steel Industries Public Company Limited through a debt-to-equity swap under a rehabilitation plan.

All subsidiaries and associate were registered and operate in Thailand except for the Cambodian Commercial Bank Ltd. and SCB-Julius Baer (Singapore) Pte. Ltd., which were registered and operate in Cambodia and Singapore, respectively.

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10.2 Divestment in SCB Life Assurance PCL

On 1 July 2019, the Bank entered into a binding Share Sale Agreement with FWD Group Financial Services Pte. Ltd. to sell its entire stake in SCB Life Assurance PCL.

On 6 August 2019, the Extraordinary General Meeting of Shareholders has approved to sell its entire stake in SCB Life Assurance PCL to FWD Group Financial Services Pte. Ltd.

On 26 September 2019, the Bank sold all its shares (99.2%) in SCB Life Assurance PCL. From the shares sold, the Bank has received a total consideration of Baht 92,720 million, of which Baht 75,000 million was the share sale, resulting in net gain on sale of investment in subsidiary of Baht 24,024 million and Baht 61,900 million in the consolidated and the Bank's financial statements, respectively. The Bank entered into a long-term Distribution Agreement with FWD Group Financial Services Pte. Ltd. to offer the life insurance product to the customers through the Bank's distribution channels for a period of 15 years. An amount of Baht 17,720 million from the total consideration has been recorded as deferred income which was included in other liabilities and will be recognised as income over 15 years. The Bank will also receive payments common in bancassurance transactions over the course of the Distribution Agreement.

The financial performance of SCB Life Assurance PCL was included in the consolidated financial statements of the Group up to 26 September 2019. Total revenue and net profit of SCB Life Assurance PCL for the period from 1 January 2019 to 26 September 2019 are Baht 44,698 million and Baht 3,078 million, respectively.

10.3 Interest in unconsolidated structured entity arising in the normal course of business

The Bank and its asset management subsidiary have transactions with unconsolidated structured entities, through various activities such as involvement in the establishment process, fund management, acting as the trustee, as well as providing source of funds. These structured entities are normally in the form of mutual funds.

The provision of funds is in the form of loans which are on normal business terms. These loans are managed in the same way as all other loans. The outstanding loans to these structured entities as at 31 December 2019 and 2018 amounted to Baht 6,737 million and Baht 6,797 million, respectively.

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11 Loans to customers and accrued interest receivables, net

11.1 Classified by product as at 31 December 2019 and 2018.

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Overdrafts	95,888	99,514	95,365	98,985
Loans	1,399,240	1,436,866	1,396,175	1,422,820
Bills	321,640	334,411	321,640	334,411
Finance leases	252,000	232,155	252,000	232,155
Others	78,099	67,155	76,775	65,962
Less deferred revenue	<u>(33,080)</u>	<u>(29,540)</u>	<u>(33,079)</u>	<u>(29,540)</u>
Total loans to customers, net	2,113,787	2,140,561	2,108,876	2,124,793
Add accrued interest receivables	2,946	3,334	2,920	3,028
Total loans to customers and accrued interest receivables, net	2,116,733	2,143,895	2,111,796	2,127,821
Less allowance for doubtful accounts				
- allowance established per BoT regulations				
- Individual approach	(58,631)	(51,914)	(57,990)	(51,165)
- Collective approach	(8,546)	(7,298)	(8,546)	(7,298)
- allowance established in excess of BoT minimum regulations	(43,973)	(40,193)	(43,969)	(40,184)
Less revaluation allowance for debt restructuring	<u>(3,122)</u>	<u>(3,868)</u>	<u>(3,122)</u>	<u>(3,868)</u>
Total	<u>2,002,461</u>	<u>2,040,622</u>	<u>1,998,169</u>	<u>2,025,306</u>

11.2 Classified by currency and residence of customer as at 31 December 2019 and 2018.

	Consolidated					
	2019		2018		Total	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
	<i>(in million Baht)</i>					
Baht	2,010,289	26,480	2,036,769	2,012,890	26,800	2,039,690
US Dollar	33,966	34,001	67,967	35,593	46,154	81,747
Other currencies	4,761	4,290	9,051	5,990	13,134	19,124
Total			<u>2,113,787</u>			<u>2,140,561</u>

	The Bank					
	2019		2018		Total	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
	<i>(in million Baht)</i>					
Baht	2,008,162	26,480	2,034,642	2,000,051	26,800	2,026,851
US Dollar	33,966	31,484	65,450	35,593	43,225	78,818
Other currencies	4,761	4,023	8,784	5,990	13,134	19,124
Total			<u>2,108,876</u>			<u>2,124,793</u>

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11.3 Classified by business type and quality of loan classification as at 31 December 2019 and 2018.

	Consolidated											
	2019					2018						
	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *
	<i>(in million Baht)</i>											
Agriculture and mining	12,726	387	125	165	3,417	16,820	17,071	195	2,074	126	332	19,798
Manufacturing and commercial	499,219	22,273	12,163	5,921	15,325	554,901	558,753	19,315	8,819	3,583	19,871	610,341
Real estate and construction	152,772	4,214	9,734	484	2,594	169,798	158,998	3,278	982	410	2,972	166,640
Utilities and services	353,755	3,382	1,803	1,155	3,183	363,278	367,705	2,359	622	1,041	4,549	376,276
Housing loans	515,944	12,122	6,086	6,850	3,386	544,388	526,324	10,795	6,134	5,762	3,757	552,772
Others	429,295	22,486	6,243	3,246	3,332	464,602	387,441	17,938	4,372	2,324	2,659	414,734
Total *	1,963,711	64,864	36,154	17,821	31,237	2,113,787	2,016,292	53,880	23,003	13,246	34,140	2,140,561

	The Bank											
	2019					2018						
	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *
	<i>(in million Baht)</i>											
Agriculture and mining	12,668	387	125	165	3,417	16,762	17,024	195	2,074	126	332	19,751
Manufacturing and commercial	496,853	22,037	12,163	5,921	15,325	552,299	557,190	19,281	8,819	3,583	19,871	608,744
Real estate and construction	152,762	4,214	9,734	484	1,789	168,983	158,998	3,278	982	410	2,025	165,693
Utilities and services	353,755	3,382	1,803	1,155	3,183	363,278	366,478	2,359	622	1,041	4,549	375,049
Housing loans	515,895	12,122	6,086	6,850	3,386	544,339	526,266	10,795	6,134	5,762	3,757	552,714
Others	427,966	22,486	6,243	3,246	3,274	463,215	375,608	17,938	4,372	2,324	2,600	402,842
Total *	1,959,899	64,628	36,154	17,821	30,374	2,108,876	2,001,564	53,846	23,003	13,246	33,134	2,124,793

* Net of deferred revenue, excludes accrued interest receivables

11.4 Finance leases

As at 31 December 2019 and 2018, finance leases were as follows:

	Consolidated and the Bank							
	2019				2018			
	Amount due				Amount due			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Total of gross investments in the lease	65,408	170,718	15,874	252,000	62,426	158,195	11,534	232,155
Less deferred revenue				(32,850)				(29,126)
Present value of the lease payments				219,150				203,029
Allowance for doubtful accounts				(8,546)				(7,298)
Finance leases, net				210,604				195,731

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11.5 Loans to listed companies identified for delisting

	Consolidated and the Bank									
	2019				2018					
	No. of companies	Loans and accrued interest receivables*	Collateral	Amount of provision	No. of companies	Loans and accrued interest receivables*	Collateral	Amount of provision		
		<i>(in million Baht)</i>					<i>(in million Baht)</i>			
Listed companies identified for delisting	2	8,408	3,810	3,103	3	10,996	5,449	8,291		

* Including loans to financial institutions but excluding other expenses

11.6 Non-Performing Loans

As at 31 December 2019 and 2018, the Bank used the guidelines specified in the BoT's notification dated 10 June 2016 in determining Non-Performing Loans which consist of loans classified as sub-standard, doubtful, doubtful loss and loss under the BoT's guideline. The amounts were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Non-Performing Loans (net of allowance for doubtful accounts)	42,761	35,699	42,498	35,406
% of Non-Performing Loans to total loans (net)	1.7	1.5	1.7	1.5
Non-Performing Loans (gross)	85,212	70,389	84,349	69,383
% of Non-Performing Loans to total loans	3.4	2.9	3.4	2.8

As at 31 December 2019, Rutchayothin Assets Management Co., Ltd. which is a subsidiary of the Bank, had Non-Performing Loans of Baht 374 million (2018: Baht 421 million). However, the Non-Performing Loans based on principal of loan purchased from the Bank and its subsidiaries as at 31 December 2019 was Baht 804 million (2018: Baht 947 million).

11.7 Non-accrual loans

As at 31 December 2019 and 2018, non-accrual loans, gross, (including loans to financial institutions), were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Loans where recognition of income has been suspended *	73,170	61,321	72,300	60,308
% of loans where recognition of income has been suspended	2.9	2.5	2.9	2.5

* Non-accrual loans as announced by the Bank of Thailand notification number Sor Nor Sor 20/2558

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11.8 Classified assets

As at 31 December 2019 and 2018, classified assets were as follows:

	Consolidated					Total
	2019					
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	
	<i>(in million Baht)</i>					
Normal	1,966,438	385,755	-	-	78	2,352,271
Special Mention	64,996	8	-	-	77	65,081
Sub-Standard	36,234	-	-	-	19	36,253
Doubtful	17,821	-	-	-	18	17,839
Doubtful Loss	31,244	-	944	436	773	33,397
	<u>2,116,733</u>	<u>385,763</u>	<u>944</u>	<u>436</u>	<u>965</u>	<u>2,504,841</u>

	Consolidated					Total
	2018					
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	
	<i>(in million Baht)</i>					
Normal	2,019,500	327,545	-	-	19	2,347,064
Special Mention	53,968	-	-	-	5	53,973
Sub-Standard	23,034	-	-	-	3	23,037
Doubtful	13,246	-	-	-	5	13,251
Doubtful Loss	34,147	-	4,091	559	1,012	39,809
	<u>2,143,895</u>	<u>327,545</u>	<u>4,091</u>	<u>559</u>	<u>1,044</u>	<u>2,477,134</u>

