

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

Interim financial statements
for the three-month and six-month periods ended
30 June 2020
and
Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of The Siam Commercial Bank Public Company Limited

Audit Report

Opinion

I have audited the interim 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 30 June 2020, the consolidated and the Bank's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying interim 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 30 June 2020 and their financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the regulations of the Bank of Thailand.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Interim 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 interim 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 interim consolidated and the Bank's financial statements of the current period. These matters were addressed in the context of my audit of the interim 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 expected credit loss on loans to customers	
Refer to notes 3.1.2, 4.3.1, 5.1, 13 and 14.	
The key audit matter	How the matter was addressed in the audit
<p>As at 30 June 2020, loans to customers, recorded in the interim consolidated and the Bank’s financial statements amounted to Baht 2,152 billion and Baht 2,147 billion (approximately 69.2% and 69.2% of total assets), against which allowance for expected credit loss in the interim consolidated and the Bank’s financial statements amounted to Baht 116 billion and Baht 115 billion, respectively, were provided.</p> <p>TFRS 9 and the related Bank of Thailand (“BoT”) notifications requires the Group to recognise expected credit losses (“ECL”) on certain types of financial instruments including loans to customers. The Group has developed methods and models in determining the allowance for ECL which involves significant judgment and estimation on relevant assumptions and data.</p> <p>The signification areas where management applied judgment and estimation are including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Selection of criteria to assess whether the financial instruments have a significant increase in credit risk (“SICR”); • Development techniques to develop ECL model parameters, including the probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”); • Determination of forward looking macroeconomic variables and probability-weighted scenarios; and • Qualitative adjustments including management overlays made to incorporate identified credit risks not captured in the ECL models which include the change in trends and risks in underlying portfolios, the impact of the COVID-19 pandemic amongst other factors. <p>The impact of the COVID-19 pandemic, the related economic downturn and financial relief measures provided by the Group, have created higher estimation uncertainties in determining ECL.</p> <p>The carrying amount of allowance for expected credit loss on loans to customers is considered a Key Audit Matter due to the significance of aforementioned judgments and estimates made.</p>	<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. These procedures include but are not limited to the key controls over selection of criteria to assess SICR, ECL model risk management, determination of macroeconomics variables and the probability-weighted scenario and qualitative adjustments including the management overlay. • Performing the specific controls over the criteria to assess whether the financial instruments have a SICR and also improvement for credit risk consideration for those debtors under financial relief measures. • Performing credit review procedures for a sample of individual large exposures, loans subject to restructuring and reschedule including a detailed review of the credit profile and other relevant information, including but not limited to the appropriateness of internal credit ratings and accuracy of ECL parameters assigned for those customers, from which I formed my own independent assessment. • Assessing and testing the reasonableness of the SICR and staging criteria applied by the Group for different types of loans to customers in order to evaluate whether the criteria applied are consistent with the Group credit risk management practices, requirements under TFRS 9 and related BoT notifications. • Involving my own credit specialists to assess key data, assumptions, method, models including mathematically theory to derive ECL model parameters on significant loans to customers portfolios. They also perform the test for reasonableness of macroeconomic factors used and probability-weighted multiple scenarios including the back-testing and assess methodology and data used by the management in the identification and estimation of qualitative adjustments including the management overlay.

Allowance for expected credit loss on loans to customers	
Refer to notes 3.1.2, 4.3.1, 5.1, 13 and 14.	
The key audit matter	How the matter was addressed in the audit
	<ul style="list-style-type: none"> • Involving my own IT specialist to test of reconciliations of data including ECL parameters among the underlying systems. • Testing the mathematical accuracy of the ECL calculation including qualitative adjustment on a sample basis. • Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards and BoT notifications and guidelines.

Valuation of financial instruments in the statement of financial position	
Refer to notes 3.1.1, 4.3.1, 4.13, 10, 11, 28.	
The key audit matter	How the matter was addressed in the audit
<p>As at 30 June 2020, financial assets measured at fair value in the interim consolidated and the Bank's financial statements amounted to Baht 378 billion and Baht 375 billion, respectively. Financial liabilities measured at fair value in the interim consolidated and the Bank's financial statements amounted to Baht 78 billion and Baht 79 billion, respectively. As at 30 June 2020, financial assets measured at fair value classified as level 2 and 3 in the interim consolidated and the Bank's financial statements amounted to Baht 353 billion and Baht 352 billion, respectively. Financial liabilities measured at fair value classified as level 2 and 3 in the interim consolidated and the Bank's financial statements amounted to Baht 78 billion and Baht 79 billion, respectively.</p> <p>There is a risk that financial instruments classified as "level 2" and "level 3" 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>The valuation of financial instruments is considered a Key Audit Matter due to the degree of complexity involved in valuing certain level 2 and 3 instruments and the significance of judgments and estimates involved.</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's financial instruments independently and compared their valuation to the Group's valuation. • Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards and BoT notifications and guidelines.

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

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

In preparing the interim 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 Interim Consolidated and the Bank's Financial Statements

My objectives are to obtain reasonable assurance about whether the interim 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 interim 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 interim 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 interim 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 interim consolidated and the Bank's financial statements, including the disclosures, and whether the interim 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 interim 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 interim 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.

Review Report

I have also reviewed the accompanying interim consolidated and the Bank's statements of profit or loss and other comprehensive income for the three-month period ended 30 June 2020 of the Group and the Bank, respectively. Management is responsible for the preparation and presentation of these interim consolidated and the Bank's statements of profit or loss and other comprehensive income in accordance with Thai Financial Reporting Standards and the regulations of the Bank of Thailand. My responsibility is to express a conclusion on these interim consolidated and the Bank's statements of profit or loss and other comprehensive income based on my review.

Scope of Review

I conducted my review in accordance with the Thai Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim consolidated and the Bank's statements of profit or loss and other comprehensive income for the three-month period ended 30 June 2020 are not prepared, in all material respects, in accordance with Thai Financial Reporting Standards and the regulations of the Bank of Thailand.

(Wilai Buranakittisophon)
Certified Public Accountant
Registration No. 3920

KPMG Phoomchai Audit Ltd.
Bangkok
27 August 2020

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of financial position

		Consolidated		The Bank	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
Assets	<i>Note</i>				
		<i>(in thousand Baht)</i>			
Cash		42,871,142	47,615,159	42,644,794	47,450,329
Interbank and money market items, net	8	535,478,382	433,510,185	530,624,761	427,250,921
Financial assets measured at fair value through profit or loss	9	39,357,814	-	35,929,016	-
Derivative assets	10	88,864,875	63,132,091	89,113,634	63,283,308
Investments, net	11	257,215,940	312,065,032	257,490,748	310,504,994
Investments in subsidiaries and associate, net	12	-	78,148	10,426,115	6,727,117
Loans to customers and accrued interest receivables, net	13, 14	2,035,082,854	2,002,460,863	2,030,647,005	1,998,168,736
Properties for sale, net	17	16,250,946	16,641,789	16,002,311	16,393,154
Investment properties, net		-	-	292,956	-
Premises and equipment, net	18	41,756,865	40,776,524	40,302,860	39,910,623
Goodwill and other intangible assets, net	19	18,699,584	19,186,569	17,932,767	18,450,769
Deferred tax assets	20	2,022,376	2,004,629	1,800,435	1,809,077
Other assets, net	21	32,966,236	26,275,330	29,865,645	22,498,024
Total assets		3,110,567,014	2,963,746,319	3,103,073,047	2,952,447,052

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of financial position

	Note	Consolidated		The Bank	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
<i>(in thousand Baht)</i>					
Liabilities and shareholders' equity					
Liabilities					
Deposits	22	2,254,738,363	2,159,425,196	2,253,397,349	2,156,488,855
Interbank and money market items	23	212,390,763	145,844,197	212,256,301	145,870,962
Liabilities payable on demand		11,183,805	11,796,217	11,181,959	11,794,548
Financial liabilities measured at fair value through profit or loss		4,860	-	-	-
Liabilities to deliver security		-	18,335	-	-
Derivative liabilities	10	78,243,958	61,937,343	78,726,426	61,987,555
Debt issued and borrowings	24	69,848,586	77,952,008	69,426,148	76,355,562
Provisions	25	16,279,339	11,409,640	15,845,521	10,997,107
Deferred tax liabilities	20	138,484	138,921	-	-
Other liabilities	26	63,703,578	94,377,991	60,504,027	91,008,290
Total liabilities		2,706,531,736	2,562,899,848	2,701,337,731	2,554,502,879
Shareholders' equity					
Share capital	29				
Authorised share capital					
3,582,726,197 preferred shares of Baht 10 each		35,827,262	35,827,351	35,827,262	35,827,351
3,417,273,803 common shares of Baht 10 each		34,172,738	34,172,649	34,172,738	34,172,649
Issued and paid-up capital					
3,601,840 preferred shares of Baht 10 each		36,018	36,107	36,018	36,107
3,395,590,358 common shares of Baht 10 each		33,955,904	33,955,815	33,955,904	33,955,815
Premium on share capital					
Premium on preferred shares		14,086	14,121	14,086	14,121
Premium on common shares		11,110,105	11,110,070	11,110,105	11,110,070
Other reserves	30	17,384,627	16,169,935	17,293,433	16,135,730
Retained earnings					
Appropriated					
Legal reserve	30	7,000,000	7,000,000	7,000,000	7,000,000
Unappropriated		334,027,667	332,071,783	332,325,770	329,692,330
Total owners of the company		403,528,407	400,357,831	401,735,316	397,944,173
Non-controlling interests		506,871	488,640	-	-
Total shareholders' equity		404,035,278	400,846,471	401,735,316	397,944,173
Total liabilities and shareholders' equity		3,110,567,014	2,963,746,319	3,103,073,047	2,952,447,052

(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of profit or loss and other comprehensive income (Unaudited)

	Note	Consolidated		The Bank	
		Three-month period ended		Three-month period ended	
		30 June		30 June	
		2020	2019	2020	2019
		<i>(in thousand Baht)</i>			
Interest income		29,191,059	34,419,192	29,094,467	31,570,101
Interest expenses		5,413,758	8,882,825	5,385,265	8,868,352
Net interest income		23,777,301	25,536,367	23,709,202	22,701,749
Fee and service income		9,735,711	9,355,865	8,671,999	9,889,076
Fee and service expenses		2,055,130	2,171,099	1,834,360	1,938,587
Net fee and service income		7,680,581	7,184,766	6,837,639	7,950,489
Net gain on financial instruments measured at fair value through profit or loss		2,950,602	-	2,947,107	-
Net gain on trading and foreign exchange transactions		-	2,060,313	-	1,993,908
Net gain on investments		605,719	918,719	605,719	684,332
Share of loss from investment in associate		(78,147)	-	-	-
Dividend income		95,016	270,920	1,369,155	977,725
Net earned insurance premiums	12.2	-	11,706,936	-	-
Other operating income		1,245,713	99,891	1,229,920	26,790
Total operating income		36,276,785	47,777,912	36,698,742	34,334,993
Net insurance claims	12.2	-	11,736,534	-	-
Net operating income		36,276,785	36,041,378	36,698,742	34,334,993
Other operating expenses					
Employee expenses		8,275,631	7,754,789	7,543,770	6,856,012
Directors' remuneration		30,373	24,619	25,080	19,238
Premises and equipment expenses		2,822,811	3,367,762	2,654,282	3,079,281
Taxes and duties		893,494	1,188,486	890,536	1,102,901
Other expenses		4,118,483	4,321,838	4,691,956	4,962,002
Total operating expenses		16,140,792	16,657,494	15,805,624	16,019,434
Expected credit loss		9,734,002	-	9,906,309	-
Impairment loss on loans and debt securities		-	5,909,224	-	5,910,000
Profit from operating before income tax expenses		10,401,991	13,474,660	10,986,809	12,405,559
Income tax expenses	20	2,109,830	2,529,875	1,944,218	2,147,247
Net profit		8,292,161	10,944,785	9,042,591	10,258,312

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of profit or loss and other comprehensive income (Unaudited)

	Note	Consolidated		The Bank	
		Three-month period ended		Three-month period ended	
		30 June		30 June	
		2020	2019	2020	2019
<i>(in thousand Baht)</i>					
Other comprehensive income (loss)					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Losses on investments in debt instruments at fair value through other comprehensive income		(208,718)	-	(208,718)	-
Gains on remeasuring available-for-sale investments		-	6,775,083	-	332,834
Gains (Losses) arising from translating the financial statements of a foreign operation		29,912	(104,083)	175,293	-
Changes in hedge reserve		-	808,123	-	-
Income tax relating to components of other comprehensive income (loss) will be reclassified subsequently to profit or loss	20	41,744	(1,516,641)	41,744	(66,567)
		<u>(137,062)</u>	<u>5,962,482</u>	<u>8,319</u>	<u>266,267</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Gains on investments designated at fair value through other comprehensive income		102,334	-	102,334	-
Income tax relating to components of other comprehensive income (loss) will not be reclassified subsequently to profit or loss	20	(20,467)	-	(20,467)	-
		<u>81,867</u>	<u>-</u>	<u>81,867</u>	<u>-</u>
Total other comprehensive (loss) income, net of income tax		<u>(55,195)</u>	<u>5,962,482</u>	<u>90,186</u>	<u>266,267</u>
Total comprehensive income		<u>8,236,966</u>	<u>16,907,267</u>	<u>9,132,777</u>	<u>10,524,579</u>
Net profit (loss) attributable to:					
Owners of the company		8,359,773	10,975,608	9,042,591	10,258,312
Non-controlling interests		(67,612)	(30,823)	-	-
Total comprehensive income (loss) attributable to:					
Owners of the company		8,305,412	16,892,025	9,132,777	10,524,579
Non-controlling interests		(68,446)	15,242	-	-
Earnings per share of the parent company					
Basic earnings per share <i>(in Baht)</i>	48	<u>2.46</u>	<u>3.23</u>	<u>2.66</u>	<u>3.02</u>

(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

The accompanying notes form an integral part of the interim 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	
		Six-month period ended□		Six-month period ended□	
		30 June		30 June	
		2020	2019	2020	2019
		<i>(in thousand Baht)</i>			
Interest income	39	61,463,084	67,874,123	61,271,516	62,231,464
Interest expenses	40	11,908,539	17,624,340	11,844,730	17,588,416
Net interest income		49,554,545	50,249,783	49,426,786	44,643,048
Fee and service income	41	21,202,007	18,312,164	19,124,359	19,271,659
Fee and service expenses	41	4,606,827	4,459,591	4,071,165	3,954,908
Net fee and service income	41	16,595,180	13,852,573	15,053,194	15,316,751
Net gain on financial instruments measured at fair value through profit or loss	42	5,075,524	-	5,008,142	-
Net gain on trading and foreign exchange transactions	43	-	4,007,205	-	3,895,103
Net gain on investments	44	1,352,573	1,574,043	1,384,105	1,261,454
Share of (loss) profit from investment in associate		(78,147)	30,756	-	-
Dividend income		140,572	456,687	1,401,173	1,047,521
Net earned insurance premiums	12.2	-	25,250,502	-	-
Other operating income		1,277,227	195,430	1,242,508	46,558
Total operating income		73,917,474	95,616,979	73,515,908	66,210,435
Net insurance claims	12.2	-	25,005,632	-	-
Net operating income		73,917,474	70,611,347	73,515,908	66,210,435
Other operating expenses					
Employee expenses		16,228,694	16,963,748	14,790,030	15,106,900
Directors' remuneration		57,573	51,057	50,160	42,243
Premises and equipment expenses		6,285,318	6,680,781	5,953,913	6,146,731
Taxes and duties		1,904,909	2,341,159	1,896,821	2,164,187
Other expenses	45	8,057,104	8,455,762	9,303,760	9,676,032
Total operating expenses		32,533,598	34,492,507	31,994,684	33,136,093
Expected credit loss	46	19,460,468	-	19,239,858	-
Impairment loss on loans and debt securities	47	-	11,329,408	-	11,339,159
Profit from operating before income tax expenses		21,923,408	24,789,432	22,281,366	21,735,183
Income tax expenses	20	4,426,328	4,685,297	4,079,138	3,901,641
Net profit		17,497,080	20,104,135	18,202,228	17,833,542

The accompanying notes form an integral part of the interim 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	
		Six-month period ended		Six-month period ended	
		30 June		30 June	
		2020	2019	2020	2019
<i>(in thousand Baht)</i>					
Other comprehensive income (loss)					
<i>Items that will be reclassified subsequently to profit or loss</i>					
Losses on investments in debt instruments at fair value through other comprehensive income		(125,720)	-	(125,720)	-
Gains on remeasuring available-for-sale investments		-	9,434,073	-	718,514
Losses arising from translating the financial statements of a foreign operation		(11,568)	(144,759)	(72,692)	-
Changes in hedge reserve		-	1,017,531	-	-
Income tax relating to components of other comprehensive income (loss) will be reclassified subsequently to profit or loss	20	25,144	(2,089,992)	25,144	(143,703)
		<u>(112,144)</u>	<u>8,216,853</u>	<u>(173,268)</u>	<u>574,811</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Gains on investments designated at fair value through other comprehensive income		218,513	-	218,513	-
Income tax relating to components of other comprehensive income (loss) will not be reclassified subsequently to profit or loss	20	(43,703)	-	(43,703)	-
		<u>174,810</u>	<u>-</u>	<u>174,810</u>	<u>-</u>
Total other comprehensive income, net of income tax		<u>62,666</u>	<u>8,216,853</u>	<u>1,542</u>	<u>574,811</u>
Total comprehensive income		<u>17,559,746</u>	<u>28,320,988</u>	<u>18,203,770</u>	<u>18,408,353</u>
Net profit (loss) attributable to:					
Owners of the company		17,610,772	20,132,111	18,202,228	17,833,542
Non-controlling interests		(113,692)	(27,976)	-	-
Total comprehensive income (loss) attributable to:					
Owners of the company		17,673,397	28,287,525	18,203,770	18,408,353
Non-controlling interests		(113,651)	33,463	-	-
Earnings per share of the parent company					
Basic earnings per share <i>(in Baht)</i>	48	<u>5.18</u>	<u>5.92</u>	<u>5.35</u>	<u>5.25</u>

(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

	Consolidated															
	Issued and		Premium on		Gains	Gains (losses) on			Changes in	Total	Retained earnings		Total	Non-	Total	
Note	paid-up share capital	Common	Preferred	share capital		on remeasuring	investments	in debt			Losses	Gains (losses) on				revaluation
	Preferred	Common	Preferred	Common	available-for-sale	instruments	instruments	arising from	designated at	surplus	reserves	reserve	the company	interests	Total	
	shares	shares	shares	shares	investments	at fair value	through other	of a foreign	through other	revaluation	reserves	reserve	the company	interests	Total	
	<i>(in thousand Baht)</i>															
Six-month period ended 30 June 2020																
Balance at 31 December 2019 - as reported	36,107	33,955,815	14,121	11,110,070	1,059,304	-	-	(530,055)	-	15,640,686	16,169,935	7,000,000	332,071,783	400,357,831	488,640	400,846,471
Impact of changes in accounting policies	3	-	-	-	(1,059,304)	1,172,391	-	-	1,243,267	-	1,356,354	-	274,161	1,630,515	-	1,630,515
Balance at 1 January 2020 restated	36,107	33,955,815	14,121	11,110,070	-	1,172,391	-	(530,055)	1,243,267	15,640,686	17,526,289	7,000,000	332,345,944	401,988,346	488,640	402,476,986
Dividend paid	31	-	-	-	-	-	-	-	-	-	-	-	(16,146,163)	(16,146,163)	-	(16,146,163)
Conversion of preferred shares to common shares		(89)	89	(35)	35	-	-	-	-	-	-	-	-	-	-	-
Liquidation of subsidiary		-	-	-	-	-	-	-	-	-	-	-	12,827	12,827	(118)	12,709
Capital contribution from a non-controlling interest of a newly incorporated subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	132,000	132,000
Net profit (loss)		-	-	-	-	-	-	-	-	-	-	-	17,610,772	17,610,772	(113,692)	17,497,080
Other comprehensive income (loss)		-	-	-	-	(100,576)	(11,609)	174,810	-	62,625	-	-	62,625	41	62,666	
Total comprehensive income (loss)		-	-	-	-	(100,576)	(11,609)	174,810	-	62,625	-	17,610,772	17,673,397	(113,651)	17,559,746	
Transfer to retained earnings		-	-	-	-	-	-	(41)	(204,246)	(204,287)	-	204,287	-	-	-	
Balance at 30 June 2020		36,018	33,955,904	14,086	11,110,105	-	1,071,815	(541,664)	1,418,036	15,436,440	17,384,627	7,000,000	334,027,667	403,528,407	506,871	404,035,278

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

		Consolidated													
		Other reserves													
<i>Note</i>	Issued and paid-up share capital		Premium on share capital		Gains on remeasuring available-for-sale investments	Losses arising from translating the financial statements of a foreign operation	Changes in revaluation surplus			Total other reserves	Retained earnings		Total owners of the company	Non- controlling interests	Total
	shares	shares	shares	shares			Changes in hedge reserve	Others		Legal reserve	Unappropriated				
<i>(in thousand Baht)</i>															
Six-month period ended 30 June 2019															
Balance at 1 January 2019	37,183	33,954,739	14,541	11,109,650	1,735,234	(345,268)	588,419	16,054,705	(2,364,511)	15,668,579	7,000,000	312,241,904	380,026,596	956,452	380,983,048
Dividend paid	31	-	-	-	-	-	-	-	-	-	-	(13,596,769)	(13,596,769)	-	(13,596,769)
Conversion of preferred shares to common shares		(479)	479	(187)	187	-	-	-	-	-	-	-	-	-	-
Net profit (loss)		-	-	-	-	-	-	-	-	-	-	20,132,111	20,132,111	(27,976)	20,104,135
Other comprehensive income (loss)		-	-	-	-	7,489,553	(141,753)	807,288	-	-	8,155,088	-	326	8,155,414	61,439
Total comprehensive income (loss)		-	-	-	-	7,489,553	(141,753)	807,288	-	-	8,155,088	-	20,132,437	28,287,525	33,463
Transfer to retained earnings		-	-	-	-	-	-	-	(153,677)	-	(153,677)	-	153,677	-	-
Balance at 30 June 2019		36,704	33,955,218	14,354	11,109,837	9,224,787	(487,021)	1,395,707	15,901,028	(2,364,511)	23,669,990	7,000,000	318,931,249	394,717,352	989,915

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

		The Bank														
		Other reserves														
		Issued and paid-up share capital		Premium on share capital		Gains on remeasuring available-for-sale investments		Gains (losses) on investments in debt instruments at fair value through other comprehensive income		Gains (losses) on investments designated at fair value through other comprehensive income		Changes in revaluation surplus	Total other reserves	Retained earnings		Total
Note	Preferred shares	Common shares	Preferred shares	Common shares	investments	income	of a foreign operation	income	revaluation surplus	reserves	Legal reserve	Unappropriated				
<i>(in thousand Baht)</i>																
Six-month period ended 30 June 2020																
Balance at 31 December 2019 - as reported	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			
Impact of changes in accounting policies	3	-	-	-	(1,056,822)	1,172,390	-	1,243,336	-	1,358,904	-	374,632	1,733,536			
Balance at 1 January 2020 restated	36,107	33,955,815	14,121	11,110,070	-	1,172,390	-	1,243,336	15,078,908	17,494,634	7,000,000	330,066,962	399,677,709			
Dividend paid	31	-	-	-	-	-	-	-	-	-	-	(16,146,163)	(16,146,163)			
Conversion of preferred shares to common shares		(89)	89	(35)	35	-	-	-	-	-	-	-	-			
Net profit		-	-	-	-	-	-	-	-	-	-	18,202,228	18,202,228			
Other comprehensive income (loss)		-	-	-	-	(100,576)	(72,692)	174,810	-	1,542	-	-	1,542			
Total comprehensive income (loss)		-	-	-	-	(100,576)	(72,692)	174,810	-	1,542	-	18,202,228	18,203,770			
Transfer to retained earnings		-	-	-	-	-	-	(41)	(202,702)	(202,743)	-	202,743	-			
Balance at 30 June 2020		36,018	33,955,904	14,086	11,110,105	-	1,071,814	(72,692)	1,418,105	14,876,206	17,293,433	7,000,000	332,325,770	401,735,316		

The accompanying notes form an integral part of the interim 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			Retained earnings		
		paid-up share capital		share capital		Gains	Changes in	Total	Retained earnings		
		Preferred	Common	Preferred	Common	on remeasuring	revaluation	other	Legal	Unappropriated	Total
<i>Note</i>	shares	shares	shares	shares	investments	available-for-sale	surplus	reserves	reserve	Unappropriated	Total
<i>(in thousand Baht)</i>											
Six-month period ended 30 June 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	31	-	-	-	-	-	-	-	-	(13,596,769)	(13,596,769)
Conversion of preferred shares to common shares		(479)	479	(187)	187	-	-	-	-	-	-
Net profit		-	-	-	-	-	-	-	-	17,833,542	17,833,542
Other comprehensive income		-	-	-	-	574,811	-	574,811	-	-	574,811
Total comprehensive income		-	-	-	-	574,811	-	574,811	-	17,833,542	18,408,353
Transfer to retained earnings		-	-	-	-	-	(152,121)	(152,121)	-	152,121	-
Balance at 30 June 2019		36,704	33,955,218	14,354	11,109,837	1,627,288	15,331,200	16,958,488	7,000,000	276,922,863	345,997,464

(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of cash flows

	Consolidated		The Bank	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit from operating before income tax expense	21,923,408	24,789,432	22,281,366	21,735,183
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>				
Depreciation and amortisation	4,984,381	2,820,725	4,779,245	2,669,187
Expected credit loss	21,017,828	-	20,797,023	-
Impairment loss on loans and debt securities	-	12,952,141	-	12,961,892
Impairment loss on properties for sale	945,067	133,892	945,067	133,892
Provision expenses	789,875	1,622,806	780,595	1,535,243
(Gain) loss on sale of properties for sale	(397,773)	499,044	(397,773)	499,044
Loss on sale of premises and equipment	-	13,650	-	7,878
Loss from write-off of premises and equipment	30,244	27,157	23,195	27,157
Net gain on financial instruments	(10,331,527)	(9,133,730)	(10,348,701)	(8,982,958)
Net gain on investments	(1,352,573)	(1,574,043)	(1,384,105)	(1,261,454)
Share of loss (profit) from investment in associate	78,147	(30,756)	-	-
	37,687,077	32,120,318	37,475,912	29,325,064
Net interest income	(49,554,545)	(50,249,783)	(49,426,786)	(44,643,048)
Dividend income	(140,572)	(456,687)	(1,401,173)	(1,047,521)
Proceeds from interest	57,361,209	67,036,824	56,940,460	61,573,825
Interest paid	(16,319,331)	(17,229,884)	(16,253,609)	(17,287,881)
Proceeds from dividend	140,824	471,149	1,314,896	1,299,940
Income tax paid	(16,074,830)	(6,478,234)	(16,011,787)	(4,872,268)
Profit from operating before changes in operating assets and liabilities	13,099,832	25,213,703	12,637,913	24,348,111
<i>(Increase) decrease in operating assets</i>				
Interbank and money market items	(102,057,519)	(4,233,100)	(103,411,510)	(1,183,860)
Derivative assets	(18,941,305)	(14,642,194)	(17,676,732)	(13,963,911)
Investment in short-term securities	5,711,991	(15,038,323)	7,320,445	(14,912,837)
Loans to customers	(46,906,186)	(45,956,526)	(46,724,653)	(46,284,946)
Properties for sale	3,959,322	3,732,221	3,959,322	3,795,804
Other assets	(7,060,660)	778,353	(7,659,997)	(378,803)
<i>Increase (decrease) in operating liabilities</i>				
Deposits	95,313,167	30,989,795	96,908,494	31,163,412
Interbank and money market items	66,546,566	(21,425,179)	66,385,339	(23,878,226)
Liabilities payable on demand	(612,412)	2,444,970	(612,589)	2,444,577
Financial liabilities measured at fair value through profit or loss	(13,475)	-	-	-
Liabilities to deliver security	-	58,793	-	-
Derivative liabilities	16,150,650	21,403,203	16,582,906	21,475,488
Short-term debt issued and borrowings	(13,766,862)	11,444,176	(12,592,852)	11,045,368
Liabilities under insurance contracts	-	6,671,545	-	-
Other liabilities	(19,205,885)	4,813,538	(18,475,350)	3,070,197
Net cash (used in) from operating activities	(7,782,776)	6,254,975	(3,359,264)	(3,259,626)

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of cash flows

	Consolidated		The Bank	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
Note	2020	2019	2020	2019
<i>(in thousand Baht)</i>				
<i>Cash flows from investing activities</i>				
Acquisition of instruments measured at fair value through other comprehensive income	(178,805,141)	-	(178,805,141)	-
Acquisition of available-for-sale securities	-	(208,571,306)	-	(118,595,882)
Proceeds from sale of instruments measured at fair value through other comprehensive income	202,401,125	-	201,555,822	-
Proceeds from sale of available-for-sale securities	-	200,081,376	-	123,345,386
Acquisition of instruments at amortised cost	(227,178)	-	(227,178)	-
Acquisition of held-to-maturity securities	-	(1,057,815)	-	(263,002)
Proceeds from redemption of instruments at amortised cost	740,045	-	723,902	-
Proceeds from redemption of held-to-maturity securities	-	5,575,331	-	1,233,194
Acquisition of general securities	-	(1,905,317)	-	(1,904,522)
Acquisition of investments in subsidiaries and associate	-	-	(3,709,000)	(40,040)
Proceeds from liquidation of subsidiaries	28,612	-	28,612	-
Acquisition of premises and equipment	(287,940)	(174,569)	(187,974)	(215,784)
Proceeds from sale of premises and equipment	38	1,154	38	221
Acquisition of intangible assets	(1,392,374)	(2,210,389)	(1,294,854)	(1,889,697)
Net cash from (used in) investing activities	22,457,187	(8,261,535)	18,084,227	1,669,874
<i>Cash flows from financing activities</i>				
Proceeds from long-term debt issued	192,025	31,620,000	192,025	31,620,000
Repayment of long-term debt issued	(2,035,000)	(25,544,375)	(2,035,000)	(25,544,375)
Proceeds from long-term borrowings	7,270	33,842	7,270	33,842
Repayment of long-term borrowings	(45,445)	(36,412)	(45,445)	(36,412)
Payment of lease liabilities	(1,511,547)	-	(1,430,493)	-
Dividend paid to equity holders of the Bank	31 (16,146,163)	(13,596,769)	(16,146,163)	(13,596,769)
Capital contribution from a non-controlling interest of a newly incorporated subsidiary	132,000	-	-	-
Net cash used in financing activities	(19,406,860)	(7,523,714)	(19,457,806)	(7,523,714)
Losses arising from translating the financial statements of a foreign operation	(11,568)	(144,759)	(72,692)	-
Net decrease in cash	(4,744,017)	(9,675,033)	(4,805,535)	(9,113,466)
Cash at 1 January	47,615,159	47,116,872	47,450,329	46,443,366
Cash at 30 June	42,871,142	37,441,839	42,644,794	37,329,900

(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the six-month period ended 30 June 2020
For the three-month period ended 30 June 2020 (Unaudited)

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The Siam Commercial Bank Public Company Limited and its Subsidiaries
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For the three-month period ended 30 June 2020 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 27 August 2020.