* Net of deferred revenue

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The Bank						
2019						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
			<i>(in million Baht)</i>			
Normal	1,962,612	385,755	-	-	78	2,348,445
Special Mention	64,755	8	-	-	77	64,840
Sub-Standard	36,234	-	-	-	19	36,253
Doubtful	17,821	-	-	-	18	17,839
Doubtful Loss	30,374	-	1,511	368	688	32,941
	<u>2,111,796</u>	<u>385,763</u>	<u>1,511</u>	<u>368</u>	<u>880</u>	<u>2,500,318</u>

The Bank						
2018						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
			<i>(in million Baht)</i>			
Normal	2,004,473	318,081	-	-	19	2,322,573
Special Mention	53,934	-	-	-	5	53,939
Sub-Standard	23,034	-	-	-	3	23,037
Doubtful	13,246	-	-	-	5	13,251
Doubtful Loss	33,134	-	3,208	556	984	37,882
	<u>2,127,821</u>	<u>318,081</u>	<u>3,208</u>	<u>556</u>	<u>1,016</u>	<u>2,450,682</u>

* Net of deferred revenue

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11.9 Allowance for doubtful accounts

11.9.1 Loans classified by quality as at 31 December 2019 and 2018 (inclusive of accrued interest receivables)

	Consolidated						Total
	2019						
	Individual approach (All loans except for finance leases)			Collective approach (Finance leases)			
	Net amount used to			Net amount used to			
Loans and accrued interest receivables (in million Baht)	set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Loans and accrued interest receivables (in million Baht)	Allowance for doubtful accounts***		
Minimum allowance of BoT regulations							
- Normal	1,768,195	1,734,439*	1	17,334	198,243	3,069	20,403
- Special Mention	49,103	48,122*	2	965	15,893	3,075	4,040
- Sub-Standard	34,389	18,717**	100	18,717	1,845	901	19,618
- Doubtful	16,842	5,898**	100	5,898	979	455	6,353
- Doubtful Loss	29,054	15,717**	100	15,717	2,190	1,046	16,763
Total	<u>1,897,583</u>	<u>1,822,893</u>		<u>58,631</u>	<u>219,150</u>	<u>8,546</u>	67,177
Allowance established in excess of BoT regulations							<u>43,973</u>
Total							<u>111,150</u>

	Consolidated						Total
	2018						
	Individual approach (All loans except for finance leases)			Collective approach (Finance leases)			
	Net amount used to			Net amount used to			
Loans and accrued interest receivables (in million Baht)	set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Loans and accrued interest receivables (in million Baht)	Allowance for doubtful accounts***		
Minimum allowance of BoT regulations							
- Normal	1,832,982	1,790,588*	1	17,788	186,518	2,873	20,661
- Special Mention	41,113	40,176*	2	803	12,855	2,697	3,500
- Sub-Standard	21,718	12,189**	100	12,189	1,316	642	12,831
- Doubtful	12,682	4,057**	100	4,057	564	261	4,318
- Doubtful Loss	32,371	17,077**	100	17,077	1,776	825	17,902
Total	<u>1,940,866</u>	<u>1,864,087</u>		<u>51,914</u>	<u>203,029</u>	<u>7,298</u>	59,212
Allowance established in excess of BoT regulations							<u>40,193</u>
Total							<u>99,405</u>

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

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	The Bank							Total
	2019							
	Individual approach (All loans except for finance leases)				Collective approach (Finance leases)			
	Net amount used to				Net amount used to			
Loans and accrued interest receivables <i>(in million Baht)</i>	set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Loans and accrued interest receivables <i>(in million Baht)</i>	Allowance for doubtful accounts***			
Minimum allowance of BoT regulations								
- Normal	1,764,369	1,730,625*	1	17,306	198,243	3,069	20,375	
- Special Mention	48,862	47,886*	2	958	15,893	3,075	4,033	
- Sub-Standard	34,389	18,717**	100	18,717	1,845	901	19,618	
- Doubtful	16,842	5,898**	100	5,898	979	455	6,353	
- Doubtful Loss	<u>28,184</u>	<u>15,111**</u>	100	<u>15,111</u>	<u>2,190</u>	<u>1,046</u>	<u>16,157</u>	
Total	<u><u>1,892,646</u></u>	<u><u>1,818,237</u></u>		<u><u>57,990</u></u>	<u><u>219,150</u></u>	<u><u>8,546</u></u>	<u><u>66,536</u></u>	
Allowance established in excess of BoT regulations							<u>43,969</u>	
Total							<u><u>110,505</u></u>	

	The Bank							Total
	2018							
	Individual approach (All loans except for finance leases)				Collective approach (Finance leases)			
	Net amount used to				Net amount used to			
Loans and accrued interest receivables <i>(in million Baht)</i>	set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Loans and accrued interest receivables <i>(in million Baht)</i>	Allowance for doubtful accounts***			
Minimum allowance of BoT regulations								
- Normal	1,817,955	1,775,859*	1	17,759	186,518	2,873	20,632	
- Special Mention	41,079	40,142*	2	803	12,855	2,697	3,500	
- Sub-Standard	21,718	12,189**	100	12,189	1,316	642	12,831	
- Doubtful	12,682	4,057**	100	4,057	564	261	4,318	
- Doubtful Loss	<u>31,358</u>	<u>16,357**</u>	100	<u>16,357</u>	<u>1,776</u>	<u>825</u>	<u>17,182</u>	
Total	<u><u>1,924,792</u></u>	<u><u>1,848,604</u></u>		<u><u>51,165</u></u>	<u><u>203,029</u></u>	<u><u>7,298</u></u>	<u><u>58,463</u></u>	
Allowance established in excess of BoT regulations							<u>40,184</u>	
Total							<u><u>98,647</u></u>	

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

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Following an assessment of the ultimate collectability of the Bank's consolidated loan portfolio, the management of the Bank and its subsidiaries believe that the allowance for doubtful accounts established was adequate as at 31 December 2019 and 2018 and in compliance with the BoT's guidelines, including an assessment for "Possible Impaired Loans", as directed by them. The aggregate allowance is based on both quantitative criteria noted above and qualitative criteria that reflects management judgment.

11.9.2 Changes to the allowance for doubtful accounts

As at 31 December 2019 and 2018, the changes to the allowance for doubtful accounts were as follows:

	Consolidated					Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss		
	2019						
	<i>(in million Baht)</i>						
As at 1 January 2019	20,661	3,500	12,831	4,318	17,902	40,193	99,405
Bad debt and doubtful accounts	(256)	540	6,787	2,035	26,640	3,390	39,136
Bad debts written off	-	-	-	-	(27,779)	-	(27,779)
Others	(2)	-	-	-	-	390	388
As at 31 December 2019	<u>20,403</u>	<u>4,040</u>	<u>19,618</u>	<u>6,353</u>	<u>16,763</u>	<u>43,973</u>	<u>111,150</u>
	2018						
	<i>(in million Baht)</i>						
As at 1 January 2018	19,964	3,225	7,961	4,163	18,206	32,180	85,699
Bad debt and doubtful accounts	697	275	4,870	155	13,298	7,756	27,051
Bad debts written off	-	-	-	-	(13,602)	-	(13,602)
Others	-	-	-	-	-	257	257
As at 31 December 2018	<u>20,661</u>	<u>3,500</u>	<u>12,831</u>	<u>4,318</u>	<u>17,902</u>	<u>40,193</u>	<u>99,405</u>

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	The Bank						Allowance established in excess of BoT regulations	Total
	2019							
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Doubtful Loss		
	<i>(in million Baht)</i>							
As at 1 January 2019	20,632	3,500	12,831	4,318	17,182	40,184	98,647	
Bad debt and doubtful accounts	(257)	533	6,787	2,035	26,669	3,395	39,162	
Bad debts written off	-	-	-	-	(27,694)	-	(27,694)	
Others	-	-	-	-	-	390	390	
As at 31 December 2019	<u>20,375</u>	<u>4,033</u>	<u>19,618</u>	<u>6,353</u>	<u>16,157</u>	<u>43,969</u>	<u>110,505</u>	

	The Bank						Allowance established in excess of BoT regulations	Total
	2018							
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Doubtful Loss		
	<i>(in million Baht)</i>							
As at 1 January 2018	19,939	3,225	7,961	4,163	17,477	32,171	84,936	
Bad debt and doubtful accounts	693	275	4,870	155	13,307	7,756	27,056	
Bad debts written off	-	-	-	-	(13,602)	-	(13,602)	
Others	-	-	-	-	-	257	257	
As at 31 December 2018	<u>20,632</u>	<u>3,500</u>	<u>12,831</u>	<u>4,318</u>	<u>17,182</u>	<u>40,184</u>	<u>98,647</u>	

12 Troubled debt restructuring

During the years ended 31 December 2019 and 2018, troubled debt restructuring was as follows:

Types of debt restructuring	Consolidated and the Bank										
	No. of accounts		Outstanding debts				Transferred assets		Loss on		
			Before debt restructuring		After debt restructuring		Types	Fair value		debt restructuring	
	2019	2018	2019	2018	2019	2018		2019	2018	2019	2018
	<i>(in million Baht)</i>										
Debt restructuring in various forms	54	3	149	328	141	321	Immovable properties	1	-	1	-
Changes of repayment conditions	<u>11,576</u>	<u>3,215</u>	<u>21,472</u>	<u>7,727</u>	<u>21,354</u>	<u>7,597</u>		-	-	157	40
Total	<u>11,630</u>	<u>3,218</u>	<u>21,621</u>	<u>8,055</u>	<u>21,495</u>	<u>7,918</u>		<u>1</u>	<u>-</u>	<u>158</u>	<u>40</u>

As at 31 December 2019 and 2018, the Bank and its subsidiaries had outstanding balances relating to troubled debt restructured loans were as follows:

	Consolidated and the Bank			
	2019		2018	
	No. of accounts	Outstanding debts	No. of accounts	Outstanding debts
	<i>(in million Baht)</i>		<i>(in million Baht)</i>	
Restructured loans which were classified as NPL	1,926	10,166	1,540	10,257
Restructured loans which were not classified as NPL	<u>21,078</u>	<u>30,804</u>	<u>13,196</u>	<u>23,236</u>
Total	<u>23,004</u>	<u>40,970</u>	<u>14,736</u>	<u>33,493</u>