1 General information

The Siam Commercial Bank Public Company Limited, the “Bank”, is incorporated in Thailand and the Bank’s registered office 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 activities of the Bank are 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, Singapore, and Cambodia. Details of the Bank’s subsidiaries as at 30 June 2020 and 31 December 2019 are given in note 12.

2 Basis of preparation of the interim financial statements

2.1 Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standard (TAS) No. 34 *Interim Financial Reporting* on a complete basis and the regulations of the Bank of Thailand (BoT), guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission (SEC). The interim financial statements are presented in accordance with the BoT notification number Sor Nor Sor 21/2561 dated 31 October 2018, regarding to *Preparation and Announcement of Financial Statements of a Commercial Bank and a Holding Company that is the Parent Company of a Financial Group*.

The Bank and its subsidiaries have initially applied TFRS 9 *Financial Instruments* and its relevant financial instruments accounting standards including TFRS 16 *Leases* and disclosed impact from changes to significant accounting policies in note 3.

The accounting policies used in the preparation of interim financial statements are same as those used for the financial statements of the Bank and its subsidiaries for the year ended 31 December 2019 except as mentioned below:

- (1) The application of new TFRS;
- (2) The application of BoT circular letter number Tor Por Tor For Nor Sor (23) Wor 276/2563 dated 28 February 2020, regarding to *The relief programs for customers affected by Thai economic situations* and BoT circular letter number Tor Por Tor For Nor Sor (01) Wor 380/2563 dated 26 March 2020, regarding to *The additional relief measures for the customers during COVID-19 pandemic situations*.

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Under the aforementioned COVID-19 related circular, the BoT announced measures on loan staging allowing banks to classify a non-NPL customer as of 1 January 2020 as performing or stage 1 immediately if the Bank believes that such customer can perform according to the restructuring plans.

NPL customers as of 1 January 2019 can be classified as performing, or stage 1, immediately if they can adhere to repayment schedule specified in the restructuring plans for 3 consecutive months or 3 consecutive periods, whichever is longer. The Bank shall constantly monitor and review customers' adherence to the new terms and conditions.

The BoT also announced additional relief measures as follows:

For retail customers:

- (1) Grant principal and/or interest payment holiday of 3 - 6 months for all term loans (including mortgage loans, auto loans and small SME (SSME) loans) beginning in April 2020 for affected non-NPL customers (as of 1 March 2020) who request assistance, and
- (2) Reduce minimum credit card payment from 10% to 5% in 2020 - 2021, which will gradually rise to 8% in 2022 and fully revert back to 10% in 2023.

For non-retail customers :

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

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

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

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

For eligibility, customers must:

- (i) operate domestically,
- (ii) not be listed on the Stock Exchange of Thailand (SET) or the Market for Alternative Investment (MAI),
- (iii) have a credit line with a financial institution not exceeding Baht 500 million, and
- (iv) still have normal repayment status or less than 90 days in arrears (non-NPL) as of 31 December 2019.

The maximum drawdown for the soft loans is 20% of the loan outstanding at the end of December 2019.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the six-month period ended 30 June 2020
For the three-month period ended 30 June 2020 (Unaudited)

On 10 March 2020, the Government of Thailand approved measures to help business owners directly and indirectly affected by the COVID-19 pandemic. One of the key measures is the soft loan program in the total amount of Baht 150 billion which will be provided by the Government Savings Bank (GSB). GSB will provide soft loans to banks at the interest rate of 0.01% for 2 years and banks can lend to affected business owners not more than Baht 20 million per customer and at the rate of not more than 2%.

On 8 April 2020, BoT announced a reduction in rate of contribution from financial institutions to the Financial Institutions Development Fund (FIDF) from 0.46% of deposit base to 0.23% per annum temporarily for the year 2020 to 2021 which is retrospectively effective from 1 January 2020.

On 19 June 2020, the BoT issued the second phase of measures to further assist retail customers affected by the COVID-19 pandemic with details as follows:

(1) Reduce interest rate ceiling by 2-4% per annum:

Interest rate ceiling for credit cards and personal loans (effective from 1 August 2020) will be reduced by 2-4% per annum.

(2) Increase credit card, revolving loan, and installment loan limit:

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

(3) Additional minimum relief measures for retail customers in phase 2 (effective from 1 July 2020):

The Bank shall extend the scope and duration of assistance for non-NPL (as of 1 March 2020) retail customers affected by COVID-19 pandemic by offering at least the minimum relief options according to the loan type.

As at 30 June 2020, 39% of the Bank and its subsidiaries' loans to customers were under the financial relief program according to the aforementioned BoT notification.

2.2 Functional and presentation currency

The interim financial statements are presented in Thai Baht, which is the Bank's functional currency.

2.3 Use of judgments and estimates

The preparation of interim financial statements 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.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
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For the three-month period ended 30 June 2020 (Unaudited)

Information about assumptions and estimation uncertainties at 30 June 2020 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 5	Financial risk management
Note 10	Derivatives
Note 14	Allowance for expected credit loss
Note 25	Provisions

3 Changes in accounting policies

From 1 January 2020, the Bank and its subsidiaries have initially applied TFRS *Financial instruments standards* which comprise TFRS 9 Financial Instruments (“TFRS 9”) and relevant standards and interpretations, related BoT notifications as stated in note 2 and TFRS 16 *Leases*.

	Note	Consolidated		The Bank	
		Retained earnings	Other reserves	Retained earnings	Other reserves
At 31 December 2019 - as reported		332,072	16,170	329,692	16,136
<i>Increase (decrease) due to:</i>					
Adoption of TFRS - Financial instruments standards					
Classification of financial instruments	3.1.1	634	1,681	631	1,684
Impairment loss on financial assets	3.1.2	(113)	15	-	15
Derivatives	3.1.3	(162)	-	(162)	-
Related tax		(85)	(340)	(94)	(340)
At 1 January 2020 - restated		<u>332,346</u>	<u>17,526</u>	<u>330,067</u>	<u>17,495</u>

3.1 TFRS - Financial instruments standards

The Bank and its subsidiaries have adopted TFRS 9 Financial Instruments and relevant financial instruments standards using the cumulative effect, taking into account the effect of initially applying this standard only to financial instruments that were not derecognised before 1 January 2020 as an adjustment to retained earnings or other reserves at 1 January 2020. Therefore, the Bank and its subsidiaries have not restated the information presented for 2019. The disclosure requirements of TFRS for financial instruments have not generally been applied to comparative information.

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. The details of accounting policies are disclosed in note 4.

3.1.1 Classification and measurement of financial assets and financial liabilities

Under TFRS 9, financial assets are classified into three categories: measured at amortised cost (AMC), fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). The classification is based on the cash flow characteristics of the financial asset and the business model in which they are managed. However, the Bank and its subsidiaries may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL. TFRS 9 eliminates the previous classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105.

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The following table shows the original classification and measurement under TAS 105 and BoT regulations and the new classification and measurement under TFRS 9 as at 1 January 2020.

	Original classification at 31 December 2019	New classification under TFRS 9	At 31 December 2019	Consolidated		Allowance for expected credit loss	At 1 January 2020
				Reclassification	Remeasurement <i>(in million Baht)</i>		
Assets							
Cash	AMC	AMC	47,615	-	-	-	47,615
Interbank and money market items, net	AMC	AMC	433,510	-	-	24	433,534
Financial assets measured at FVTPL			-	33,978	761	-	34,739
Government and state enterprise securities	-	FVTPL	-	22,072	-	-	22,072
Corporate debt instruments	-	FVTPL	-	4,550	-	-	4,550
Domestic equity instruments	-	FVTPL	-	4,141	-	-	4,141
Foreign equity instruments	-	FVTPL	-	24	-	-	24
Domestic non-marketable equity instruments	-	FVTPL	-	31	393	-	424
Foreign non-marketable equity instruments	-	FVTPL	-	3,160	368	-	3,528
Derivative assets			63,132	-	2,540	-	65,672
Forward exchange contracts - held for risk management	Accrual	FVTPL	84	-	68	-	152
Forward exchange contracts - held for trading	FV	FVTPL	34,989	-	-	-	34,989
Interest rate swap contracts - held for risk management	Accrual	FVTPL	-	-	2,472	-	2,472
Interest rate swap contracts - held for trading	FV	FVTPL	27,573	-	-	-	27,573
Equity derivatives - held for trading	FV	FVTPL	482	-	-	-	482
Commodity derivatives - held for trading	FV	FVTPL	4	-	-	-	4

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	Original classification at 31 December 2019	New classification under TFRS 9	At 31 December 2019	Consolidated Reclassification	Remeasurement (in million Baht)	Allowance for expected credit loss	At 1 January 2020
Investments, net			312,065	(33,978)	1,554	(3)	279,638
Government and state enterprise securities	Trading	-	22,072	(22,072)	-	-	-
Corporate debt instruments	Trading	-	4,550	(4,550)	-	-	-
Domestic equity instruments	Trading	-	3,192	(3,192)	-	-	-
Domestic equity instruments	AFS	-	949	(949)	-	-	-
Foreign equity instruments	AFS	-	24	(24)	-	-	-
Domestic non-marketable equity instruments	General	-	31	(31)	-	-	-
	investment						
Foreign non-marketable equity instruments	General	-	3,160	(3,160)	-	-	-
	investment						
Government and state enterprise securities	AFS	FVOCI	258,768	-	-	-	258,768
Foreign debt instruments	AFS	FVOCI	10,999	-	-	-	10,999
Domestic non-marketable equity instruments	General	FVOCI	486	-	1,554	-	2,040
	investment						
Foreign non-marketable equity instruments	General	FVOCI	4	-	-	-	4
	investment						
Government and state enterprise securities	HTM	AMC	7,586	-	-	-	7,586
Corporate debt instruments	HTM	AMC	30	-	-	(1)	29
Foreign debt instruments	HTM	AMC	214	-	-	(2)	212
Investments in subsidiaries and associate, net	-	-	78	-	-	-	78
Loans to customers and accrued interest receivables, net	AMC	AMC	2,002,461	-	-	4,814	2,007,275
Properties for sale, net	-	-	16,642	-	-	-	16,642
Premises and equipment, net	-	-	40,776	-	-	-	40,776
Goodwill and other intangible assets, net	-	-	19,187	-	-	-	19,187
Deferred tax assets	-	-	2,005	-	(431)	6	1,580
Other assets, net	AMC	AMC	26,275	-	(78)	-	26,197
Total assets			2,963,746	-	4,346	4,841	2,972,933

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	Original classification at 31 December 2019	New classification under TFRS 9	At 31 December 2019	Consolidated Reclassification	Remeasurement (in million Baht)	Allowance for expected credit loss	At 1 January 2020
Liabilities							
Deposits	AMC	AMC	2,159,425	-	-	-	2,159,425
Interbank and money market items	AMC	AMC	145,844	-	-	-	145,844
Liabilities payable on demand	AMC	AMC	11,796	-	-	-	11,796
Liabilities to deliver security	FV	FVTPL	18	-	-	-	18
Derivative liabilities			61,937	-	156	-	62,093
Forward exchange contracts - held for risk management	Accrual	FVTPL	63	-	(15)	-	48
Forward exchange contracts - held for trading	FV	FVTPL	31,308	-	-	-	31,308
Interest rate swap contracts - held for risk management	Accrual	FVTPL	-	-	171	-	171
Interest rate swap contracts - held for trading	FV	FVTPL	30,297	-	-	-	30,297
Equity derivatives - held for trading	FV	FVTPL	265	-	-	-	265
Commodity derivatives - held for trading	FV	FVTPL	4	-	-	-	4
Debt issued and borrowings	AMC	AMC	77,952	-	2,472	-	80,424
Provisions	-	-	11,410	-	-	4,933	16,343
Deferred tax liabilities	-	-	139	-	-	-	139
Other liabilities	AMC	AMC	94,379	-	(4)	-	94,375
Total liabilities			2,562,900	-	2,624	4,933	2,570,457
Shareholders' equity							
Share capital	-	-	33,992	-	-	-	33,992
Premium on share capital	-	-	11,124	-	-	-	11,124
Other reserves	-	-	16,170	-	1,344	12	17,526
Legal reserve	-	-	7,000	-	-	-	7,000
Unappropriated retained earnings	-	-	332,072	-	378	(104)	332,346
Total owners of the company	-	-	400,358	-	1,722	(92)	401,988
Non-controlling interests	-	-	488	-	-	-	488
Total shareholders' equity			400,846	-	1,722	(92)	402,476
Total liabilities and shareholders' equity			2,963,746	-	4,346	4,841	2,972,933

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	Original classification at 31 December 2019	New classification under TFRS 9	At 31 December 2019	The Bank		Allowance for expected credit loss	At 1 January 2020
				Reclassification	Remeasurement (in million Baht)		
Assets							
Cash	AMC	AMC	47,450	-	-	-	47,450
Interbank and money market items, net	AMC	AMC	427,251	-	-	25	427,276
Financial assets measured at FVTPL			-	32,140	761	-	32,901
Government and state enterprise securities	-	FVTPL	-	22,040	-	-	22,040
Corporate debt instruments	-	FVTPL	-	4,374	-	-	4,374
Domestic equity instruments	-	FVTPL	-	2,520	-	-	2,520
Foreign equity instruments	-	FVTPL	-	23	-	-	23
Domestic non-marketable equity instruments	-	FVTPL	-	23	393	-	416
Foreign non-marketable equity instruments	-	FVTPL	-	3,160	368	-	3,528
Derivative assets			63,283	-	2,540	-	65,823
Forward exchange contracts - held for risk management	Accrual	FVTPL	84	-	68	-	152
Forward exchange contracts - held for trading	FV	FVTPL	34,989	-	-	-	34,989
Interest rate swap contracts - held for risk management	Accrual	FVTPL	-	-	2,472	-	2,472
Interest rate swap contracts - held for trading	FV	FVTPL	27,573	-	-	-	27,573
Equity derivatives - held for trading	FV	FVTPL	633	-	-	-	633
Commodity derivatives - held for trading	FV	FVTPL	4	-	-	-	4