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Supplementary information relating to restructured loans for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated and the Bank	
	2019	2018
	<i>(in million Baht)</i>	
Interest income recognised in the statement of profit or loss and other comprehensive income	1,037	1,021

Revaluation allowance for debt restructuring

As at 31 December 2019 and 2018, the changes to the revaluation allowance for debt restructuring were as follows:

	Consolidated and the Bank	
	2019	2018
	<i>(in million Baht)</i>	
Beginning balance	3,868	4,291
Decrease during the year	(746)	(423)
Ending balance	<u>3,122</u>	<u>3,868</u>

13 Disclosure of the statement of cash flows of the asset management company

In accordance with the BoT's letter number Sor Nor Sor (01) Wor 3258/2543 dated 27 November 2000, relating to the regulations of the asset management company (AMC), the Bank is required to disclose the statement of cash flows of the AMC in the notes to the financial statements. The statement of cash flows of Rutchayothin Assets Management Co., Ltd. were as follows:

Rutchayothin Assets Management Co., Ltd.
Statement of cash flows

	For the year ended 31 December	
	2019	2018
	(Unaudited)	(Audited)
	<i>(in million Baht)</i>	
Cash flows from operating activities		
Profit from operating before income tax expense	23	1
<i>Adjustments to reconcile profit from operating before income tax to cash receipts (payments) from operating activities</i>		
Reversal impairment loss on loans and debt securities	(32)	(9)
Net interest expenses	7	6
Losses from operating before changes in operating assets and liabilities	(2)	(2)
<i>(Increase) decrease in operating assets</i>		
Intercompany and money market items	(10)	24
Investments	58	17
<i>(Decrease) increase in operating liabilities</i>		
Debt issued and short-term borrowings	(44)	(42)
Accrued expense	1	-
Other liabilities	(3)	3
Net cash from operating activities	<u>-</u>	<u>-</u>
Net increase in cash	-	-
Cash at 1 January	-	-
Cash at 31 December	<u>-</u>	<u>-</u>

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14 Properties for sale, net

As at 31 December 2019 and 2018, the changes to the properties for sale, net were as follows:

	Consolidated			Ending balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	
	2019			
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	11,690	4,419	(955)	15,154
Movable assets	630	6,701	(6,647)	684
Total	<u>12,320</u>	<u>11,120</u>	<u>(7,602)</u>	<u>15,838</u>
Others	1,689	1,231	(1,680)	1,240
Total properties for sale	14,009	12,351	(9,282)	17,078
Less allowance for impairment	(559)	(210)	333	(436)
Total properties for sale, net	<u>13,450</u>	<u>12,141</u>	<u>(8,949)</u>	<u>16,642</u>

	Consolidated			Ending balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	
	2018			
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	10,890	2,382	(1,582)	11,690
Movable assets	442	7,395	(7,207)	630
Total	<u>11,332</u>	<u>9,777</u>	<u>(8,789)</u>	<u>12,320</u>
Others	396	1,782	(489)	1,689
Total properties for sale	11,728	11,559	(9,278)	14,009
Less allowance for impairment	(444)	(140)	25	(559)
Total properties for sale, net	<u>11,284</u>	<u>11,419</u>	<u>(9,253)</u>	<u>13,450</u>

	The Bank			Ending balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	
	2019			
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	11,683	4,109	(955)	14,837
Movable assets	630	6,701	(6,647)	684
Total	<u>12,313</u>	<u>10,810</u>	<u>(7,602)</u>	<u>15,521</u>
Others	1,689	1,231	(1,680)	1,240
Total properties for sale	14,002	12,041	(9,282)	16,761
Less allowance for impairment	(556)	(145)	333	(368)
Total properties for sale, net	<u>13,446</u>	<u>11,896</u>	<u>(8,949)</u>	<u>16,393</u>

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	The Bank			Ending balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	
	2018			
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	10,883	2,382	(1,582)	11,683
Movable assets	442	7,395	(7,207)	630
Total	<u>11,325</u>	<u>9,777</u>	<u>(8,789)</u>	<u>12,313</u>
Others	396	1,782	(489)	1,689
Total properties for sale	<u>11,721</u>	<u>11,559</u>	<u>(9,278)</u>	<u>14,002</u>
Less allowance for impairment	(441)	(140)	25	(556)
Total properties for sale, net	<u>11,280</u>	<u>11,419</u>	<u>(9,253)</u>	<u>13,446</u>

Loss on sale of properties for sale recognised in the consolidated profit or loss for the years ended 31 December 2019 and 2018 were Baht 797 million and Baht 595 million respectively, and for the Bank's profit or loss were Baht 797 million and Baht 595 million, respectively.

Immovable assets for sale classified by internal appraisers as at 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets				
Appraised by internal appraisers	<u>15,154</u>	<u>11,690</u>	<u>14,837</u>	<u>11,683</u>
Total	<u>15,154</u>	<u>11,690</u>	<u>14,837</u>	<u>11,683</u>

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15 Premises and equipment, net

As at 31 December 2019 and 2018, the changes to the premises and equipment, net were as follows:

	Consolidated											
	2019											
	Beginning	Cost	Disposals/	Decrease	Ending	Beginning	Accumulated depreciation			Ending	Allowance	Net
	balance	Disposals/	Transfer	from sale of	balance	balance	Depreciation	Disposals	Decrease	balance	for	balance
		Transfer in	out	subsidary					from sale of		impairment	
						<i>(in million Baht)</i>						
Land												
Cost	5,702	346	(309)	(5)	5,734	-	-	-	-	-	(142)	5,592
Appraisal *	12,787	-	(151)	(2)	12,634	-	-	-	-	-	-	12,634
Premises and building improvements												
Cost	20,309	374	(500)	(4)	20,179	(8,812)	(727)	255	3	(9,281)	(144)	10,754
Appraisal *	9,060	-	(55)	(3)	9,002	(2,502)	(336)	17	-	(2,821)	-	6,181
Equipment	20,027	679	(1,087)	(414)	19,205	(13,487)	(2,086)	1,058	152	(14,363)	-	4,842
Others	443	843	(504)	-	782	(8)	-	-	-	(8)	-	774
Total	68,328	2,242	(2,606)	(428)	67,536	(24,809)	(3,149)	1,330	155	(26,473)	(286)	40,777

* Appraisal values are based on valuations completed in 2015 for the Bank and its subsidiaries

Depreciation presented in the consolidated profit or loss for the years ended 31 December 2019 and 2018 amounted to Baht 3,149 million and Baht 3,064 million, respectively.

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	Cost				Consolidated 2018 Accumulated depreciation			Ending balance	Allowance for impairment	Net balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation	Disposals			
	<i>(in million Baht)</i>									
Land										
Cost	5,844	-	(142)	5,702	-	-	-	-	(146)	5,556
Appraisal *	13,387	-	(600)	12,787	-	-	-	-	-	12,787
Premises and building improvements										
Cost	19,543	1,788	(1,022)	20,309	(9,018)	(633)	839	(8,812)	(150)	11,347
Appraisal *	9,220	-	(160)	9,060	(2,200)	(344)	42	(2,502)	(17)	6,541
Equipment	23,417	2,395	(5,785)	20,027	(17,141)	(2,079)	5,733	(13,487)	-	6,540
Others	1,451	459	(1,467)	443	-	(8)	-	(8)	-	435
Total	72,862	4,642	(9,176)	68,328	(28,359)	(3,064)	6,614	(24,809)	(313)	43,206

* Appraisal values are based on valuations completed in 2015 for the Bank and its subsidiaries

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2019 amounted to Baht 18,079 million (2018: Baht 18,665 million).

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	The Bank									
	2019									
	Beginning balance	Cost			Ending balance	Accumulated depreciation			Ending balance	Allowance for impairment
Additions/ Transfer in		Disposals/ Transfer out		Beginning balance		Depreciation	Disposals			
<i>(in million Baht)</i>										
Land										
Cost	5,512	346	(210)	5,648	-	-	-	-	(142)	5,506
Appraisal *	12,144	-	(2)	12,142	-	-	-	-	-	12,142
Premises and building improvements										
Cost	19,731	319	(296)	19,754	(8,411)	(698)	139	(8,970)	(144)	10,640
Appraisal *	8,961	-	(55)	8,906	(2,468)	(333)	17	(2,784)	-	6,122
Equipment	19,198	618	(1,039)	18,777	(13,105)	(1,986)	1,029	(14,062)	-	4,715
Others	440	830	(484)	786	-	-	-	-	-	786
Total	65,986	2,113	(2,086)	66,013	(23,984)	(3,017)	1,185	(25,816)	(286)	39,911

* Appraisal values are based on valuations completed in 2015

Depreciation presented in the Bank's profit or loss for the years ended 31 December 2019 and 2018 amounted to Baht 3,017 million and Baht 2,950 million, respectively.

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	Cost				Accumulated depreciation			Ending balance	Allowance for impairment	Net balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation	Disposals			
	The Bank									
	2018									
	<i>(in million Baht)</i>									
Land										
Cost	5,654	-	(142)	5,512	-	-	-	-	(145)	5,367
Appraisal *	12,744	-	(600)	12,144	-	-	-	-	-	12,144
Premises and building improvements										
Cost	18,958	1,779	(1,006)	19,731	(8,628)	(608)	825	(8,411)	(150)	11,170
Appraisal *	9,121	-	(160)	8,961	(2,170)	(340)	42	(2,468)	-	6,493
Equipment	22,511	2,083	(5,396)	19,198	(16,416)	(2,002)	5,313	(13,105)	-	6,093
Others	1,438	249	(1,247)	440	-	-	-	-	-	440
Total	70,426	4,111	(8,551)	65,986	(27,214)	(2,950)	6,180	(23,984)	(295)	41,707

* Appraisal values are based on valuations completed in 2015

The gross amount of the Bank's fully depreciated premises and equipment that were still in use as at 31 December 2019 amounted to Baht 17,700 million (2018: Baht 18,265 million).