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	Original classification at 31 December 2019	New classification under TFRS 9	At 31 December 2019	The Bank		Allowance for expected credit loss	At 1 January 2020
				Reclassification	Remeasurement <i>(in million Baht)</i>		
Investments, net			310,505	(32,140)	1,554	(3)	279,916
Government and state enterprise securities	Trading	-	22,040	(22,040)	-	-	-
Corporate debt instruments	Trading	-	4,374	(4,374)	-	-	-
Domestic equity instruments	Trading	-	1,592	(1,592)	-	-	-
Domestic equity instruments	AFS	-	928	(928)	-	-	-
Foreign equity instruments	AFS	-	23	(23)	-	-	-
Domestic non-marketable equity instruments	General investment	-	23	(23)	-	-	-
Foreign non-marketable equity instruments	General investment	-	3,160	(3,160)	-	-	-
Government and state enterprise securities	AFS	FVOCI	258,768	-	-	-	258,768
Foreign debt instruments	AFS	FVOCI	10,999	-	-	-	10,999
Domestic non-marketable equity instruments	General investment	FVOCI	479	-	1,554	-	2,033
Foreign non-marketable equity instruments	General investment	FVOCI	4	-	-	-	4
Government and state enterprise securities	HTM	AMC	7,575	-	-	-	7,575
Corporate debt instruments	HTM	AMC	326	-	-	(1)	325
Foreign debt instruments	HTM	AMC	214	-	-	(2)	212
Investments in subsidiaries and associate, net	-	-	6,727	-	-	-	6,727
Loans to customers and accrued interest receivables, net	AMC	AMC	1,998,169	-	-	4,911	2,003,080
Properties for sale, net	-	-	16,393	-	-	-	16,393
Premises and equipment, net	-	-	39,911	-	-	-	39,911
Goodwill and other intangible assets, net	-	-	18,451	-	-	-	18,451
Deferred tax assets	-	-	1,809	-	(431)	(3)	1,375
Other assets, net	AMC	AMC	22,498	-	(78)	-	22,420
Total assets			2,952,447	-	4,346	4,930	2,961,723

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	Original classification at 31 December 2019	New classification under TFRS 9	At 31 December 2019	The Bank		Allowance for expected credit loss	At 1 January 2020
				Reclassification	Remeasurement (in million Baht)		
Liabilities							
Deposits	AMC	AMC	2,156,489	-	-	-	2,156,489
Interbank and money market items	AMC	AMC	145,871	-	-	-	145,871
Liabilities payable on demand	AMC	AMC	11,794	-	-	-	11,794
Derivative liabilities			61,988	-	156	-	62,144
Forward exchange contracts - held for risk management	Accrual	FVTPL	63	-	(15)	-	48
Forward exchange contracts - held for trading	FV	FVTPL	31,308	-	-	-	31,308
Interest rate swap contracts - held for risk management	Accrual	FVTPL	-	-	171	-	171
Interest rate swap contracts - held for trading	FV	FVTPL	30,297	-	-	-	30,297
Equity derivatives - held for trading	FV	FVTPL	316	-	-	-	316
Commodity derivatives - held for trading	FV	FVTPL	4	-	-	-	4
Debt issued and borrowings	AMC	AMC	76,356	-	2,472	-	78,828
Provisions	-	-	10,997	-	-	4,918	15,915
Other liabilities	AMC	AMC	91,008	-	(4)	-	91,004
Total liabilities			2,554,503	-	2,624	4,918	2,562,045
Shareholders' equity							
Share capital	-	-	33,992	-	-	-	33,992
Premium on share capital	-	-	11,124	-	-	-	11,124
Other reserves	-	-	16,136	-	1,347	12	17,495
Legal reserve	-	-	7,000	-	-	-	7,000
Unappropriated retained earnings	-	-	329,692	-	375	-	330,067
Total shareholders' equity			397,944	-	1,722	12	399,678
Total liabilities and shareholders' equity			2,952,447	-	4,346	4,930	2,961,723

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3.1.2 Impairment

TFRS 9 introduces lifetime expected credit loss (ECL) model whereas previously the Bank and its subsidiaries estimate allowance for doubtful account by analysing payment histories, future expectation of customer payment and compliance with the minimum allowance for doubtful accounts required based on the BoT's guideline. 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 financial assets that are not measured at FVTPL consisted with financial assets that are debt instrument, lease receivables, financial guarantee and loan commitment issued except for investments in equity instruments.

	Consolidated		
	At 31 December 2019	Remeasurement <i>(in million Baht)</i>	At 1 January 2020
Interbank and money market items	157	(24)	133
Investments	-	3	3
Loans to customers	114,272	(4,814)	109,458
Loan commitments	2	3,777	3,779
Financial guarantee contracts	24	1,156	1,180
Others	-	15	15
Total	<u>114,455</u>	<u>113</u>	<u>114,568</u>

	The Bank		
	At 31 December 2019	Remeasurement <i>(in million Baht)</i>	At 1 January 2020
Interbank and money market items	157	(25)	132
Investments	-	3	3
Loans to customers	113,627	(4,911)	108,716
Loan commitments	-	3,755	3,755
Financial guarantee contracts	-	1,163	1,163
Others	-	15	15
Total	<u>113,784</u>	<u>-</u>	<u>113,784</u>

3.1.3 Derivative and hedge accounting

Under TFRS 9, derivatives held for risk management purposes include all derivatives that are not held for trading are measured at fair value in the statement of financial position.

The Bank and its subsidiaries designate certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. The Bank and its subsidiaries document the relationship between the hedging instruments and hedged items, including the risk management objective, strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank and its subsidiaries make an assessment of the effectiveness, both at inception of the hedge relationship and on an ongoing basis.

These hedging relationships are fair value hedges, cash flow hedges and net investment in a foreign operation hedge.

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Previously, TFRS were silent on the requirements of hedge accounting and derivatives held for risk management purposes. In 2019, the Bank and its subsidiaries accounted these transactions as described in accounting policies in notes 4.3.2.5 - 4.3.2.6.

3.2 TFRS 16 Leases

From 1 January 2020, the Bank and its subsidiaries have initially adopted TFRS 16 on contracts previously identified as leases according to TAS 17 *Leases* and TFRIC 4 *Determining whether an arrangement contains a lease* using the modified retrospective approach.

Previously, the Bank and its subsidiaries as a lessee, recognised payments made under operating leases in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, the Bank and its subsidiaries assess whether a contract is, or contains, a lease. If a contract contains lease and non-lease components, the Bank and its subsidiaries allocate the consideration in the contract based on stand-alone selling price (transaction price). As at 1 January 2020, the Bank and its subsidiaries recognised right-of-use assets and lease liabilities, as a result, the nature of expenses related to those leases was changed because the Bank and its subsidiaries recognised depreciation of right-of-use assets and interest expense on lease liabilities.

On transition, the Bank and its subsidiaries also elected to use the following practical expedients:

- do not recognise right-of-use assets and lease liabilities for leases with less than 12 months of lease term;
- use hindsight when determining the lease term;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- rely on previous assessments whether leases are onerous as an alternative to performing an impairment review; and
- exclude initial direct costs from measuring the right-of-use asset.

Impact from the adoption of TFRS 16

	Consolidated	The Bank
	<i>(in million Baht)</i>	
<i>At 1 January 2020</i>		
Increase in premises and equipment	4,365	4,046
Increase in other liabilities	4,365	4,046
Incremental borrowing rate (<i>% per annum</i>)	2.0 - 5.3	2.0 - 3.1

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as stated in notes 2.1 and 3.

4.1 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’ interest in associate.

Business combinations

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

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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 and its subsidiaries to the previous owners of the acquiree, and equity interests issued by the Bank and its subsidiaries. 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.

Transaction costs that the Bank and its subsidiaries incur 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 and its subsidiaries report 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 and its subsidiaries' 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.

Acquisitions from entities under common control

Business combination under common control are accounted for using a method similar to the pooling of interest method. Under that method the acquirer recognises assets and liabilities of the acquired businesses at their carrying amounts in the consolidated financial statements of the ultimate parent company at the moment of the transaction. The difference between the carrying amount of the acquired net assets and the consideration transferred is recognised as surplus or deficit from business combinations under common control in shareholder's equity. The surplus or discount will be transferred to retained earnings upon divestment of the businesses acquired.

The results from operations of the acquired businesses will be included in the consolidated financial statements of the acquirer from the beginning of the comparative period or the moment the businesses came under common control, whichever date is later, until control ceases.

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Subsidiaries

Subsidiaries are entities controlled by the Bank and its subsidiaries. The Bank and its subsidiaries control 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 and its subsidiaries measure any non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Bank and its subsidiaries' 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 and its subsidiaries lose control over a subsidiary, they derecognise 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 and its subsidiaries' 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 and subsidiaries' 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.

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.

4.2 Cash

Cash includes cash in hand and cash on collection.

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4.3 Financial assets and financial liabilities

4.3.1 Accounting policies applicable from 1 January 2020

4.3.1.1 Recognition and initial measurement

The Bank and its subsidiaries initially recognise all financial instruments (including regular-way purchases and sales of financial assets) on the trade date, which is the date on which the Bank and its subsidiaries become a party to the contractual provisions of the financial instrument, except for investments in debt instruments which are recognised on the settlement date.

Financial assets or financial liabilities that are not measured at fair value through profit or loss are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issuance.

4.3.1.2 Classification

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost (AMC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at AMC if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank and its subsidiaries may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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Business model assessment

The Bank and its subsidiaries make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the financial assets;
- how the performance of the portfolio is evaluated and reported to the Bank and its subsidiaries' management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how investment managers are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank and its subsidiaries' stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment,

'Principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank and its subsidiaries consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Bank and its subsidiaries consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- terms that limit the Bank and subsidiaries' claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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Classification of financial liabilities

The Bank and its subsidiaries classify their financial liabilities, other than financial guarantees and loan commitments, as measured at AMC or FVTPL (in the case of derivative liabilities).

The Bank and its subsidiaries record their obligations to return borrowed 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 in financial liabilities measured at FVTPL.

Designation at FVTPL

Financial assets

At initial recognition, the Bank and its subsidiaries may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AMC or at FVOCI as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank and its subsidiaries change their business model for managing financial assets.

4.3.1.3 Derecognition

Derecognition of financial assets

The Bank and its subsidiaries derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or they transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank and its subsidiaries neither transfer nor retain substantially all of the risks and rewards of ownership and they do not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain or loss recognised in other comprehensive income in respect of equity instruments designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank and its subsidiaries are recognised as a separate asset or liability.

The Bank and its subsidiaries enter into transactions whereby they transfer assets recognised on their statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

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When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank and its subsidiaries retain all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank and its subsidiaries neither retain nor transfer substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank and its subsidiaries continue to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank and its subsidiaries retain the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset shall be recognised or a servicing liability if the fee to be received is not expected to compensate the entity adequately for performing the servicing.

Derecognition of financial liabilities

The Bank and its subsidiaries derecognise a financial liability when its contractual obligations are discharged or cancelled or expired.

4.3.1.4 Modifications of financial assets and financial liabilities

Modifications of financial assets

If the terms of a financial asset are modified, then the Bank and its subsidiaries evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank and its subsidiaries plan to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

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If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank and its subsidiaries first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with expected credit loss. In other cases, it is presented as interest income calculated using the effective interest rate method.

Modifications of financial liabilities

The Bank and its subsidiaries derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. The consideration paid includes any non-cash assets transferred and new liabilities assumed.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

4.3.1.5 Impairment of financial assets

The Bank and its subsidiaries recognise allowance for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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Significant accounting estimates and judgments

The Bank and its subsidiaries' expected credit loss calculations are based on complex models with a series of underlying assumptions. The significant judgments and estimates in determining expected credit loss include criteria for assessing if there has been a significant increase in credit risk and development of expected credit loss models, including the choice of inputs relating to macroeconomic variables. The calculation also involves expert credit judgment used by management in conjunction with internal and external information.

Measurement of ECL

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that are expected to be received over the contractual life of the instrument.

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information. This includes forward-looking information.

Estimates of expected cash shortfalls are determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD).

Forward-looking macro-economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they have been identified to influence credit risk, such as GDP growth rates, interest rates and housing price indices. These assumptions are determined using all reasonable and supportable information, which includes both available internal and external information and are consistent with those used for financial and capital planning.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Bank and its subsidiaries are exposed to credit risk where a behavioral life is estimated such as certain revolving facilities.

The estimation of expected cash shortfalls on collateralised financial instruments reflects the expected amount and timing of cash flows from foreclosure of the collateral less the costs of obtaining and selling the collateral, regardless of whether the foreclosure is deemed probable or not.

Cash shortfalls are discounted using the effective interest rate.

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 and its subsidiaries expect to receive);

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- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of 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 and its subsidiaries if the commitment is drawn down and the cash flows that the Bank and its subsidiaries expect to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank and its subsidiaries expect to recover.

In order to assess the expected credit loss, models are developed based on historical repayment, default information and other information indicating default risk behavior.

In case that the models cannot capture the risk, the management overlay principle, covering industry, model and other risks, will be applied.

Staging (see note 2.1 for application on loans to customers subject to relief programmes)

For ECL recognition, 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:

- *Performing (Stage 1)*

Financial assets that have not had a significant increase in credit risk (SICR) since initial recognition (i.e. no stage 2 or 3 triggers apply) or debt instrument that considered to have low credit risk at each reporting date with the exception of purchased or originated credit impaired (POCI) assets. The provision for ECL is 12-month ECL. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Bank and its subsidiaries consider government and state enterprise securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank and its subsidiaries do not apply the low credit risk exemption to any other financial instruments.

- *Under-performing (Stage 2)*

When financial assets have a SICR since initial recognition, expected credit losses are recognised for possible default events over the lifetime of the financial assets. SICR is assessed by using a number of quantitative and qualitative factors that are significant to the increase in credit risk. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

Quantitative factors include an assessment of whether there has been a significant increase in the probability of default (PD) since origination. Increase in PD is determined from economic conditions that are relating to changes in credit risk such as internal credit rating downgrade or behavior scoring deterioration. If the changes exceed the thresholds, the financial assets are considered to have experienced a significant increase in credit risk.

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Qualitative factor assessments are part of current credit risk management processes, such as an assessment of significant deterioration in the customers' ability to repay. Qualitative indicators include operating results, financial liquidity and other reliable indicators.

Financial assets can be transferred to stage 1 in case they have proven that their ability to repay are back to normal.

- *Non-performing (Stage 3)*

Financial assets that are credit-impaired or in default represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the customers are unlikely to repay on the occurrence of one or more observable events that have a negative impact on the estimated future cash flows of the financial assets.

Evidence that financial assets are credit-impaired includes observable data, but not limited to the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial recognition;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower; or
- Purchase or origination of a financial asset at a significant discount that reflects incurred credit losses.

Expected credit losses of credit-impaired financial assets are determined based on the difference between the present value of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate, discounted with the financial assets' original effective interest rate, and the gross carrying value of the financial assets prior to any credit impairments.

Financial assets that are credit-impaired require a lifetime provision.

- *Non-retail loans credit impairment considerations*

For individual qualitative consideration of large corporate loans that are credit-impaired, there will be additional procedures where the Bank's Special Business Function analyses and presents the qualitative information and expected credit loss to the Quality Credit Assessment Committee to review and propose to the Credit Committee for approval for such staging and expected credit losses. The expected credit loss are considered from the difference between the loan carrying amount and the present value of expected future cash flows including the considerations of collateral value deterioration and other information related to future cash flow assessment.

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- Retail loans credit impairment considerations

For retail loans which comprise of a large number of loans with the shared similar characteristics, statistical estimates are used through credit scoring analysis. The retail loans are considered to be credit-impaired when they are more than 90 days past due or if the borrower has been filed for bankruptcy or the borrower ceases or closes its operations.

Improvement in credit risk (see note 2.1 for application on loans to customers subject to relief programmes)

A period may elapse from the point at which instruments enter stage 2 or stage 3 and are reclassified back to stage 1.

For financial assets that are credit-impaired (stage 3), and have not been subject to modification, a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

- Loans to customers under modification (see note 2.1 for application on loans to customers subject to relief programmes)

For modified loans to customers, exposures under stage 3 can be transferred to stage 2 when the customer performs under the revised terms of the contract for 3 months or 3 periods, whichever is longer. A further 9 months or 9 periods, whichever is longer monitoring is required for such customers to be transferred to stage 1 on the basis that there is no overdue balance on the account and the customer is expected to repay its remaining obligations in full. When transferring to stage 1, credit risk will be reset at the transferring date.