The fair value of land and premises was determined by external independent property valuers with appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of land and premises was determined by the independent valuers using the market approach for land and the depreciated replacement cost approach for premises, all of which are categorised as Level 3 in the fair value hierarchy.

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16 Goodwill and other intangible assets, net

As at 31 December 2019 and 2018, the changes to the goodwill and other intangible assets, net were as follows:

	Consolidated											
	2019											
	Cost					Accumulated amortisation					Allowance for impairment	Net balance
Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Decrease from sale of subsidiary	Ending balance	Beginning balance	Amortisation	Disposals	Decrease from sale of subsidiary	Ending balance			
	<i>(in million Baht)</i>											
Goodwill	10,135	-	-	(8,865)	1,270	-	-	-	-	-	-	1,270
Software licenses	15,904	8,140	(72)	(565)	23,407	(7,377)	(2,852)	8	303	(9,918)	(85)	13,404
Software under installation	6,838	91	(2,253)	(267)	4,409	-	-	-	-	-	-	4,409
Others	10	115	(2)	-	123	(9)	(12)	2	-	(19)	-	104
Total	32,887	8,346	(2,327)	(9,697)	29,209	(7,386)	(2,864)	10	303	(9,937)	(85)	19,187

Amortisation presented in the consolidated profit or loss for the years ended 31 December 2019 and 2018 amounted to Baht 2,864 million and Baht 1,640 million, respectively.

	Consolidated											
	2018											
	Cost					Accumulated amortisation					Allowance for impairment	Net balance
Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Amortisation	Disposals	Ending balance					
	<i>(in million Baht)</i>											
Goodwill	10,135	-	-	10,135	-	-	-	-	-	-	-	10,135
Software licenses	10,075	5,897	(68)	15,904	(5,789)	(1,639)	51	(7,377)	(9)	(9)	(9)	8,518
Software under installation	3,688	3,396	(246)	6,838	-	-	-	-	-	-	-	6,838
Others	9	1	-	10	(8)	(1)	-	(9)	-	-	-	1
Total	23,907	9,294	(314)	32,887	(5,797)	(1,640)	51	(7,386)	(9)	(9)	(9)	25,492

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2019 amounted to Baht 5,014 million (2018: Baht 4,667 million).

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	Cost				The Bank 2019				
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance <i>(in million Baht)</i>	Accumulated amortisation		Ending balance	Net balance
						Amortisation	Disposals		
Goodwill	1,270	-	-	1,270	-	-	-	-	1,270
Software licenses	14,736	7,761	(70)	22,427	(6,916)	(2,698)	7	(9,607)	12,820
Software under installation	6,607	-	(2,246)	4,361	-	-	-	-	4,361
Total	22,613	7,761	(2,316)	28,058	(6,916)	(2,698)	7	(9,607)	18,451

Amortisation presented in the Bank's profit or loss for the years ended 31 December 2019 and 2018 amounted to Baht 2,698 million and Baht 1,545 million, respectively.

	Cost				The Bank 2018				
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance <i>(in million Baht)</i>	Accumulated amortisation		Ending balance	Net balance
						Amortisation	Disposals		
Goodwill	1,270	-	-	1,270	-	-	-	-	1,270
Software licenses	9,307	5,429	-	14,736	(5,371)	(1,545)	-	(6,916)	7,820
Software under installation	3,572	3,165	(130)	6,607	-	-	-	-	6,607
Total	14,149	8,594	(130)	22,613	(5,371)	(1,545)	-	(6,916)	15,697

The gross amount of the Bank's fully amortised intangible assets that were still in use as at 31 December 2019 amounted to Baht 4,854 million (2018: Baht 4,521 million).

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17 Assets pending transfer

As at 31 December 2019 and 2018, assets pending transfer were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Sundry receivables	1,436	1,315	1,544	1,512
Others	374	918	374	918
Total	1,810	2,233	1,918	2,430

18 Other assets, net

As at 31 December 2019 and 2018, other assets, net were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Collateral per Credit Support Annex	9,740	5,262	9,740	5,613
Prepaid expenses	2,993	2,764	3,196	2,835
Receivables from sale of NPL	-	4,569	-	4,569
Securities business receivables and receivables from clearing house	2,266	4,279	-	-
Accrued service income	2,360	1,132	2,071	1,399
Accrued interest on investment and interest rate derivatives	1,300	2,291	1,300	717
Net inter-account balance	1,135	642	1,087	629
Others	4,672	5,595	3,186	3,678
Total	24,466	26,534	20,580	19,440

19 Deposits

19.1 Classified by product as at 31 December 2019 and 2018.

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Demand	77,549	68,139	76,201	66,797
Savings	1,376,942	1,418,782	1,375,084	1,418,070
Fixed				
- Less than 6 months	110,568	133,341	111,037	132,819
- 6 months and less than 1 year	244,694	194,939	244,495	194,820
- Over 1 year	349,672	344,430	349,672	344,430
Total	2,159,425	2,159,631	2,156,489	2,156,936

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19.2 Classified by currency and residence of customer as at 31 December 2019 and 2018.

	Consolidated					
	2019		2018			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	2,121,405	971	2,122,376	2,105,644	633	2,106,277
US Dollar	19,739	12,893	32,632	35,683	13,843	49,526
Other currencies	2,298	2,119	4,417	2,580	1,248	3,828
Total	<u>2,143,442</u>	<u>15,983</u>	<u>2,159,425</u>	<u>2,143,907</u>	<u>15,724</u>	<u>2,159,631</u>

	The Bank					
	2019		2018			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	2,125,045	936	2,125,981	2,109,464	615	2,110,079
US Dollar	19,739	6,355	26,094	35,683	7,351	43,034
Other currencies	2,298	2,116	4,414	2,580	1,243	3,823
Total	<u>2,147,082</u>	<u>9,407</u>	<u>2,156,489</u>	<u>2,147,727</u>	<u>9,209</u>	<u>2,156,936</u>

20 Interbank and money market items (Liabilities)

As at 31 December 2019 and 2018, interbank and money market items (Liabilities) were as follows:

	Consolidated					
	2019		2018			
	Demand	Time	Total	Demand	Time	Total
	<i>(in million Baht)</i>					
Domestic items:						
Commercial banks	3,698	68,478	72,176	4,386	38,200	42,586
Specialised financial institutions*	91	40,392	40,483	89	71,093	71,182
Other financial institutions**	12,284	13,102	25,386	9,954	10,011	19,965
Total domestic items	<u>16,073</u>	<u>121,972</u>	<u>138,045</u>	<u>14,429</u>	<u>119,304</u>	<u>133,733</u>
Foreign items:						
US Dollar	322	4,472	4,794	463	4,705	5,168
Euro	46	-	46	111	-	111
Other currencies	2,387	572	2,959	3,010	507	3,517
Total foreign items	<u>2,755</u>	<u>5,044</u>	<u>7,799</u>	<u>3,584</u>	<u>5,212</u>	<u>8,796</u>
Total domestic and foreign items	<u>18,828</u>	<u>127,016</u>	<u>145,844</u>	<u>18,013</u>	<u>124,516</u>	<u>142,529</u>

* Specialised financial institutions represent financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions represent financial institutions which have a license to offer interest bearing loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

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	The Bank					
	Demand	2019		2018		Total
		Time	Total	Demand	Time	
<i>(in million Baht)</i>						
Domestic items:						
Commercial banks	3,698	68,329	72,027	4,386	38,200	42,586
Specialised financial institutions*	91	40,392	40,483	89	71,093	71,182
Other financial institutions**	12,434	13,102	25,536	11,494	11,360	22,854
Total domestic items	16,223	121,823	138,046	15,969	120,653	136,622
Foreign items:						
US Dollar	345	4,622	4,967	466	4,910	5,376
Euro	46	-	46	111	-	111
Other currencies	2,387	425	2,812	3,015	475	3,490
Total foreign items	2,778	5,047	7,825	3,592	5,385	8,977
Total domestic and foreign items	19,001	126,870	145,871	19,561	126,038	145,599

* Specialised financial institutions represent financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions represent financial institutions which have a license to offer interest bearing loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

21 Debt issued and borrowings

As at 31 December 2019 and 2018, debt issued and borrowings were as follows:

	Interest rate (%)	Year of maturity	Consolidated					
			Domestic	2019		2018		Total
				Foreign	Total	Domestic	Foreign	
<i>(in million Baht)</i>								
Bonds								
- US Dollar	2.75 - 4.40	2022 - 2029	597	57,171	57,768	726	52,753	53,479
- Baht	-	2020 - 2021	18,292	-	18,292	32,786	-	32,786
- Others	-	-	-	-	-	429	-	429
Subordinated bonds								
- Baht	-	-	-	-	-	20,000	-	20,000
Structured notes								
- Baht	0.25 - 1.72	2020	1,596	-	1,596	607	-	607
Others			296	-	296	260	-	260
Total			20,781	57,171	77,952	54,808	52,753	107,561

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	Interest rate (%)	Year of maturity	The Bank				Total
			Domestic	2019 Foreign	Total	2018 Foreign	
Bonds					<i>(in million Baht)</i>		
- US Dollar	2.75 - 4.40	2022 - 2029	597	57,171	57,768	726	54,124
- Baht	-	2020 - 2021	18,292	-	18,292	31,252	31,252
- Others	-	-	-	-	-	429	429
Subordinated bonds							
- Baht	-	-	-	-	-	20,000	20,000
Others			296	-	296	260	260
Total			19,185	57,171	76,356	52,667	106,065

22 Provisions

As at 31 December 2019 and 2018, provisions were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Reserve for pension and gratuity	7,998	6,360	7,635	5,859
Reserve for reward points	3,283	2,978	3,280	2,975
Others	129	89	82	89
Total	11,410	9,427	10,997	8,923

Pension and other post-retirement employee benefits

The Bank and its subsidiaries operate a number of pension and post-retirement benefit plans including both defined contribution plans and defined benefit plans. All defined benefit plans are unfunded.

Present value of unfunded provisions as at 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Severance Payment (SP) benefits scheme	7,131	5,499	6,796	5,043
Other schemes	867	861	839	816
Total present value of unfunded provisions	7,998	6,360	7,635	5,859

Defined benefit plan

The Bank and its subsidiaries operate a defined benefit plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service. The defined benefit plans expose the Bank and its subsidiaries to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

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Movement in the present value of the defined benefit obligations

	Consolidated			
	2019		2018	
	SP	Others	SP	Others
	<i>(in million Baht)</i>			
At 1 January	5,499	861	4,041	863
Included in profit or loss:				
Past service cost	1,366	-	-	-
Current service cost	582	42	564	46
Interest on obligation	206	28	143	31
Actuarial losses	-	-	-	6
	2,154	70	707	83
Included in other comprehensive income:				
Actuarial (gains) losses				
- Demographic assumptions	8	-	112	102
- Financial assumptions	(23)	-	166	(115)
- Experience adjustment	(45)	-	731	(36)
	(60)	-	1,009	(49)
Others				
Benefits paid	(236)	(44)	(258)	(36)
Decrease from sale of subsidiary	(226)	(20)	-	-
	(462)	(64)	(258)	(36)
At 31 December	7,131	867	5,499	861

	The Bank			
	2019		2018	
	SP	Others	SP	Others
	<i>(in million Baht)</i>			
At 1 January	5,043	816	3,719	808
Included in profit or loss:				
Past service cost	1,264	-	-	-
Current service cost	515	37	488	34
Interest on obligation	192	26	132	28
Actuarial losses	-	-	-	2
	1,971	63	620	64
Included in other comprehensive income:				
Actuarial losses (gains)				
- Demographic assumptions	-	-	96	101
- Financial assumptions	-	-	150	(117)
- Experience adjustment	-	-	699	(36)
	-	-	945	(52)
Others				
Benefits paid	(218)	(40)	(241)	(4)
At 31 December	6,796	839	5,043	816

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On 5 April 2019, the Labor Protection Act was amended to include a requirement that an employee, who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate. The Bank and its subsidiaries have therefore amended its retirement plan in accordance with the changes in the Labor Protection Act in 2019. As a result of this change, the provision for retirement benefits as well as past service cost increased.

Principal actuarial assumptions

	Consolidated		The Bank	
	2019	2018	2019	2018
			(%)	
Discount rate	1.5 - 3.3	3.1 - 3.3	3.3	3.3
Future salary growth	1.0 - 10.0	5.5 - 10.0	5.5 - 10.0	5.5 - 10.0
Medical cost trend rate	4.0	4.0	4.0	4.0
Employee turnover	0.0 - 24.0	3.5 - 35.0	3.5 - 12.0	3.5 - 12.0

Assumptions regarding future mortality have been based on published statistics and mortality tables.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant.

<i>Effect to the defined benefit obligation as at 31 December</i>	Consolidated			
	1% increase in assumption		1% decrease in assumption	
	2019	2018	2019	2018
			(in million Baht)	
Discount rate	(830)	(660)	1,003	797
Future salary growth	762	606	(656)	(522)

<i>Effect to the defined benefit obligation as at 31 December</i>	The Bank			
	1% increase in assumption		1% decrease in assumption	
	2019	2018	2019	2018
			(in million Baht)	
Discount rate	(802)	(615)	971	745
Future salary growth	730	561	(629)	(482)

Post-employee benefit expenses included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
			(in million Baht)	
Recognised in profit or loss:				
Defined contribution plans	1,295	1,252	1,159	1,119
Defined benefit plans	2,224	790	2,034	684
Total post-employment benefit expenses	3,519	2,042	3,193	1,803

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23 Liabilities under insurance contracts

As at 31 December 2019 and 2018, liabilities under insurance contracts were as follows:

	Consolidated	
	2019	2018
	<i>(in million Baht)</i>	
SCB Life Assurance PCL		
Long-term technical reserves	285,507	277,247
Short-term technical reserves	1,081	973
Decrease from sale of subsidiary	(286,588)	-
Total	-	278,220

24 Liabilities pending transfer

As at 31 December 2019 and 2018, liabilities pending transfer were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Other payables	7,702	9,113	7,707	8,921
Pending for payment E-banking	6,310	7,093	6,310	7,093
Unsettled remittance transaction	5,732	2,957	5,732	2,957
Others	2,189	513	2,166	464
Total	21,933	19,676	21,915	19,435

25 Other liabilities

As at 31 December 2019 and 2018, other liabilities were as follows:

		Consolidated		The Bank	
	<i>Note</i>	2019	2018	2019	2018
		<i>(in million Baht)</i>			
Accrued expenses		32,313	19,912	31,374	16,864
Deferred income from Distribution Agreement	10.2	17,425	-	17,425	-
Other payable per Credit Support Annex		10,065	7,425	10,065	6,803
Accrued interest payable		6,213	5,025	6,203	5,072
Securities business payables and payables to clearing house		1,854	4,006	-	-
Withholding tax payable		770	807	696	684
Marginal deposits		633	638	612	617
Others		3,172	649	2,718	1,201
Total		72,445	38,462	69,093	31,241

26 Advance received from electronic payment

In accordance with the Bank of Thailand (BoT) notification number Sor Nor Chor 7/2561, directive dated 16 April 2018, regarding “Regulations on Service Business relating to Electronic Money (E-Money)” and Sor Nor Chor 8/2561 directive dated 16 April 2018 regarding “Regulations on Service Business relating to Electronic Fund Transfer (EFT)”, the Bank discloses advances received from E-Money and EFT as at 31 December 2019 in the amount of Baht 166 million (2018: Baht 175 million).

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27 Share capital

All preferred shares had a period of 10 years, which expired on 10 May 2009. Hence, rights of preferred shareholders has been the same as those of the common shareholders since then.

Holders of preferred shares are entitled to convert the shares they hold into common shares, with the conversion ratio of 1:1. The holders of common shares and preferred shares are entitled to receive dividends as declared, and are entitled to one vote per share at the shareholders' meeting of the Bank.

28 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

Under the Public Companies Act B.E. 2535 Section 116 requires the Bank and its subsidiaries which are public companies shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

According to the Civil and Commercial Code, subsidiaries which are private companies must appropriate to a reserve fund at each distribution of dividend at least 5% of the profit arising from the business of the Company until the reserve fund reaches 10% of the capital of the Company. Such reserve fund is not available for distribution as dividend.

Other reserves

Fair value changes in available-for-sale investments

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

Currency translation differences

The currency translation differences account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Cash flow hedge reserves

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

Valuation surplus

The valuation surplus account comprises the cumulative net change in the valuation of premises included in the financial statements at valuation until such premises are sold or otherwise disposed of.

Movements in reserves

Movements in reserves are shown in the statement of changes in equity.

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29 Dividends

The shareholders of the Bank have approved dividends as follows:

	Approval date	Payment schedule	Dividend rate per share (Baht)	Amount (in million Baht)
<i>2019</i>				
Annual dividend 2018	4 April 2019	3 May 2019	4.00	13,597
Interim dividend 2019	15 August 2019	13 September 2019	1.50	5,099
Total			5.50	18,696
<i>2018</i>				
Annual dividend 2017	5 April 2018	3 May 2018	4.00	13,597
Interim dividend 2018	21 August 2018	20 September 2018	1.50	5,099
Total			5.50	18,696

30 Assets pledged as collateral and under restriction

As at 31 December 2019 and 2018, assets pledged as collateral and under restriction were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Government securities pledged for life policy reserve	-	64,381	-	-
Securities pledged as collateral for repurchase	58,793	69,435	58,793	69,435
Others	90	79	79	46
Total	58,883	133,895	58,872	69,481

31 Contingencies

As at 31 December 2019 and 2018, contingencies were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Avals to bills	6,233	7,985	6,233	7,985
Guarantees of loans	8,037	15,049	7,270	14,181
Liability under unmatured import bills	12,138	11,129	11,987	11,129
Letters of credit	27,255	46,994	27,138	46,666
Other contingencies				
- Amount of unused bank overdrafts	184,954	185,210	184,182	184,401
- Other guarantees	216,868	218,814	215,829	217,773
- Receivables / payables from investments	9,109	4,906	9,109	3,239
- Others	46,729	47,869	46,729	45,469
Total	511,323	537,956	508,477	530,843

As at 31 December 2019, the Bank had commitments of Baht 3 million, in connection with finance companies whose operations were closed down permanently by the Ministry of Finance on 8 December 1997 (2018: Baht 3 million).

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32 Related parties

The Bank has business transactions with related parties or persons. Interest rate for staff loans under the staff welfare scheme is charged in accordance with the Bank's regulations for such loans. Interest rate and other pricing for other related parties are at the same rate as in the normal course of business with the same business conditions as general customers. For other income and expenses are charged at market price as normal business or the price as stipulated in the agreement. Transactions with related parties or persons were as follows:

32.1 Assets, liabilities and contingencies

As at 31 December 2019 and 2018, assets, liabilities and contingencies balances with related parties, were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Subsidiaries				
Derivative assets	-	-	152	628
Investments	-	-	326	364
Other assets	-	-	749	1,769
Deposits	-	-	3,690	5,059
Interbank and money market items (liabilities)	-	-	174	213
Derivative liabilities	-	-	50	446
Debt issued and borrowings	-	-	100	3,183
Other liabilities	-	-	804	633
Contingencies	-	-	1,906	15,677
Associate				
Derivative assets	-	18	-	18
Loans*	8,387	8,844	8,387	8,844
Deposits	7	416	7	416
Contingencies	108	1,407	108	1,407
Major shareholders (more than 10% ownership)				
Deposits	9,481	4,824	9,481	4,824
Directors and key executive officers				
Loans*	111	121	111	121
Deposits	1,519	1,428	1,519	1,428
Debt issued and borrowings	-	6	-	6
Related companies (Shareholding through other companies' debt restructuring processes)				
Contingencies	1	1	1	1
Entities in which the directors, management or close members of their families have significant influence				
Loans*	23,710	4,322	23,710	4,322
Deposits	16,128	29,161	16,128	29,161
Other liabilities	9	17	9	17
Contingencies	7,771	1,583	7,771	1,583

* Before deducting allowance for doubtful accounts for consolidated and the Bank amounting to Baht 3,449 million and 3,449 million, respectively (2018: Baht 6,816 million and Baht 6,816 million, respectively).