For modified loans to customers, exposures under stage 2 that were not previously credit-impaired can be transferred to stage 1 when the customer performs under the revised terms of the contract for 3 consecutive months or 3 periods, whichever is longer, and the customer is expected to repay its remaining obligations in full.

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Financial guarantee contracts held

The Bank and its subsidiaries assess whether a financial guarantee contract held is an integral element of a financial asset that is accounted for separately. The factors that the Bank and its subsidiaries consider when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank and its subsidiaries determine that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank and its subsidiaries consider the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank and its subsidiaries determine that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in "other assets". The Bank and its subsidiaries present gains or losses on a compensation right in profit or loss in the line item "expected credit loss".

Loss provisions on purchased or originated credit impaired instruments (POCI)

The Bank and its subsidiaries measure expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Bank and its subsidiaries recognise the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favorable differences are recognised as impairment gains in profit or loss and as impairment loss where the expected credit losses are greater.

Presentation of allowance for ECL in the statement of financial position

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, the Bank and its subsidiaries separately present ECL of drawn component by deducting from the gross carrying amount while ECL of undrawn component is presented as a provision; and

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- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the other reserves.

Write-off of credit impaired instruments and reversal of impairment

To the extent a financial instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the expected credit loss in profit or loss.

If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised, such as an improvement in the debtor's credit rating, the previously recognised credit impairment loss is reversed by adjusting the expected credit loss account. The amount of the reversal is recognised in profit or loss.

4.3.1.6 Derivatives and hedge accounting

Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank and its subsidiaries designate certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank and its subsidiaries formally document the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank and its subsidiaries make an assessment, both at inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be effective hedge in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a specific range. For a cash flow hedge of a forecast transaction, the Bank and its subsidiaries make an assessment whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

These hedging relationships are described below:

Fair value hedges

When a derivative is designated as the hedging instrument in the hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

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If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustments up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

Cash flow hedges

When a derivative is designated as the hedging instrument in the hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or 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 within shareholders' equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is classified from other comprehensive income to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and other comprehensive income.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

If the hedged cash flows are no longer expected to occur, then the Bank and its subsidiaries immediately reclassify the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Bank and its subsidiaries reclassify the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

4.3.2 Accounting policies applicable before 1 January 2020

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.

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4.3.2.1 Investments

The Bank and its subsidiaries classify their investments in securities as trading securities, available-for-sale securities, held-to-maturity securities, general investments and investments in subsidiaries and associate. The Bank and its subsidiaries present 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 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 are stated at fair value, with the valuation surplus or deficit on investments presented as a component of total shareholders' equity until realised upon disposition or sale of the underlying securities.

Debt securities that the Bank and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at AMC, 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 shareholders' 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.

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

Impairment of available-for-sale investments

When a decline in the fair value of an available-for-sale investments 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 AMC is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

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

Reversal 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 AMC 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.

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.

4.3.2.2 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.

4.3.2.3 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 the percentages established by BoT. The guidelines established the maximum collateral valuation limits for the purpose of calculating the allowance for doubtful accounts.

In addition, 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 BoT.

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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.

Allowance for doubtful accounts established during the period 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.

4.3.2.4 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 BoT'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.

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4.3.2.5 Derivatives

Recognition of derivatives is as follows:

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.

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:

- Where hedged items are measured at fair value, hedging instruments are measured at fair value consistently.
- Where hedged items are measured on an accrual basis, hedging instruments are measured on an accrual basis consistently.

4.3.2.6 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 gain or loss.

4.4 Investments in subsidiaries and associate

Investments in subsidiaries and associate in the Bank's financial statements are measured at cost less impairment losses (if any).

Investments in associate in the consolidated financial statements are measured at equity method.

4.5 Properties for sale

Properties for sale consist of movable and immovable properties, are stated at the lower of cost or net realisable value, which is determined with reference to the latest appraisal value, less estimated cost to sell in accordance with the BoT notification number Sor Nor Sor 23/2561 dated 31 October 2018, regarding to *Regulations on Asset Classification and Provisioning of Financial Institutions*. Impairment losses are recognised as expenses in part of profit or loss in the statement of profit or loss and other comprehensive income.

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The Bank also followed BoT notification number Sor Nor Sor 22/2552 dated 11 December 2009, regarding to *Foreclosed Properties* and Sor Nor Sor 23/2552 dated 11 December 2009, regarding to *Guidelines on Purchase or Possession of Real Estate Used as a Site for Business Operation or Employees or Workers of Financial Institutions*.

Gains or losses on sales of properties for sale are recognised as income or expenses as part of profit or loss in the statement of profit or loss and other comprehensive income based on condition stipulated in BoT notification number Sor Nor Sor 20/2561 dated 31 October 2018, regarding to *Regulations on Accounting of Financial Institutions*.

4.6 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.

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 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 in the revaluation surplus in shareholders' 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.

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Reclassification to investment properties

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation surplus in equity. Any loss is recognised in other comprehensive income and presented in the revaluation surplus in equity to the extent that an amount had previously been included in the revaluation surplus relating to the specific property, with any remaining loss recognised immediately in profit or loss.

Subsequent costs

The cost of replacing a part of an item of premises and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its 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.

4.7 Goodwill and other intangible assets

Goodwill

Goodwill that arises upon the acquisition is included in intangible assets. The measurement of goodwill at initial recognition is described in note 4.1. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 4.8. 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.

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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 are as follows:

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

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

4.8 Impairment of non-financial assets

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 shareholders' equity, in which case it is charged to shareholders' equity.

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Calculation of recoverable amount

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 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.

4.9 Liabilities to deliver security

Liabilities to deliver security represents the Bank and its subsidiaries' 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.

4.10 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 has an unconditional right to receive non-refundable consideration from the customer before the Bank and its subsidiaries recognise the related revenue.

4.11 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 periods, discounting that amount.

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

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Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Bank and its subsidiaries determine the interest expenses on the net defined benefit liability for the period 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 period 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 periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the year in which they arise.

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.

4.12 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.

4.13 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.

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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.

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.

4.14 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 shareholders' equity upon approval by the Bank's shareholders.

Common shares

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

4.15 Interest

4.15.1 Accounting policies applicable from 1 January 2020

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the AMC of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank and its subsidiaries estimate future cash flows considering all contractual terms of the financial instrument, but not expected credit loss. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit loss.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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The gross carrying amount of a financial asset is the AMC of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the AMC of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the AMC of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the AMC of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

4.15.2 Accounting policies applicable before 1 January 2020

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.

4.16 Income from finance lease contracts

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

Before 1 January 2020, 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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4.17 Fee and service income

4.17.1 Accounting policies applicable from 1 January 2020

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other 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.

Where the Bank and its subsidiaries act in the capacity of an agent and it recognises the net amount of consideration as commission revenue.

4.17.2 Accounting policies applicable before 1 January 2020

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.

4.18 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.

4.19 Dividend income

Dividend income is recognised in profit or loss when the right to receive income is established.

4.20 Net gain on financial instruments measured at FVTPL

Net gain on financial instruments comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

4.21 Contributions to the Deposit Protection Agency and Financial Institutions Development Fund

Contributions to the Deposit Protection Agency and Financial Institutions Development Fund are recorded as expenses on an accrual basis.

4.22 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank and its subsidiaries currently have a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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4.23 Financial guarantee and loan commitments

Financial guarantees are contracts that require the Bank and its subsidiaries to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with TFRS 9.

4.24 Income tax

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

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

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

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

In determining the amount of current and deferred tax, the Bank and 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 its accruals for tax liabilities are adequate for all open tax periods 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.

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A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Bank and its subsidiaries. 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.

4.25 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 period.

4.26 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 subsidiaries have direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

4.27 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.

4.28 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Bank and its subsidiaries at the spot exchange rates at the date of the transactions.

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

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- Equity instruments that has been elected to measure at FVOCI (from 1 January 2020);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (from 1 January 2020);
- Qualifying cash flow hedges to the extent that the hedge is effective (from 1 January 2020).

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The assets and liabilities of foreign operations are translated into Thai Baht at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Thai Baht at the approximating exchange rates at the dates of the transactions.

Foreign exchange differences arising on translation are recognised in other comprehensive income until disposal of the business.

4.29 Leases

4.29.1 Accounting policies applicable from 1 January 2020

The Bank and its subsidiaries recognise a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which is recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of premises and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate and subsequently at AMC using the effective interest method. The lease payments includes fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include amount under purchase, extension or termination option if the Bank and its subsidiaries are reasonably certain to exercise option. Variable lease payments that do not depend on index or a rate are recognised as expenses in the accounting period in which they are incurred.

The lease liability is remeasured when there is a modification, change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank and its subsidiaries present right-of-use assets that do not meet the definition of investment properties in premises and equipment and lease liabilities in other liabilities in the statement of financial position.

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When the Bank and its subsidiaries act as a lessor, it determines at lease inception whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. When the Bank and subsidiaries are an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Bank and its subsidiaries apply the exemption, then it classifies the sub-lease as an operating lease.

The Bank and its subsidiaries recognise lease payments received under operating leases as rental income on a straight-line basis over the lease term as part of other income. Initial direct costs incurred in arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the accounting period in which they are earned.

The Bank and its subsidiaries recognise finance lease receivables at the amount of the Bank and its subsidiaries' net investment in the lease, which comprises the present value of the lease payments and any unguaranteed residual value. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank and its subsidiaries net investment outstanding in respect of the leases.

4.29.2 Accounting policies applicable before 1 January 2020

The Bank and its subsidiaries classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Bank and its subsidiaries' statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Bank and its subsidiaries determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Bank and its subsidiaries the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Bank and its subsidiaries separate payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Bank and subsidiaries conclude for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Bank's incremental borrowing rate.

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4.30 Other significant accounting policies of the life insurance subsidiary sold in 2019

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 in force 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.

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 period, 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.

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5 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, the sub-board committees, e.g. Risk Oversight Committee, Executive Committee, Audit Committee and Technology Committee, which are collectively responsible for developing, implementing and monitoring the Bank and its subsidiaries' risk management policies in specified areas.

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

The Bank's Audit Committee is responsible for reviewing the adequacy of the Bank's internal control as well as the effectiveness of the Bank and its subsidiaries risk management implementation. 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.

In addition, the management committees, which are Risk Management Committee, Credit Committee, Risk Strategy Committee, Model Risk Management Committee, Asset and Liability Management Committee (ALCO) and Equity Investment Management Committee, have been established to oversee the Bank's risk management processes and reporting regularly to sub-board committees and/ or the Board of Directors on their activities. Risk Management Committee is responsible for reviewing risk management policies and frameworks for risk management and control. Credit Committee is responsible for approving loans within their approval authority. Risk Strategy Committee is responsible for establishing long-term strategy to ensure that risk management practice align with the Bank's direction. Model Risk Management Committee is responsible for overseeing all internal risk models employed by the Bank to ensure that models remain effective for assessing risks and model risk is under control. Asset and Liability Committee (ALCO) is responsible for managing risk in the Bank's statement of financial position. Equity Investment Management Committee is responsible for managing risk in the Bank's equity investment portfolio.

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.

5.1 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.

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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
- Impairment 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, credit quality, credit concentration, market risk, liquidity risk and operational risk, is presented to the Risk Management Committee and Risk Oversight Committee on a monthly basis.

Credit approval / credit review

The Bank attaches great importance to proper checks and balances in credit underwriting by establishing a clear separation between business origination and credit approval functions.

Business origination units are responsible for managing relationships to expand business, acquiring new clients, creating new markets and proposing for lending. Credit approval units provide independent advice and recommendations in accordance with the Credit Policy Guide to support authorised approvers in making credit decisions.

In addition, credit approval authority has been assigned to reflect different risk profiles and governed by the three-signature rule.

For the Bank's retail customers and SSMEs, credit approval will be carried out in accordance with product programs/ test programs which have been approved by the Executive Committee or the Retail Credit Committee. Credit approval authority and criteria, including exceptions, have been clearly and explicitly specified.

After a loan has been approved, the Bank will monitor the customer's account regularly as well as conducting periodic customer reviews with an objective that goes beyond ex-post rationalisation. The Bank focuses on forward-looking analysis to gain insight on both positive and negative changes in a specific industry or business related to each customer, as well as the customer's future financial status. This approach enables the Bank to review and monitor risk of each customer in order to formulate appropriate business strategies and action plans going forward.

Relationship manager/ Special business officer is responsible for conducting routine customer reviews within a specified timeframe at least once a year as well as conducting additional reviews when warranted by events that have material impacts on customers. Reports on customer reviews shall be prepared according to a specified format and submitted for approval from authorised persons.

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For non-retail customers, the Bank reviews customer risk rating to gain insight on customer behavior and formulate an appropriate strategy for portfolio management, such as creating an early warning system. The review is conducted at least once a year or more frequently if warranted by material changes in customers' risk rating. For retail customers and SSMEs, the Bank reviews customer risk rating by using National Credit Bureau (NCB) and behavior payment to determine the risk level via PD pool segmentation.

5.1.1 Maximum Exposure to Credit Risk

The following table presents the Bank and its subsidiaries' maximum exposure to credit risk of on-financial reporting and off-financial reporting items, without taking into account of any collateral held or other credit enhancements. For on-financial reporting items, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank and its subsidiaries would have to pay if the obligations of the instruments issued are called upon. For loan commitments, the maximum exposure to credit risk is the full amount of the undrawn credit loan facilities granted to customers.

As at 30 June 2020 and 31 December 2019, consolidated carrying amount and average maximum exposure to credit risk were summarised as follows:

	Consolidated			
	Carrying amount		Average	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Credit risk exposure of on-financial reporting items:				
Interbank and money market items, net	535,478	433,510	516,553	400,415
Loans to customers and accrued interest receivables, net	2,035,083	2,002,461	2,008,940	2,033,627
Government and state enterprise securities	232,135	288,426	249,855	362,674
Corporate debt instruments	27,368	4,580	17,134	19,022
Foreign debt instruments	25,637	11,213	21,289	14,694
Derivative assets	88,865	63,132	84,623	56,209
Credit risk exposure of off- financial reporting items:				
Financial guarantee contracts	225,457	224,905	228,720	224,070
Loan commitments	44,783	46,694	45,932	44,552
Total maximum credit risk exposure	<u>3,214,806</u>	<u>3,074,921</u>	<u>3,173,046</u>	<u>3,155,263</u>

The Bank does not present the Bank only maximum exposure to credit risk since the exposure does not materially differ from the consolidated figures.

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5.1.2 Collateral held and other credit enhancements

The Bank and its subsidiaries hold collateral and other credit enhancements against certain of its credit exposures. Upon granting credit decision, the Bank assesses the loss given default, which is dependent on loan to value (LTV) ratio. The collateral value used for deriving LTV ratio is weighted by the expected loss from execution and public auction, which vary based on risk of each collateral type. The appraisal value of collateral is reviewed in accordance to risk of each collateral type to ensure that the value is the most up-to-date.

Residential mortgage lending

Mortgage Lending is one of the types of lending, which is secured by collateral. However, the level of required collateral might be different by customer characteristic. According to the underwriting criteria, higher the risk of the customers, higher amount of collateral will be required. It would help to offset the risk of the customers in the view of risk-return of the program. Moreover, the BoT also considers LTV (ratio of the gross amount of loan to the value of collateral) as one of the factors to calculate the Risk Weighted Asset (RWA) for Standardised Approach. If the customers have LTV higher than 100%, the account will not be considered as residential mortgage loan, which has lower RWA (35%), but the account will be considered as normal retail lending (RWA 75%). Furthermore, higher risk of residential mortgage loans are also requires lower LTV to get the RWA at 35%. This shows that the BoT also considers collateral as one of the important factors for capital calculation. The Bank manages the risk of higher LTV by allowing customers having a good scorecard rating.

Loans to corporate customers

The general creditworthiness of a non-retail customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank and its subsidiaries generally consider it as one of the credit enhancement tools. The Bank and its subsidiaries may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Since there are several types of collaterals and guarantees, the haircut of the collaterals and guarantees might be different based on the liquidity and quality of each collateral and guarantee, as reflected in the haircut in the credit policy guideline. This is to ensure that appropriate level of credit enhancement is considered in the credit approval and review processes.

5.1.3 Information related to ECL

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank and its subsidiaries consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank and its subsidiaries' historical experience and expert credit assessment and including forward-looking information.

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Definition of default

The Bank and its subsidiaries consider, in principle, a financial asset to be in default when:

- the borrower is unlikely to repay its credit obligations to the Bank and its subsidiaries in full, without considering any payment that may be received from collateral, as a result of the customer's reduced creditworthiness;
- the borrower is more than 90 days past due on any material credit obligation to the Bank and its subsidiaries. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding;
- The Bank writes-off or sets additional provisions as it deems that the debtor is unable to repay, or the credit quality of the debtor significantly deteriorates;
- The Bank has sold the credit obligation at a material credit-related economic loss;
- The Bank consents to debt restructuring by material forgiveness or postponing principal, interest or fees as it deems that the financial condition of the debtor has deteriorated;
- The Bank has filed litigation against the debtor;
- The debtor has filed for protection under bankruptcy law or other creditors have filed bankruptcy against the debtor, therefore delaying debt repayment to the Bank; or
- The debtor is classified as a non-performing asset and credit obligation and a purchased or originated credit impaired asset under the BoT's notification number Sor Nor Sor 23/2561 dated 31 October 2018, regarding to *Regulations on Asset Classification and Provisioning of Financial Institutions*.

In assessing whether a borrower is in default, the Bank and its subsidiaries consider indicators that are:

- qualitative: e.g. the quality of the management, the business trend and outlook, use of fund and cease business operation;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank and its subsidiaries, the financial performance of the borrower; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significant change may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank and its subsidiaries for regulatory capital purposes.

Credit risk grades

The Bank and its subsidiaries allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between strong grade is smaller than the difference between higher risk grade.

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Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Payment record - this includes overdue status as well as payment behaviour
- Existing and forecast changes in business, financial and economic conditions
- Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections.
- Data from credit reference agencies, press articles, changes in external credit ratings
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
- Internally collected data on customer behaviour e.g. historical past due information, transaction data
- Parental support and/or guarantors
- Information from NCB
- Credit covenants
- Requester for and granting of forbearance

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank and its subsidiaries collect performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower as well as by credit risk grading. Also, information purchased from external credit reference agencies is also used.

The Bank and its subsidiaries employ statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures.

Incorporation of forward-looking information

The Bank and its subsidiaries incorporate forward-looking information into the measurement of ECL.

The Bank and its subsidiaries formulate three economic scenarios: a base case, which is the central scenario, developed internally, and two less likely scenarios, one upside and one downside scenario. External information considered includes economic data and forecasts published by governmental bodies, selected private-sector and academic forecasts.

The scenario probability weightings applied in measuring ECL are as follows:

Scenario probability weighting	Upside	Consolidated 30 June 2020		Upside	The Bank 30 June 2020	
		Base	Downside		Base	Downside
	20	60	20	20	60	20

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The Bank and its subsidiaries have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, by estimating relationships between macro-economic variables, credit risk and credit losses. A broad range of forward-looking information are incorporated into the credit risk factors. The key drivers may include Gross Domestic Product (GDP), unemployment rate and housing price index, etc.

Management Overlay

The Bank and its subsidiaries calculated the ECL based on the model. However, management overlays was considered when underlying assumptions or data used to estimate ECLs do not reflect current circumstances, events or conditions of the Bank and its subsidiaries at the reporting date as post-model adjustments.

Concentrations of credit risk

The Bank and its subsidiaries monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans is given in note 13.4 *Classified by business types and stages*.

5.1.4 Credit quality analysis

The following tables set out information about the credit quality as at 30 June 2020 of loans to customers without taking into account collateral or other credit enhancement.

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
	<i>(in million Baht)</i>			
<i>Loans to customers</i>				
Strong	1,139,492	24,297	-	1,163,789
Fair	533,136	64,784	-	597,920
Weak	171,222	131,858	-	303,080
Impaired	-	-	79,596	79,596
Total	<u>1,843,850</u>	<u>220,939</u>	<u>79,596</u>	<u>2,144,385</u>

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	<i>(in million Baht)</i>			
<i>Loans to customers</i>				
Strong	1,137,761	24,297	-	1,162,058
Fair	531,336	64,780	-	596,116
Weak	170,642	131,780	-	302,422
Impaired	-	-	78,460	78,460
Total	<u>1,839,739</u>	<u>220,857</u>	<u>78,460</u>	<u>2,139,056</u>

5.2 Liquidity risk

Liquidity risk is the risk that the Bank may not be able to meet its 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.

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

The Bank has a policy to maintain its daily liquidity ratio at 20% or higher, measured as total liquid assets to total deposits. As at 30 June 2020, the Bank's liquidity ratio stood at 31.6% of total deposit (31 December 2019: 31.0%).

The Bank will disclose the Liquidity Coverage Ratio (LCR) information under the BoT notification number Sor Nor Sor 2/2561 dated 25 January 2018, regarding to *Liquidity coverage ratio disclosure standards* 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
Disclosure period requirement	Within 4 months after the period end date as indicated in the BoT's notification.
Latest information as at	31 December 2019

The disclosure for the six-month period ended 30 June 2020 will be provided on or before 31 October 2020 on the Bank's website as noted above.

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Loans to deposits ratio

As at 30 June 2020, Loans to Deposits Ratio (excluding loans and deposits from financial institutions) was 95.1% in the consolidated financial statements (*31 December 2019: 97.9%*).

As at 30 June 2020 and 31 December 2019, the significant financial assets and liabilities classified by remaining periods to maturity, counted from the date of statement of financial position were summarised as follows:

	Consolidated						Total
	30 June 2020						
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	42,871	42,871
Interbank and money market items*	65,458	469,495	-	690	-	-	535,643
Financial assets measured at FVTPL	-	5,590	14,616	9,820	-	9,332	39,358
Investments, net	-	142,621	82,343	9,344	-	22,908	257,216
Loans to customers	172,901	500,927	726,708	664,253	79,596	-	2,144,385
Accrued interest receivables and undue interest receivables	-	7,209	2	4	706	-	7,921
Total financial assets	238,359	1,125,842	823,669	684,111	80,302	75,111	3,027,394
Financial liabilities							
Deposits	1,665,388	564,964	24,386	-	-	-	2,254,738
Interbank and money market items	21,478	145,788	35,154	9,971	-	-	212,391
Debt issued and borrowings	-	4,913	46,113	18,823	-	-	69,849
Other financial liabilities	-	4,100	144	-	-	-	4,244
Total financial liabilities	1,686,866	719,765	105,797	28,794	-	-	2,541,222
Net liquidity gap	(1,448,507)	406,077	717,872	655,317	80,302	75,111	486,172

* Before deducting allowance for expected credit loss amounting to Baht 165 million

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	Consolidated						
	31 December 2019						
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	Total
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	47,615	47,615
Interbank and money market items*	46,631	385,960	-	1,076	-	-	433,667
Investments, net	1,592	154,267	127,191	22,761	-	6,254	312,065
Loans to customers**	201,193	534,125	673,582	619,675	85,212	-	2,113,787
Accrued interest receivables	-	2,943	3	-	-	-	2,946
Total financial assets	249,416	1,077,295	800,776	643,512	85,212	53,869	2,910,080
Financial liabilities							
Deposits	1,454,491	678,672	26,262	-	-	-	2,159,425
Interbank and money market items	18,828	94,205	23,261	9,550	-	-	145,844
Debt issued and borrowings	-	19,663	42,918	15,371	-	-	77,952
Other financial liabilities	-	5,996	202	-	-	-	6,198
Total financial liabilities	1,473,319	798,536	92,643	24,921	-	-	2,389,419
Net liquidity gap	(1,223,903)	278,759	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

	The Bank						
	30 June 2020						
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	Total
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	42,645	42,645
Interbank and money market items*	63,920	466,843	-	-	-	-	530,763
Financial assets measured at FVTPL	-	5,570	14,499	9,820	-	6,040	35,929
Investments, net	-	142,949	82,301	9,344	-	22,897	257,491
Loans to customers	171,382	499,901	725,788	663,526	78,459	-	2,139,056
Accrued interest receivables and undue interest receivables	-	7,196	-	-	682	-	7,878
Total financial assets	235,302	1,122,459	822,588	682,690	79,141	71,582	3,013,762
Financial liabilities							
Deposits	1,664,216	564,795	24,386	-	-	-	2,253,397
Interbank and money market items	21,642	145,489	35,154	9,971	-	-	212,256
Debt issued and borrowings	-	4,490	46,113	18,823	-	-	69,426
Other financial liabilities	-	4,092	144	-	-	-	4,236
Total financial liabilities	1,685,858	718,866	105,797	28,794	-	-	2,539,315
Net liquidity gap	(1,450,556)	403,593	716,791	653,896	79,141	71,582	474,447

* Before deducting allowance for expected credit loss amounting to Baht 138 million

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	The Bank						Total
	31 December 2019						
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	47,450	47,450
Interbank and money market items*	44,245	383,163	-	-	-	-	427,408
Investments, net	1,592	154,547	127,035	22,712	-	4,619	310,505
Loans to customers**	199,909	532,435	672,508	619,675	84,349	-	2,108,876
Accrued interest receivables	-	2,920	-	-	-	-	2,920
Total financial assets	245,746	1,073,065	799,543	642,387	84,349	52,069	2,897,159
Financial liabilities							
Deposits	1,451,285	678,942	26,262	-	-	-	2,156,489
Interbank and money market items	19,001	94,356	22,964	9,550	-	-	145,871
Debt issued and borrowings	-	18,067	42,918	15,371	-	-	76,356
Other financial liabilities	-	5,990	198	-	-	-	6,188
Total financial liabilities	1,470,286	797,355	92,342	24,921	-	-	2,384,904
Net liquidity gap	(1,224,540)	275,710	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

5.3 Market risk

5.3.1 Interest rate risk

Interest rate fluctuation affects the Bank's interest income and expenses as well as 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.

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 Value-at-Risk, 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.

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As at 30 June 2020, Value-at-Risk of interest rate risk exposure in the trading book was Baht 73.7 million (31 December 2019: Baht 40.5 million).

As at 30 June 2020 and 31 December 2019, significant financial assets and liabilities classified by interest repricing periods were as follows:

	Consolidated							Total
	30 June 2020							
	At call	Repricing within 3 months	Repricing within 3 - 12 months	Reprice 1 - 5 years	Reprice over 5 years	Non- Performing Loans	Non- interest bearing	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	42,871	42,871
Interbank and money market items *	7,593	467,226	4,753	-	-	-	56,071	535,643
Financial assets measured at FVTPL	-	2,019	3,571	14,616	9,820	-	9,332	39,358
Investments, net	-	25,526	117,095	82,343	9,344	-	22,908	257,216
Loans to customers	961,657	396,614	254,091	393,635	58,792	79,596	-	2,144,385
Total financial assets	969,250	891,385	379,510	490,594	77,956	79,596	131,182	3,019,473
Financial liabilities								
Deposits	1,592,037	253,992	301,474	19,737	-	-	87,498	2,254,738
Interbank and money market items	12,940	139,852	20,303	30,719	221	-	8,356	212,391
Debt issued and borrowings	-	49,853	19,739	-	257	-	-	69,849
Total financial liabilities	1,604,977	443,697	341,516	50,456	478	-	95,854	2,536,978
Difference	(635,727)	447,688	37,994	440,138	77,478	79,596	35,328	482,495

* Before deducting allowance for expected credit loss amounting to Baht 165 million

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	Consolidated							
	31 December 2019							
	At call	Repricing within 3 months	Reprice 3 - 12 months	Reprice 1 - 5 years	Reprice over 5 years	Non- Performing Loans	Non- interest bearing	Total
	<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

	The Bank							
	30 June 2020							
	At call	Repricing within 3 months	Reprice 3 - 12 months	Reprice 1 - 5 years	Reprice over 5 years	Non- Performing Loans	Non- interest bearing	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	42,645	42,645
Interbank and money market items *	9,092	464,607	3,722	-	-	-	53,342	530,763
Financial assets measured at FVTPL	-	2,004	3,566	14,499	9,820	-	6,040	35,929
Investments, net	-	25,526	117,423	82,301	9,344	-	22,897	257,491
Loans to customers	960,139	395,624	253,660	392,752	58,422	78,459	-	2,139,056
Total financial assets	969,231	887,761	378,371	489,552	77,586	78,459	124,924	3,005,884
Financial liabilities								
Deposits	1,591,806	254,289	301,008	19,737	-	-	86,557	2,253,397
Interbank and money market items	13,044	140,006	19,850	30,719	221	-	8,416	212,256
Debt issued and borrowings	-	49,770	19,399	-	257	-	-	69,426
Total financial liabilities	1,604,850	444,065	340,257	50,456	478	-	94,973	2,535,079
Difference	(635,619)	443,696	38,114	439,096	77,108	78,459	29,951	470,805

* Before deducting allowance for expected credit loss amounting to Baht 138 million

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	The Bank							Total
	31 December 2019							
	At call	Repricing within 3 months	Repricing within 3 - 12 months	Reprice 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

As at 30 June 2020 and 31 December 2019, average balance interest-bearing financial assets and financial liabilities, together with the average interest rates were as follows:

	Consolidated					
	30 June 2020			31 December 2019		
	Average balance <i>(in million Baht)</i>	Interest	interest rate <i>(%)</i>	Average balance <i>(in million Baht)</i>	Interest	Average interest rate <i>(%)</i>
Interest-bearing financial assets						
Interbank and money market items, net (Assets)	484,494	1,978	0.8	405,707	5,737	1.4
Financial assets measured at FVTPL	37,049	301	1.6	-	-	-
Investments, net	268,427	1,706	1.3	440,459	12,833	2.9
Loans to customers	2,129,086	57,410	5.4	2,127,174*	116,325	5.5
Interest-bearing financial liabilities						
Deposits	2,207,082	7,783	0.7	2,159,528	20,062	0.9
Interbank and money market items (Liabilities)	179,117	592	0.7	144,186	1,601	1.1
Debt issued and borrowings	73,900	860	2.3	92,756	3,625	3.9

* Net of deferred revenue

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	The Bank					
	30 June 2020			31 December 2019		
	Average balance <i>(in million Baht)</i>	Interest	Average interest rate <i>(%)</i>	Average balance <i>(in million Baht)</i>	Interest	Average interest rate <i>(%)</i>
<i>Interest-bearing financial assets</i>						
Interbank and money market items, net (Assets)	478,938	1,948	0.8	394,642	5,352	1.4
Financial assets measured at FVTPL	34,415	292	1.7	-	-	-
Investments, net	268,703	1,707	1.3	291,750	5,448	1.9
Loans to customers	2,123,966	57,257	5.4	2,116,834*	115,240	5.4
<i>Interest-bearing financial liabilities</i>						
Deposits	2,204,943	7,729	0.7	2,156,712	20,034	0.9
Interbank and money market items (Liabilities)	179,064	583	0.7	145,735	1,637	1.1
Debt issued and borrowings	72,891	859	2.4	91,210	3,532	3.9

* Net of deferred revenue

5.3.2 Foreign exchange risk

Fluctuation in exchange rates affects the value of the Bank's foreign currency-denominated assets and liabilities. Transactions exposed to foreign exchange risk include proprietary trading transactions and money transfers as well as payments related to international trade and foreign investment, which may result in the Bank's net currency position being short or long at any point in time. Thai Baht appreciation against the currency in which the Bank has a net long position will result in foreign exchange losses, whereas Baht depreciation will result in foreign exchange gains. On the other hand, if the Bank is in a net short position, the Bank will make a gain on the position when the Baht strengthens but a loss when the Baht weakens.