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32.2 Income and expenses

Significant income and expenses with related parties for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Subsidiaries*				
Interest income	-	-	9	48
Interest expenses	-	-	72	88
Fee and service income	-	-	8,273	7,549
Fee and service expenses	-	-	3,340	3,432
Dividend income	-	-	1,988	1,049
Other expenses	-	-	3,367	3,608
Net loss on trading and foreign exchange transactions	-	-	138	971
Associate				
Interest income	55	267	55	267
Interest expenses	210	244	210	244
Net gain on trading and foreign exchange transactions	121	68	121	68
Major shareholders (more than 10% ownership)				
Interest expenses	81	96	81	96
Other expenses	32	28	32	28
Directors and key executive officers				
Interest income	1	3	1	3
Interest expenses	14	12	14	12
Entities in which the directors, management or close members of their families have significant influence				
Interest income	207	165	207	165
Interest expenses	242	291	242	291
Other expenses	145	152	111	80

* SCB Life Assurance PCL was a subsidiary of the Bank until 26 September 2019.

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33 Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank and its subsidiaries, holding the position of Executive Vice President or higher.

The Bank and its subsidiaries have not paid benefits to directors and executives other than the benefits that are normally paid such as meeting allowances, reward, salary, bonus, cost of living allowance, transportation charges and fringe benefits according to the Bank and its subsidiaries' regulations.

<i>For the year ended 31 December</i>	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Short-term employee benefits	1,984	1,860	1,574	1,425
Post-employment benefits and others	79	82	53	62
Total	2,063	1,942	1,627	1,487

34 Operating leases

Leases as lessee

The Bank and its subsidiaries lease a number of branch offices rental, foreign exchange booths, ATM rental areas, cars and office equipment under operating lease. The leases typically run for an average period of 5 years, with an option to renew the lease after maturity date.

The rent paid to the lessors are adjusted to market rentals at regular intervals, and the Bank and its subsidiaries do not have an interest in the residual value of the rental assets. As a result, it was determined that substantially all of the risks and rewards of the rental assets are with the lessors.

(a) Future minimum lease payments

As at 31 December 2019 and 2018, the future minimum lease payments under non-cancellable leases were payable as follows.

Type of lease	Period	Consolidated		The Bank	
		2019	2018	2019	2018
		<i>(in million Baht)</i>			
Land and/or premises	Within 1 year	2,051	2,320	1,965	2,159
	1 - 5 years	990	1,388	884	1,233
	Over 5 years	139	163	139	163
Equipment	Within 1 year	177	101	177	96
	1 - 5 years	-	9	-	-
Vehicles	Within 1 year	268	299	261	291
	1 - 5 years	281	539	272	525

(b) Amount recognised in profit or loss

<i>For the year ended 31 December</i>	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Lease expense	6,129	5,456	5,873	5,230

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35 Operating segments

Information on the Bank's operating model and business segments is set out in the annual report. Specifically, the Bank has four main lines of business: the Corporate Segment which serves corporate and commercial customers; the SME Segment which serves SME customers; the Retail Segment which serves individuals and small businesses; the Insurance segment which provides insurance products through subsidiary companies and the Bank's distribution channel.

In the information provided below, the results of subsidiaries together with the income from the Banks' interbank and money market and investments, that is not allocated to a specific business unit, are presented under "Others" column. Operating expenses are both direct and indirect business expenses of each line of business as well as allocation of common expenses to these businesses. The pricing policy among business units are in line with the normal course of business.

<i>For the year ended 31 December 2019</i>	Consolidated					Elimination	Total
	Corporate Segment	SME Segment	Retail Segment	Insurance Segment	Others		
	<i>(in million Baht)</i>						
Net interest income	17,080	14,792	47,934	8,538	11,057	-	99,401
Non-interest income, net	8,181	3,104	18,863	4,142	14,929	(6,546)	42,673
Net gain on sale of investment in subsidiary	-	-	-	-	24,024	-	24,024
Total operating income	<u>25,261</u>	<u>17,896</u>	<u>66,797</u>	<u>12,680</u>	<u>50,010</u>	<u>(6,546)</u>	<u>166,098</u>
Total operating expenses	<u>(8,565)</u>	<u>(7,870)</u>	<u>(40,736)</u>	<u>(2,415)</u>	<u>(15,306)</u>	<u>4,354</u>	<u>(70,538)</u>
Profit before impairment loss and income tax	<u>16,696</u>	<u>10,026</u>	<u>26,061</u>	<u>10,265</u>	<u>34,704</u>	<u>(2,192)</u>	<u>95,560</u>
Impairment loss							(36,211)
Income tax							<u>(19,098)</u>
Net profit							<u>40,251</u>

<i>For the year ended 31 December 2018</i>	Consolidated					Elimination	Total
	Corporate Segment	SME Segment	Retail Segment	Insurance Segment	Others		
	<i>(in million Baht)</i>						
Net interest income	17,456	14,247	43,210	10,453	11,003	-	96,369
Non-interest income, net	9,167	2,565	18,269	4,565	13,179	(5,889)	41,856
Total operating income	<u>26,623</u>	<u>16,812</u>	<u>61,479</u>	<u>15,018</u>	<u>24,182</u>	<u>(5,889)</u>	<u>138,225</u>
Total operating expenses	<u>(7,744)</u>	<u>(7,242)</u>	<u>(40,344)</u>	<u>(3,390)</u>	<u>(10,545)</u>	<u>4,626</u>	<u>(64,639)</u>
Profit before impairment loss and income tax	<u>18,879</u>	<u>9,570</u>	<u>21,135</u>	<u>11,628</u>	<u>13,637</u>	<u>(1,263)</u>	<u>73,586</u>
Impairment loss							(24,023)
Income tax							<u>(9,468)</u>
Net profit							<u>40,095</u>

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	Consolidated						Total
	Corporate Segment	SME Segment	Retail Segment	Insurance Segment	Others	Elimination	
	2019						
	(in million Baht)						
Loans*	752,863	351,505	1,003,459	-	5,960	-	2,113,787
Total assets	713,160	304,898	962,197	129	996,441	(13,079)	2,963,746
Total liabilities	614,779	171,700	1,324,342	17	458,110	(6,048)	2,562,900

	Consolidated						Total
	Corporate Segment	SME Segment	Retail Segment	Insurance Segment	Others	Elimination	
	2018						
	(in million Baht)						
Loans*	827,258	341,679	955,563	10,699	5,362	-	2,140,561
Total assets	792,065	297,985	918,740	324,559	877,409	(23,418)	3,187,340
Total liabilities	667,564	155,134	1,229,065	285,187	483,491	(14,084)	2,806,357

* Net of deferred revenue

36 The financial position and results of operations classified by domestic and foreign business

36.1 As at 31 December 2019 and 2018, the financial position classified by domestic and foreign business was as follows:

	Consolidated					
	2019		2018			
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
	(in million Baht)					
Total assets	2,887,037	76,709	2,963,746	3,112,925	74,415	3,187,340
Interbank and money market items, net (Assets)	421,587	11,923	433,510	365,626	12,279	377,905
Investments, net *	310,536	1,607	312,143	567,647	1,254	568,901
Loans to customers and accrued interest receivables, net	1,984,799	17,662	2,002,461	2,021,528	19,094	2,040,622
Deposits	2,148,020	11,405	2,159,425	2,147,122	12,509	2,159,631
Interbank and money market items (Liabilities)	140,652	5,192	145,844	137,316	5,213	142,529
Debt issued and borrowings	20,781	57,171	77,952	54,808	52,753	107,561

* Includes net investments in subsidiaries and associate

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	The Bank					
	2019			2018		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
	<i>(in million Baht)</i>					
Total assets	2,885,151	67,296	2,952,447	2,794,927	65,200	2,860,127
Interbank and money market items, net (Assets)	421,438	5,813	427,251	355,127	6,906	362,033
Investments, net *	315,656	1,576	317,232	290,761	1,223	291,984
Loans to customers and accrued interest receivables, net	1,983,270	14,899	1,998,169	2,009,126	16,180	2,025,306
Deposits	2,151,661	4,828	2,156,489	2,150,941	5,995	2,156,936
Interbank and money market items (Liabilities)	140,975	4,896	145,871	140,419	5,180	145,599
Debt issued and borrowings	19,185	57,171	76,356	52,667	53,398	106,065

* Includes net investments in subsidiaries and associate

36.2 The results of operations classified by domestic and foreign business for the years ended 31 December 2019 and 2018

	Consolidated							
	2019				2018			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	133,886	4,653	(3,514)	135,025	127,952	3,691	(2,516)	129,127
Interest expenses	<u>(34,652)</u>	<u>(4,486)</u>	<u>3,514</u>	<u>(35,624)</u>	<u>(31,780)</u>	<u>(3,494)</u>	<u>2,516</u>	<u>(32,758)</u>
Net interest income	99,234	167	-	99,401	96,172	197	-	96,369
Net fee and service income	29,537	133	-	29,670	28,296	160	-	28,456
Other operating income	37,022	5	-	37,027	13,348	51	-	13,399
Other operating expenses	(70,004)	(534)	-	(70,538)	(64,162)	(476)	-	(64,638)
Impairment loss of loans	<u>(36,019)</u>	<u>(192)</u>	<u>-</u>	<u>(36,211)</u>	<u>(24,125)</u>	<u>102</u>	<u>-</u>	<u>(24,023)</u>
Profit (loss) before income tax	59,770	(421)	-	59,349	49,529	34	-	49,563
Income tax	<u>(19,036)</u>	<u>(62)</u>	<u>-</u>	<u>(19,098)</u>	<u>(9,382)</u>	<u>(86)</u>	<u>-</u>	<u>(9,468)</u>
Net profit (loss)	<u>40,734</u>	<u>(483)</u>	<u>-</u>	<u>40,251</u>	<u>40,147</u>	<u>(52)</u>	<u>-</u>	<u>40,095</u>