The Bank controls foreign exchange risk by setting risk limits on foreign exchange risk exposure both in terms of statistical limits, such as Value at Risk (VaR), and monetary limits, such as net open position (Intra-day Position and Overnight Position), management action triggers, etc.

As at 30 June 2020, the Bank's foreign currency position was net open position of US Dollar 32.4 million (US Dollar equivalent), with VaR of Baht 9.7 million (*31 December 2019: net open position of US Dollar -25.3 million, with VaR of Baht 7.6 million*).

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As at 30 June 2020 and 31 December 2019, significant financial assets and liabilities denominated in various currencies as follows:

	Consolidated				
	30 June 2020				
	US Dollar	Euro	Japanese Yen	Singapore Dollar	Others
	<i>(in million Baht)</i>				
<i>Financial assets</i>					
Cash	83	28	30	19	311
Interbank and money market items *	19,704	203	439	383	2,752
Financial assets measured at FVTPL	4,468	-	143	-	329
Investments, net	20,480	4	2,870	1,839	384
Loans to customers	76,056	4,842	330	6	4,950
Accrued interest receivables and undue interest receivables	194	9	1	-	15
Total financial assets	120,985	5,086	3,813	2,247	8,741
<i>Financial liabilities</i>					
Deposits	33,827	1,969	308	34	2,611
Interbank and money market items	4,399	1,156	-	-	1,168
Debt issued and borrowings	65,132	-	-	-	-
Other financial liabilities	724	-	-	-	11
Total financial liabilities	104,082	3,125	308	34	3,790
On-financial reporting items, net	16,903	1,961	3,505	2,213	4,951
Off-financial reporting items - contingencies (currency swap contracts)	(34,756)	(1,348)	(2,939)	(1,899)	(3,121)

* Before deducting allowance for expected credit loss

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	Consolidated				
	31 December 2019				
	US Dollar	Euro	Japanese Yen (in million Baht)	Singapore Dollar	Others
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 financial 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)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

	The Bank				
	30 June 2020				
	US Dollar	Euro	Japanese Yen (in million Baht)	Singapore Dollar	Others
Financial assets					
Cash	83	28	30	19	105
Interbank and money market items *	13,559	202	439	234	2,728
Financial assets measured at FVTPL	2,932	-	143	-	329
Investments, net	20,479	4	2,870	1,839	353
Loans to customers	73,567	4,842	330	6	4,528
Accrued interest receivables and undue interest receivables	170	9	1	-	13
Total financial assets	110,790	5,085	3,813	2,098	8,056
Financial liabilities					
Deposits	27,358	1,969	308	34	2,607
Interbank and money market items	4,545	1,155	-	-	711
Debt issued and borrowings	65,132	-	-	-	-
Other financial liabilities	722	-	-	-	4
Total financial liabilities	97,757	3,124	308	34	3,322
On-financial reporting items, net	13,033	1,961	3,505	2,064	4,734
Off-financial reporting items - contingencies (currency swap contracts)	(34,756)	(1,348)	(2,939)	(1,899)	(3,121)

* Before deducting allowance for expected credit loss

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	The Bank				
	31 December 2019				
	US Dollar	Euro	Japanese Yen	Singapore Dollar	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 financial 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)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

6 Maintenance of capital fund

The Bank and its subsidiaries which are financial institutions, are subject to various capital and regulatory requirements of BoT. 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 BoT as to components, risk weightings, and other factors. These capital and regulatory requirements are subject to change, as considered necessary by BoT.

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 BoT. As announced by BoT in circulars dated 8 November 2012 and 7 May 2019, the Bank is required to calculate its Capital Fund in accordance with Basel III.

Additionally, the BoT notification dated 19 November 2019 sets out guidelines on holding of minimum provisions to accommodate the implementation of TFRS 9, requiring that banks to hold minimum provisions of 0.33% for accounting period 2020, 0.67% for accounting period 2021 and 1.0% for accounting period 2022 onwards; of assets and off-financial reporting items which are performing (stage 1) and under-performing (stage 2). In case the available provisions are less than minimum requirement, the Bank shall adjust such difference to the capital fund items starting from 1 January 2020 onwards.

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As at 30 June 2020 and 31 December 2019, the Consolidated Supervision and the Bank's total capital funds were categorised as follows:

	Basel III	
	Consolidated Supervision	
	30 June 2020	31 December 2019
	<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	315,926	307,655
Other comprehensive income	15,031	13,973
Capital deduction items on CET1	(20,583)	(21,052)
Total Tier 1 capital	362,490	352,692
Tier 2 capital		
General provisions	23,102	22,514
Total Tier 2 capital	23,102	22,514
Total capital funds	385,592	375,206
Total risk-weighted assets	2,134,539	2,075,492

	30 June 2020		31 December 2019	
	The BoT's regulation minimum requirement*	Capital ratio of the Financial Group	The BoT's regulation minimum requirement*	Capital ratio of the Financial Group
	(%)			
Total capital funds / Total risk-weighted assets	12.0	18.1	11.5	18.1
Total Tier 1 capital / Total risk-weighted assets	9.5	17.0	9.0	17.0
Total CET 1 / Total risk-weighted assets	8.0	17.0	7.5	17.0
Total Tier 2 capital / Total risk-weighted assets		1.1		1.1

*Conservation buffer requires additional CET 1 of 2.50%, and a D-SIB Buffer of 0.5% for 2019 increasing to 1.0% for 2020 onwards.

	30 June 2020	31 December 2019
	<i>(in million Baht)</i>	
Capital after deducting capital add-on arising from Single Lending Limit	385,592	375,206
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)	18.1	18.1

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	Basel III	
	The Bank	
	30 June 2020	31 December 2019
	<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	313,546	271,824
Other comprehensive income	14,638	13,632
Capital deduction items on CET1	<u>(19,733)</u>	<u>(20,260)</u>
Total Tier 1 capital	<u>360,567</u>	<u>317,312</u>
Tier 2 capitals		
General provisions	<u>23,076</u>	<u>22,432</u>
Total Tier 2 capital	<u>23,076</u>	<u>22,432</u>
Total capital funds	<u>383,643</u>	<u>339,744</u>
Total risk-weighted assets	2,124,195	2,060,169

	30 June 2020		31 December 2019	
	The BoT's regulation minimum requirement*	Capital ratio of the Bank	The BoT's regulation minimum requirement*	Capital ratio of the Bank
Total capital funds / Total risk-weighted assets	12.0	18.1	11.5	16.5
Total Tier 1 capital / Total risk-weighted assets	9.5	17.0	9.0	15.4
Total CET 1 / Total risk-weighted assets	8.0	17.0	7.5	15.4
Total Tier 2 capital / Total risk-weighted assets		1.1		1.1

* Conservation buffer requires additional CET 1 of 2.50%, and a D-SIB Buffer of 0.5% for 2019 increasing to 1.0% for 2020 onwards.

	30 June 2020	31 December 2019
	<i>(in million Baht)</i>	
	Capital after deducting capital add-on arising from Single Lending Limit	383,643
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)	18.1	16.5

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Disclosures of capital maintenance information under the BoT notification number Sor Nor Sor 4/2556 dated 2 May 2013, regarding to *Disclosure Requirement on Capital Adequacy for a Commercial Bank*, BoT notification number Sor Nor Sor 14/2562 dated 7 May 2019, regarding to *Disclosure requirement on Capital Adequacy for a Commercial Bank (Volume 2)*, the BoT notification number Sor Nor Sor 5/2556 dated 2 May 2013, regarding to *Disclosure Requirement on Capital Adequacy for a Financial Group* and the BoT notification number Sor Nor Sor 15/2562 dated 7 May 2019, regarding to *Disclosure Requirement on Capital Adequacy for a Financial group (Volume 2)*, 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
Disclosure period requirement	Within 4 months after the period end date as indicated in the BoT's notification
Latest information as at	31 December 2019

The disclosure for the six-month period ended 30 June 2020 will be provided on or before 31 October 2020 on the Bank's website as noted above.

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 the BoT's imposed capital requirements throughout the period and, as noted in the table above, its capital level is well in excess of the minimum requirements.

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7 Classification of financial assets and financial liabilities

	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Consolidated 30 June 2020 Investments in equity instruments designated at FVOCI (in million Baht)	Financial instruments measured at AMC	Total
Financial assets					
Cash	-	-	-	42,871	42,871
Interbank and money market items, net	-	-	-	535,478	535,478
Financial assets measured at FVTPL	39,358	-	-	-	39,358
Derivative assets	88,865	-	-	-	88,865
Investments, net	-	247,672	2,222	7,322	257,216
Loans to customers and accrued interest receivables, net	-	-	-	2,035,083	2,035,083
Total	128,223	247,672	2,222	2,620,754	2,998,871
Financial liabilities					
Deposits	-	-	-	2,254,738	2,254,738
Interbank and money market items	-	-	-	212,391	212,391
Liabilities payable on demand	-	-	-	11,184	11,184
Financial liabilities measured at FVTPL	5	-	-	-	5
Derivative liabilities	78,244	-	-	-	78,244
Debt issued and borrowings	-	-	-	69,849	69,849
Total	78,249	-	-	2,548,162	2,626,411

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	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	The Bank 30 June 2020 Investments in equity instruments designated at FVOCI (in million Baht)	Financial instruments measured at AMC	Total
Financial assets					
Cash	-	-	-	42,645	42,645
Interbank and money market items, net	-	-	-	530,625	530,625
Financial assets measured at FVTPL	35,929	-	-	-	35,929
Derivative assets	89,114	-	-	-	89,114
Investments, net	-	247,672	2,210	7,609	257,491
Loans to customers and accrued interest receivables, net	-	-	-	2,030,647	2,030,647
Total	125,043	247,672	2,210	2,611,526	2,986,451
Financial liabilities					
Deposits	-	-	-	2,253,397	2,253,397
Interbank and money market items	-	-	-	212,256	212,256
Liabilities payable on demand	-	-	-	11,182	11,182
Derivative liabilities	78,726	-	-	-	78,726
Debt issued and borrowings	-	-	-	69,426	69,426
Total	78,726	-	-	2,546,261	2,624,987

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8 Interbank and money market items, net (Assets)

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Domestic items				
Bank of Thailand and Financial Institutions Development Fund	489,580	366,783	489,580	366,783
Commercial banks	15,150	30,386	15,051	30,251
Other financial institutions*	7,246	3,125	8,746	3,125
Total	511,976	400,294	513,377	400,159
Add accrued interest receivables and undue interest receivables	44	85	43	85
Less allowance for expected credit loss / allowance for doubtful accounts	(106)	(100)	(106)	(100)
Total domestic items	511,914	400,279	513,314	400,144
Foreign items				
US Dollar	19,657	28,540	13,559	22,436
Japanese Yen	439	357	439	357
Euro	202	277	202	277
Other currencies	3,314	4,098	3,142	4,087
Total	23,612	33,272	17,342	27,157
Add accrued interest receivables and undue interest receivables	11	16	1	7
Less allowance for expected credit loss / allowance for doubtful accounts	(59)	(57)	(32)	(57)
Total foreign items	23,564	33,231	17,311	27,107
Total domestic and foreign items	535,478	433,510	530,625	427,251

* Other financial institutions represent financial institutions other than 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 30 June 2020, the Bank and its subsidiaries had restrictions on interbank and money market items held amounting to Baht 938 million (31 December 2019: Baht 1,165 million).

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9 Financial assets measured at fair value through profit or loss

	Consolidated 30 June 2020 Fair value	The Bank 30 June 2020 Fair value
	<i>(in million Baht)</i>	
Government and state enterprise securities	23,557	23,531
Corporate debt instruments	6,388	6,358
Foreign debt instruments	198	198
Domestic equity instruments	4,047	2,302
Foreign equity instruments	32	32
Domestic non-marketable equity instruments	10	10
Foreign non-marketable equity instruments	5,126	3,498
Total	<u>39,358</u>	<u>35,929</u>

10 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 (VaR) and management stress triggers.

The notional amount of derivatives at the period 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 30 June 2020 and 31 December 2019, on a consolidated and the Bank basis, 99.8% and 99.7% of derivatives are over-the-counter derivative transactions. The notional amount of derivatives based on types of contracts were as follows:

	Consolidated			
	30 June 2020			
	Notional amount			
	Less than	Within	More than	Total
	1 year	1 - 5 years	5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,410,799	14,180	-	1,424,979
Foreign currency swap contracts	104,442	310,962	134,854	550,258
Interest rate swap contracts	522,473	1,257,949	408,967	2,189,389
Equity derivatives	9,881	3,378	-	13,259
Commodity derivatives	132	-	-	132

	Consolidated			
	31 December 2019			
	Notional amount			
	Less than	Within	More than	Total
	1 year	1 - 5 years	5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,398,485	16,010	-	1,414,495
Foreign currency swap contracts	115,926	309,711	133,240	558,877
Interest rate swap contracts	727,590	1,094,745	339,845	2,162,180
Equity derivatives	8,619	386	-	9,005
Commodity derivatives	103	-	-	103

	The Bank			
	30 June 2020			
	Notional amount			
	Less than	Within	More than	Total
	1 year	1 - 5 years	5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,410,799	14,180	-	1,424,979
Foreign currency swap contracts	104,442	310,962	134,854	550,258
Interest rate swap contracts	522,473	1,257,949	408,967	2,189,389
Equity derivatives	10,373	6,756	-	17,129
Commodity derivatives	132	-	-	132

	The Bank			
	31 December 2019			
	Notional amount			
	Less than	Within	More than	Total
	1 year	1 - 5 years	5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,398,490	16,010	-	1,414,500
Foreign currency swap contracts	115,926	309,711	133,240	558,877
Interest rate swap contracts	727,590	1,094,745	339,845	2,162,180
Equity derivatives	8,925	386	-	9,311
Commodity derivatives	103	-	-	103

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10.1 Derivatives held for trading

Type of risk	Consolidated					
	30 June 2020			31 December 2019		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
	<i>(in million Baht)</i>					
Foreign exchange rate	36,504	29,631	1,880,891	34,989	31,308	1,939,519
Interest rate	44,404	47,792	2,130,697	27,119	30,297	2,102,688
Equity derivatives	406	263	7,330	481	265	9,005
Commodity derivatives	4	4	132	4	4	103
Total	81,318	77,690	4,019,050	62,593	61,874	4,051,315

Type of risk	The Bank					
	30 June 2020			31 December 2019		
	Fair value		Notional amount	Fair value		Notional amount
Assets	Liabilities	Assets		Liabilities		
	<i>(in million Baht)</i>					
Foreign exchange rate	36,504	29,631	1,880,891	34,989	31,308	1,939,524
Interest rate	44,404	47,792	2,130,697	27,119	30,297	2,102,688
Equity derivatives	655	745	11,200	632	316	9,311
Commodity derivatives	4	4	132	4	4	103
Total	81,567	78,172	4,022,920	62,744	61,925	4,051,626

10.2 Derivatives held for risk management

Fair value hedges

Type of risk	Consolidated and the Bank		
	30 June 2020		
	Fair value		Notional amount
	Assets	Liabilities	
	<i>(in million Baht)</i>		
Interest rate	6,094	-	58,692
Total	6,094	-	58,692

The Bank and its subsidiaries use interest rate swaps to hedge its exposure to changes in the fair values of fixed-rate borrowing issued. The designated risk being hedged is the risk of changes in interest rate risk from fixed rate to USD LIBOR 3M. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria. In these hedging relationships, hedge effectiveness is assessed based on the following factors:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same in the quantity.