	The Bank							
	2019				2018			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	125,321	4,361	(3,511)	126,171	117,531	3,455	(2,516)	118,470
Interest expenses	<u>(34,617)</u>	<u>(4,432)</u>	<u>3,511</u>	<u>(35,538)</u>	<u>(31,757)</u>	<u>(3,461)</u>	<u>2,516</u>	<u>(32,702)</u>
Net interest income	90,704	(71)	-	90,633	85,774	(6)	-	85,768
Net fee and service income	30,793	54	-	30,847	29,226	101	-	29,327
Other operating income	75,824	(12)	-	75,812	12,231	32	-	12,263
Other operating expenses	(67,396)	(417)	-	(67,813)	(61,977)	(351)	-	(62,328)
Impairment loss of loans	<u>(36,050)</u>	<u>(187)</u>	<u>-</u>	<u>(36,237)</u>	<u>(24,134)</u>	<u>132</u>	<u>-</u>	<u>(24,002)</u>
Profit (loss) before income tax	93,875	(633)	-	93,242	41,120	(92)	-	41,028
Income tax	<u>(17,773)</u>	<u>(19)</u>	<u>-</u>	<u>(17,792)</u>	<u>(7,508)</u>	<u>(45)</u>	<u>-</u>	<u>(7,553)</u>
Net profit (loss)	<u>76,102</u>	<u>(652)</u>	<u>-</u>	<u>75,450</u>	<u>33,612</u>	<u>(137)</u>	<u>-</u>	<u>33,475</u>

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37 Interest income

Interest income included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Interbank and money market items	5,737	5,456	5,352	5,000
Investments and trading transactions	484	265	482	265
Investments in debt securities	12,349	13,230	4,966	3,947
Loans	102,864	98,035	101,779	97,117
Finance leases	13,461	12,003	13,461	12,003
Others	130	138	131	138
Total	135,025	129,127	126,171	118,470

38 Interest expenses

Interest expenses included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Deposits	20,062	18,301	20,034	18,282
Interbank and money market items	1,601	1,534	1,637	1,579
Contributions to Deposit Protection Agency	10,116	9,735	10,115	9,735
Debt issued				
- Debentures	660	2,004	660	2,000
- Subordinated debentures	2,889	930	2,872	930
Borrowings	76	78	-	-
Others	220	176	220	176
Total	35,624	32,758	35,538	32,702

39 Net fee and service income

Net fee and service income included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Fee and service income				
- Acceptances, avals and guarantees	1,472	1,578	1,457	1,562
- ATM, Debit cards, Credit Cards and other banking electronic	14,471	13,478	14,490	13,494
- Others	23,160	21,960	23,228	21,626
Total fee and service income	39,103	37,016	39,175	36,682
Fee and service expenses	(9,433)	(8,560)	(8,328)	(7,355)
Net fee and service income	29,670	28,456	30,847	29,327

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40 Net gain on trading and foreign exchange transactions

Net gain (loss) on trading and foreign exchange transactions included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Foreign currencies and foreign currency related derivatives	5,275	5,439	5,231	6,036
Interest rate related derivatives	460	1,776	460	1,776
Debt securities	842	(75)	718	(80)
Equity securities	238	796	169	24
Others	2	9	2	9
Total	6,817	7,945	6,580	7,765

41 Net gain on investments

Net gain (loss) on investments included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Available-for-sale securities	4,331	2,343	3,542	1,928
Held-to-maturity securities	(143)	(191)	-	-
General investments	1,101	766	1,102	766
Others	94	12	98	12
Total	5,383	2,930	4,742	2,706

42 Other expenses

Other expenses included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Marketing expenses	7,063	8,757	6,856	8,475
Other service fees	2,952	2,115	5,757	5,086
Amortisation of intangible assets	2,864	1,640	2,698	1,545
Others	5,752	4,927	5,345	4,707
Total	18,631	17,439	20,656	19,813

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43 Impairment loss on loans and debt securities

Impairment loss on loans and debt securities and loss on debt restructuring included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Interbank and money market items	(90)	17	(90)	17
Loans to customers *	36,143	23,966	36,169	23,945
Loss on debt restructuring	158	40	158	40
Total	36,211	24,023	36,237	24,002

* Net of bad debts recovery

44 Income tax

Income tax recognised in profit or loss

<i>For the year ended 31 December</i>	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht)</i>			
Current tax expense				
Current year	20,958	11,519	19,495	9,554
Deferred tax expense				
Movements in temporary differences	(1,860)	(2,051)	(1,703)	(2,001)
Total income tax expense	19,098	9,468	17,792	7,553

Income tax recognised in other comprehensive income

<i>For the year ended 31 December</i>	Consolidated					
	Before tax	2019 Tax expense	Net of tax	Before tax	2018 Tax benefit (expense)	Net of tax
	<i>(in million Baht)</i>					
Investments	21,921	(4,384)	17,537	(5,375)	1,075	(4,300)
Derivatives	3,288	(657)	2,631	319	(64)	255
Actuarial gains (losses)	60	(12)	48	(960)	192	(768)
Total	25,269	(5,053)	20,216	(6,016)	1,203	(4,813)

<i>For the year ended 31 December</i>	The Bank					
	Before tax	2019 Tax expense	Net of tax	Before tax	2018 Tax benefit	Net of Tax
	<i>(in million Baht)</i>					
Investments	5	(1)	4	(2,309)	461	(1,848)
Actuarial losses	-	-	-	(893)	179	(714)
Total	5	(1)	4	(3,202)	640	(2,562)

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Reconciliation of effective tax rate

<i>For the year ended 31 December</i>	Consolidated			
		2019		2018
	<i>Rate (%)</i>	<i>(in million Baht)</i>	<i>Rate (%)</i>	<i>(in million Baht)</i>
Profit before income tax expense		<u>59,349</u>		<u>49,563</u>
Income tax using the Thai corporation tax rate	20.0	11,870	20.0	9,913
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>7,228</u>		<u>(445)</u>
Total	<u>32.2</u>	<u>19,098</u>	<u>19.1</u>	<u>9,468</u>

The effective tax rate for the consolidated financial statements for the year ended 31 December 2019 increased due to gain on sale of investment in SCB Life Assurance PCL.

<i>For the year ended 31 December</i>	The Bank			
		2019		2018
	<i>Rate (%)</i>	<i>(in million Baht)</i>	<i>Rate (%)</i>	<i>(in million Baht)</i>
Profit before income tax expense		<u>93,242</u>		<u>41,029</u>
Income tax using the Thai corporation tax rate	20.0	18,648	20.0	8,206
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>(856)</u>		<u>(653)</u>
Total	<u>19.1</u>	<u>17,792</u>	<u>18.4</u>	<u>7,553</u>

Deferred tax

Deferred tax assets and liabilities as at 31 December 2019 and 2018 were as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
		<i>(in million Baht)</i>		
Deferred tax assets	2,005	198	1,809	107
Deferred tax liabilities	<u>(139)</u>	<u>(423)</u>	<u>-</u>	<u>-</u>
Net	<u>1,866</u>	<u>(225)</u>	<u>1,809</u>	<u>107</u>

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Movements in deferred tax assets and liabilities during the years ended 31 December 2019 and 2018 were as follows:

	At 1 January 2019	Consolidated (Charged) / Credited to:		Decrease from sale of subsidiary	At 31 December 2019
		Profit or loss	Other comprehensive income <i>(in million Baht)</i>		
<i>Deferred tax assets</i>					
Derivative assets	43	69	-	-	112
Investments	194	(14)	(98)	(12)	70
Investments in subsidiaries and associate	454	(295)	-	-	159
Loans to customers and accrued interest receivables	2,508	1,892	-	-	4,400
Properties for sale	112	39	-	-	151
Premises and equipment	1	-	-	(1)	-
Other intangible assets	11	7	-	-	18
Other assets	77	(15)	-	(22)	40
Derivative liabilities	69	-	154	(223)	-
Provisions	1,890	444	(12)	(49)	2,273
Liabilities under insurance contracts	42	24	-	(66)	-
Other liabilities	812	359	-	(8)	1,163
Total	6,213	2,510	44	(381)	8,386
<i>Deferred tax liabilities</i>					
Derivative assets	(229)	(15)	(811)	1,055	-
Investments	(685)	(345)	(4,286)	4,610	(706)
Loans to customers and accrued interest receivables	(503)	(146)	-	-	(649)
Premises and equipment	(4,983)	56	-	-	(4,927)
Other assets	(17)	(221)	-	-	(238)
Deposits	(21)	21	-	-	-
Total	(6,438)	(650)	(5,097)	5,665	(6,520)
Net	(225)	1,860	(5,053)	5,284	1,866

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	At 1 January 2018	Consolidated (Charged) / Credited to:		At 31 December 2018
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
<i>Deferred tax assets</i>				
Derivative assets	32	11	-	43
Investments	23	41	130	194
Investments in subsidiaries and associate	409	45	-	454
Loans to customers and accrued interest receivables	830	1,678	-	2,508
Properties for sale	89	23	-	112
Premises and equipment	1	-	-	1
Other intangible assets	26	(15)	-	11
Other assets	103	(26)	-	77
Deposits	10	(10)	-	-
Derivative liabilities	15	-	54	69
Provisions	1,547	151	192	1,890
Liabilities under insurance contracts	46	(4)	-	42
Other liabilities	765	47	-	812
Total	3,896	1,941	376	6,213
<i>Deferred tax liabilities</i>				
Derivative assets	(110)	(1)	(118)	(229)
Investments	(1,686)	56	945	(685)
Loans to customers and accrued interest receivables	(573)	70	-	(503)
Premises and equipment	(4,989)	6	-	(4,983)
Other assets	(17)	-	-	(17)
Deposits	-	(21)	-	(21)
Total	(7,375)	110	827	(6,438)
Net	(3,479)	2,051	1,203	(225)

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	At 1 January 2019	The Bank (Charged) / Credited to:		At 31 December 2019
		Profit or loss (in million Baht)	Other comprehensive income	
<i>Deferred tax assets</i>				
Derivative assets	43	69	-	112
Investments	172	(34)	(98)	40
Investments in subsidiaries and associate	454	(295)	-	159
Loans to customers and accrued interest receivables	2,503	1,883	-	4,386
Properties for sale	111	39	-	150
Other intangible assets	9	(8)	-	1
Other assets	56	(16)	-	40
Provisions	1,785	415	-	2,200
Other liabilities	759	329	-	1,088
Total	5,892	2,382	(98)	8,176
<i>Deferred tax liabilities</i>				
Investments	(408)	(387)	97	(698)
Loans to customers and accrued interest receivables	(503)	(146)	-	(649)
Premises and equipment	(4,836)	54	-	(4,782)
Other assets	(17)	(221)	-	(238)
Deposits	(21)	21	-	-
Total	(5,785)	(679)	97	(6,367)
Net	107	1,703	(1)	1,809

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	At 1 January 2018	The Bank (Charged) / Credited to:		At 31 December 2018
		Profit or loss <i>(in million Baht)</i>	Other comprehensive income	
Deferred tax assets				
Derivative assets	32	11	-	43
Investments	9	33	130	172
Investments in subsidiaries and associate	409	45	-	454
Loans to customers and accrued interest receivables	830	1,673	-	2,503
Properties for sale	88	23	-	111
Other intangible assets	26	(17)	-	9
Other assets	82	(26)	-	56
Deposits	10	(10)	-	-
Provisions	1,468	138	179	1,785
Other liabilities	703	56	-	759
Total	3,657	1,926	309	5,892
Deferred tax liabilities				
Investments	(754)	15	331	(408)
Loans to customers and accrued interest receivables	(573)	70	-	(503)
Premises and equipment	(4,847)	11	-	(4,836)
Other assets	(17)	-	-	(17)
Deposits	-	(21)	-	(21)
Total	(6,191)	75	331	(5,785)
Net	(2,534)	2,001	640	107

45 Basic earnings per share

Basic earnings per share in the consolidated and the Bank's financial statements for the years ended 31 December 2019 and 2018 were calculated as follows:

	Consolidated		The Bank	
	2019	2018	2019	2018
	<i>(in million Baht / million shares)</i>			
Profit attributable to common shareholders of the Bank (basic)	<u>40,436</u>	<u>40,068</u>	<u>75,450</u>	<u>33,475</u>
Number of common and preferred shares outstanding	<u>3,399</u>	<u>3,399</u>	<u>3,399</u>	<u>3,399</u>
Earnings per share (basic) (in Baht)	<u>11.90</u>	<u>11.79</u>	<u>22.20</u>	<u>9.85</u>

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46 Events after the reporting period

- 46.1 On 8 January 2020, the Bank registered the conversion of 8,733 preferred shares to 8,733 common shares with the Ministry of Commerce.
- 46.2 The Bank established a new subsidiary, SCB 10X Co., Ltd. (100% shareholding) and registered with the Department of Business Development, Ministry of Commerce on 7 January 2020. The principal activities of the Company are investing and developing business to create sustainable growth related to digital technology. The Company's authorised share capital amounting to Baht 700 million by issuing 7 million common shares, par value at Baht 100 per share. The Company authorised share capital was issued and fully paid-up which was registered with the Ministry of Commerce on 13 February 2020.
- 46.3 The Bank incorporated a new joint venture company with Abakus, the technology developer in various fields including AI and machine learning for financial business under the name of Monix Co., Ltd. (60% shareholding) and registered with the Department of Business Development, Ministry of Commerce on 9 January 2020. The principal activity of the Company is carrying out digital lending business. The Company's authorised share capital amounting to Baht 660 million by issuing 6.6 million common shares, par value at Baht 100 per share. The Company authorised share capital was issued and paid-up by Baht 50 per share totalling Baht 330 million which was registered with the Ministry of Commerce on 27 January 2020.
- 46.4 The Board of Director's Meeting held on 17 January 2020 approved the interim dividend payment (special) to the holders of the Bank at the rate of Baht 0.75 per share, totalling Baht 2,549 million. The payment of interim dividend was paid on 14 February 2020.
- 46.5 The Board of Director's Meeting held on 19 February 2020 passed a resolution on the dividend payment from the year 2019 (excluding special dividend payment) to the shareholders of the Bank at the rate of Baht 5.50 per share, totalling Baht 18,696 million. An interim dividend of Baht 1.50 per share was distributed to the shareholders of the Bank on 13 September 2019, the shareholders will be paid the remaining dividend of Baht 4.00 per share, totalling Baht 13,597 million. The resolution will be proposed to seek an approval from the Annual General Meeting of Shareholders on 2 April 2020.

47 Thai Financial Reporting Standards (TFRS) not yet adopted

New TFRS, which are relevant to the Bank and its subsidiaries' operations, expected to have material impact on the consolidated and the Bank's financial statements when initially adopted, and will become effective for the financial statements in annual reporting periods beginning on or after 1 January 2020, are as follows:

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

* TFRS - Financial instruments standards

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(a) TFRS - Financial instruments standards

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRS are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled. The impact from adoption of TFRS - Financial instruments are as follows:

(i) Classification - Financial assets

TFRS 9 classifies financial assets into three categories: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The standard eliminates the existing classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105. The classification under TFRS 9 will be based on the cash flow characteristics of the financial asset and the business model in which they are managed.

(ii) Measurement at amortised cost

Under TFRS 9, interest income and interest expenses recognised from all financial assets and financial liabilities measured at amortised cost shall be calculated using effective interest rate method. TFRS 9 shall replace current accounting policies of the Bank and its subsidiaries on recognition of both interest income and interest expenses at the rate specified in the contract.

(iii) Impairment - Financial assets

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Bank and its subsidiaries estimate allowance for doubtful account based on relevant BoT's criteria and regulations by analysing payment histories and future expectation of customer payment. TFRS 9 requires considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under TAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

Under TFRS 9, no impairment loss is recognised on equity investments.

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Three stage approach

Financial assets are classified in any of the below 3 Stages at each reporting date. A financial asset can move between Stages during its lifetime. The Stages are based on changes in credit quality since initial recognition and defined as follows:

- Stage 1: 12-month ECL

Financial assets that have not had a significant increase in credit risk since initial recognition (i.e. no Stage 2 or 3 triggers apply). Financial assets are classified as stage 1 upon initial recognition (with the exception of purchased or originated credit impaired (POCI) assets) and have a provision for ECL associated with the probability of default (PD) events occurring with the next 12 months (12 months ECL). For those financial assets with a remaining maturity of less than 12 months, a PD is used that corresponds to the remaining maturity;

- Stage 2: Lifetime ECL not credit impaired

Financial assets showing a significant increase in credit risk since initial recognition. A provision is made for the life time ECL representing losses over the life of the financial assets (lifetime ECL); or

- Stage 3: Lifetime ECL credit impaired

Financial assets that are credit impaired require a life time provision.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of the estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive if the loan is drawn down; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

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Modification

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the modification will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. The gross carrying amount of the financial asset will be recalculated using the original effective interest rate of the existing financial asset.
- If the modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

Credit impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment includes arrears of over 90 days on any material credit obligation, indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or distressed restructuring.

An asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly since initial recognition.

Purchase or Originated Credit Impaired (POCI) assets

POCI assets are financial assets that are credit-impaired on initial recognition. Impairment on a POCI asset is determined based on lifetime ECL from initial recognition. POCI assets are recognised initially at an amount net of impairments and are measured at amortised cost using a credit-adjusted effective interest rate. In subsequent periods any changes to the estimated lifetime ECL are recognised in profit or loss. Favourable changes are recognised as an impairment gain even if the lifetime ECL at the reporting date is lower than the estimated lifetime ECL at origination.

(iv) Classification - Financial liabilities

TFRS 9 contains a new classification and measurement approach for financial liabilities consisting of two principal classification categories: amortised cost and FVTPL. A financial liability is classified as financial liabilities measured at FVTPL if it is held for trading, a derivative or designated as such on the initial recognition.

Under TFRS 9, changes in fair value of financial liabilities classified as FVTPL are generally presented as follows:

- the amount of fair value that changes due to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of fair value changed is presented in profit or loss.

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(v) Hedge accounting

IFRS 9 introduces guidance on hedge accounting while current IFRS are silent. There are three hedge accounting models and the type of model applied depends on the hedged exposures consisting of a fair value exposure, a cash flow exposure or a foreign currency exposure on a net investment in a foreign operation. Under IFRS 9, the Bank and its subsidiaries are required to ensure that hedge accounting relationships are aligned with the Bank and its subsidiaries' risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

Currently, the Bank and its subsidiaries had derivative, entering for the banking book purpose, with interest components which are recognised on an accrual basis and foreign exchange components which are recognised based on exchange rate ruling on the reporting date. However, IFRS 9 had an option to apply the hedge accounting for any transaction that meets the specific requirement of hedge accounting under IFRS 9 at date of initial application.

(vi) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs.

(vii) Impact assessment

The Bank and its subsidiaries expect to initially adopt these IFRS by adjusting the impact to retained earnings or other reserves on 1 January 2020. Therefore, the Bank and its subsidiaries will not apply the requirements of these IFRS to comparative information.

Based on the preliminary impact assessment of initially applying IFRS - Financial instruments on the financial statements, the Bank and its subsidiaries estimate that the impact, which is not more than 1% of total shareholders' equity, is not material to the financial statements.

Management has developed a number of models to estimate the ECL allowance in accordance with IFRS 9 and the Bank of Thailand notification and guidelines. In addition, there may be uncertain events in the future that are still not reflected in the current credit models, so the management provide additional ECL as management overlay based on their assessment and judgment. Management expect that there will be no additional allowance required to be recorded by the Bank and its subsidiaries as at 1 January 2020, based on current results from the models and estimates of management overlay, compared to amounts recorded under the existing requirement as at 31 December 2019.

(b) IFRS 16 Leases

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

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Currently, the Bank and its subsidiaries recognise payments made under operating leases and relevant lease incentives in profit or loss on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Bank and its subsidiaries will recognise right-of-use assets and lease liabilities for its operating leases as disclosed in Note 34. As a result, the nature of expenses related to those leases will be changed because the Bank and its subsidiaries will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

Impact assessment

The Bank and its subsidiaries plan to apply TFRS 16 initially on 1 January 2020 using the modified retrospective approach. Based on the preliminary impact assessment of initially applying TFRS 16 on the financial statements, the Bank and its subsidiaries estimate that the impact is not material to the financial statements.