The Bank and its subsidiaries establish a hedge ratio by aligning the par amount of the fixed-rate borrowing issued and the notional amount of the interest rate swap designated as a hedging instrument. The Bank and its subsidiaries apply the hedge ratio of 1:1.

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As at 30 June 2020, there were no sources of ineffectiveness in these hedging relationships and there is no net gain on hedging.

Other risk management derivatives

Type of risk	Consolidated and the Bank					
	30 June 2020			31 December 2019		
	Fair value		Notional amount	Carrying amount		Notional amount
Assets	Liabilities	Assets		Liabilities		
	<i>(in million Baht)</i>					
Foreign exchange rate	1,380	554	94,346	84	63	33,853
Interest rate*	-	-	-	455	4	59,492
Equity derivatives	73	-	5,929	-	-	-
Total	1,453	554	100,275	539	67	93,345

* Carrying amount as at 31 December 2019 for interest rate swap contracts held for other risk management 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.

As at 31 December 2019, the carrying amount of derivative assets and liabilities held for trading is based on fair value and held for risk management is based on accrual basis in accordance with the accounting policy as disclosed in note 4.3.2.5.

11 Investments, net

11.1 Classified by type of investments

	Consolidated	The Bank
	30 June	30 June
	2020	2020
	AMC	AMC
	<i>(in million Baht)</i>	
Investments in debt instruments measured at AMC		
Government and state enterprise securities	7,079	7,068
Corporate debt instruments	30	328
Foreign debt instruments	216	216
Less allowance for expected credit loss	(3)	(3)
Total	7,322	7,609
	Consolidated	The Bank
	30 June	30 June
	2020	2020
	Fair value	Fair value
	<i>(in million Baht)</i>	
Investments in debt instruments measured at FVOCI		
Government and state enterprise securities	201,499	201,499
Corporate debt instruments	20,950	20,950
Foreign debt instruments	25,223	25,223
Total	247,672	247,672
Allowance for expected credit loss	(26)	(26)

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	Consolidated 30 June 2020 Fair value	The Bank 30 June 2020 Fair value	Consolidated 30 June 2020 Dividend income	The Bank 30 June 2020 Dividend income
<i>(in million Baht)</i>				
Investments in equity instruments designated at FVOCI				
Domestic non-marketable equity instruments	2,217	2,206	72	72
Foreign non-marketable equity instruments	5	4	-	-
Total	<u>2,222</u>	<u>2,210</u>	<u>72</u>	<u>72</u>
Total investments, net	<u>257,216</u>	<u>257,491</u>		

	Consolidated 31 December 2019 Fair value	The Bank 31 December 2019 Fair value
<i>(in million Baht)</i>		
Trading securities		
Government and state enterprise securities	22,072	22,040
Corporate debt securities	4,550	4,374
Domestic equity securities	3,192	1,592
Total	<u>29,814</u>	<u>28,006</u>

	Consolidated 31 December 2019 Fair value	The Bank 31 December 2019 Fair value
<i>(in million Baht)</i>		
Available-for-sale securities		
Government and state enterprise securities	258,768	258,768
Foreign debt securities	10,999	10,999
Domestic equity securities	949	928
Foreign equity securities	24	23
Total	<u>270,740</u>	<u>270,718</u>

	Consolidated 31 December 2019 Cost / AMC	The Bank 31 December 2019 Cost / AMC
<i>(in million Baht)</i>		
Held-to-maturity securities		
Government and state enterprise securities	7,586	7,575
Corporate debt securities	30	326
Foreign debt securities	214	214
Total	<u>7,830</u>	<u>8,115</u>

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	Consolidated 31 December 2019 Cost <i>(in million Baht)</i>	The Bank 31 December 2019 Cost
General investments		
Domestic non-marketable equity securities	724	707
Foreign non-marketable equity securities	<u>3,192</u>	<u>3,192</u>
Total	3,916	3,899
Less allowance for impairment	<u>(235)</u>	<u>(233)</u>
Total	<u>3,681</u>	<u>3,666</u>
Total investments, net	<u>312,065</u>	<u>310,505</u>

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

Type of securities	AMC	Consolidated 31 December 2019			The Bank 31 December 2019			
		Unrealised gains	Unrealised losses	Fair value	AMC	Unrealised gains	Unrealised losses	Fair value
<i>(in million Baht)</i>								
Available-for-sale securities	269,416*	1,525	(201)	270,740	269,397*	1,522	(201)	270,718
Held-to-maturity securities	<u>7,830*</u>	<u>887</u>	<u>-</u>	<u>8,717</u>	<u>8,115*</u>	<u>887</u>	<u>-</u>	<u>9,002</u>
Total	<u>277,246</u>	<u>2,412</u>	<u>(201)</u>	<u>279,457</u>	<u>277,512</u>	<u>2,409</u>	<u>(201)</u>	<u>279,720</u>

* Net of allowance for impairment

11.3 Investments in which the Bank and its subsidiaries hold 10% or more

	Consolidated			The Bank		
	Number of companies	30 June 2020	31 December 2019	Number of companies	30 June 2020	31 December 2019
<i>(in million Baht)</i>						
Others	9	<u>1,880</u>	<u>343</u>	8	<u>344</u>	<u>343</u>
		<u>1,880</u>	<u>343</u>		<u>344</u>	<u>343</u>

11.4 Investments in companies with problems in their financial position and operating results

As at 30 June 2020, the Bank and its subsidiaries held investments in companies with problems in their financial position and operating results. The Bank and its subsidiaries have already set allowance for expected credit loss for market value less than cost. The aggregate cost is Baht 277 million (31 December 2019: Baht 276 million).

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12 Investments in subsidiaries and associate, net

12.1 Classified by type of investments in subsidiaries and associate

	Type of business	Type of share	Direct and indirect shareholding		Consolidated				
					Investment value				
					Cost method		Equity method		
					30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020
					(in million Baht)				
Associate									
	Sahaviriya Steel Industries PCL	Steel industry	Common	40.2	40.2	-	-	-	78
Total investments in associate, net						-	-	-	78

	Type of business	Type of share	Direct shareholding		The Bank				
					Investment value		Dividend income for the period		
					Cost method				
					30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020
					(in million Baht)				
Subsidiaries									
	SCB 10X Co., Ltd.*	Holdings company	Common	100.0	-	3,230	-	-	-
	Cambodian Commercial Bank Ltd.	Banking	Common	100.0	100.0	2,688	2,688	-	-
	SCB Securities Co., Ltd.	Securities	Common	100.0	100.0	2,207	2,207	261	-
	SCB-Julius Baer Securities Co., Ltd.	Securities	Common	60.0	60.0	1,080	1,080	-	-
	SCB Training Centre Co., Ltd.	Training center	Common	100.0	100.0	390	390	-	-
	SCB Abacus Co., Ltd.**	Data analytics and digital lending	Common	100.0	100.0	350	250	-	-
	SCB Asset Management Co., Ltd.	Asset management	Common	100.0	100.0	222	222	930	775
	Monix Co., Ltd.*	Digital lending	Common	60.0	-	198	-	-	-
	SCB Protect Co., Ltd.***	Insurance broker	Common	100.0	100.0	183	2	1	-
	Rutchayothin Assets Management Co., Ltd.	Asset management	Common	100.0	100.0	25	25	-	-
	SCB Plus Co., Ltd.	Collection	Common	100.0	100.0	1	1	86	81
	Sor. Or. Kor. PCL****	Commercial	Common	-	99.7	-	583	-	-
								1,278	856

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	-	-	-	-	-	-

* Newly established in 2020
** The Company's authorised share capital was additionally issued and paid-up in amounting to Baht 100 million in June 2020.
*** The Company's authorised share capital was additionally issued and paid-up in amounting to Baht 1 million and Baht 180 million in February and June 2020, respectively.
**** The Company was liquidated in March 2020
***** Subsidiary of SCB Plus Co., Ltd. (100% shareholding)
***** Subsidiary of SCB 10X Co., Ltd. (100% shareholding) (31 December 2019: subsidiary of SCB Securities Co., Ltd. (100% shareholding))
***** Subsidiary of SCB-Julius Baer Securities Co., Ltd. (100% shareholding)

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	Type of business	Type of share	The Bank				
			Direct shareholding		Investment value		
			30 June 2020	31 December 2019	Cost method		
			30 June 2020	31 December 2019	30 June 2020	31 December 2019	
Associate							
	Sahaviriya Steel Industries PCL	Steel industry	Common	40.2	40.2	-	-
Total						10,574	7,448
	Less allowance for impairment					(147)	(720)
	Total investments in subsidiaries and associate, net					10,427	6,728

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

12.2 Divestment in SCB Life Assurance PCL

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.

12.3 Interest in unconsolidated structured entities 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 30 June 2020 and 31 December 2019 amounted to Baht 6,699 million and Baht 6,737 million, respectively.

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13 Loans to customers and accrued interest receivables, net

13.1 Classified by type of loans

	Consolidated 30 June 2020	The Bank 30 June 2020
	<i>(in million Baht)</i>	
Overdrafts	77,023	76,634
Loans	1,437,023	1,433,660
Bills	344,048	344,048
Hire-purchase receivables	218,250	218,250
Others	68,041	66,464
Total loans to customers	<u>2,144,385</u>	<u>2,139,056</u>
Add accrued interest receivables and undue interest receivables	7,921	7,878
Total loans to customers and accrued interest receivables and undue interest receivables	2,152,306	2,146,934
Less modification loss	(1,378)	(1,378)
Less allowance for expected credit loss	<u>(115,845)</u>	<u>(114,909)</u>
Total	<u>2,035,083</u>	<u>2,030,647</u>
	Consolidated 31 December 2019	The Bank 31 December 2019
	<i>(in million Baht)</i>	
Overdrafts	95,888	95,365
Loans	1,399,240	1,396,175
Bills	321,640	321,640
Hire-purchase receivables	252,000	252,000
Others	78,099	76,775
Less deferred revenue	<u>(33,080)</u>	<u>(33,079)</u>
Total loans to customers, net	2,113,787	2,108,876
Add accrued interest receivables	<u>2,946</u>	<u>2,920</u>
Total loans to customers and accrued interest receivables, net	2,116,733	2,111,796
Less allowance for doubtful accounts		
- Allowance established per BoT regulations		
- Individual approach	(58,631)	(57,990)
- Collective approach	(8,546)	(8,546)
- Allowance established in excess of BoT minimum regulations	(43,973)	(43,969)
Less revaluation allowance for debt restructuring	<u>(3,122)</u>	<u>(3,122)</u>
Total	<u>2,002,461</u>	<u>1,998,169</u>

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13.2 Classified by residence of customer

	Consolidated		The Bank	
	30 June 2020	31 December 2019*	30 June 2020	31 December 2019*
	<i>(in million Baht)</i>			
Domestic	2,068,989	2,049,016	2,066,572	2,046,889
Foreign	75,396	64,771	72,484	61,987
Total	2,144,385	2,113,787	2,139,056	2,108,876

* Net of deferred revenue

13.3 Classified by stages

	Consolidated	The Bank
	30 June 2020	30 June 2020
	<i>(in million Baht)</i>	
Stage 1	1,849,945	1,845,816
Stage 2	222,059	221,976
Stage 3	80,302	79,142
Total *	2,152,306	2,146,934

* Includes accrued interest receivables and undue interest receivables

	Consolidated						Total
	31 December 2019						
	Individual approach (All loans except for hire-purchase)			Collective approach (Hire-purchase)			
	Net amount used to			Net amount used to			
Loans and accrued interest receivables	set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Loans and accrued interest receivables	Allowance for doubtful accounts***		
<i>(in million Baht)</i>				<i>(in million Baht)</i>			
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	1,897,583	1,822,893		58,631	219,150	8,546	67,177
Allowance established in excess of BoT regulations							43,973
Total							111,150

* Net of cash and near cash collateral

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

*** Excludes revaluation allowance for troubled debt restructuring

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	The Bank						Total
	31 December 2019						
	Individual approach (All loans except for hire-purchase)			Collective approach (Hire-purchase)			
	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	28,184	15,111**	100	15,111	2,190	1,046	16,157
Total	<u>1,892,646</u>	<u>1,818,237</u>		<u>57,990</u>	<u>219,150</u>	<u>8,546</u>	66,536
Allowance established in excess of BoT regulations							<u>43,969</u>
Total							<u>110,505</u>

* Net of cash and near cash collateral

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

*** Excludes revaluation allowance for troubled debt restructuring

13.4 Classified by business types and stages

	Consolidated				The Bank			
	30 June 2020				30 June 2020			
	Stage 1	Stage 2	Stage 3	Total *	Stage 1	Stage 2	Stage 3	Total *
	<i>(in million Baht)</i>							
Agriculture and mining	13,897	1,227	3,614	18,738	13,840	1,227	3,614	18,681
Manufacturing and commercial	460,605	81,396	31,633	573,634	458,258	81,318	31,365	570,941
Real estate and construction	154,075	21,480	12,408	187,963	154,029	21,480	11,604	187,113
Utilities and services	332,995	25,720	5,438	364,153	332,995	25,720	5,438	364,153
Housing loans	477,041	52,961	15,742	545,744	476,992	52,961	15,742	545,695
Others	405,237	38,155	10,761	454,153	403,625	38,152	10,696	452,473
Total *	<u>1,843,850</u>	<u>220,939</u>	<u>79,596</u>	<u>2,144,385</u>	<u>1,839,739</u>	<u>220,858</u>	<u>78,459</u>	<u>2,139,056</u>

* Excludes accrued interest receivables and undue interest receivables

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	Consolidated						The Bank					
	31 December 2019						31 December 2019					
	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	12,668	387	125	165	3,417	16,762
Manufacturing and commercial	499,219	22,273	12,163	5,921	15,325	554,901	496,853	22,037	12,163	5,921	15,325	552,299
Real estate and construction	152,772	4,214	9,734	484	2,594	169,798	152,762	4,214	9,734	484	1,789	168,983
Utilities and services	353,755	3,382	1,803	1,155	3,183	363,278	353,755	3,382	1,803	1,155	3,183	363,278
Housing loans	515,944	12,122	6,086	6,850	3,386	544,388	515,895	12,122	6,086	6,850	3,386	544,339
Others	429,295	22,486	6,243	3,246	3,332	464,602	427,966	22,486	6,243	3,246	3,274	463,215
Total *	1,963,711	64,864	36,154	17,821	31,237	2,113,787	1,959,899	64,628	36,154	17,821	30,374	2,108,876

* Excludes accrued interest receivables

13.5 Classified by type of financial instruments

	Consolidated			
	30 June 2020			
	Loans to customers and financial institutions *	Deposits with financial institutions *	Investments in debt instruments *	Total
	<i>(in million Baht)</i>			
Stage 1	2,316,470	67,568	255,473	2,639,511
Stage 2	223,608	-	-	223,608
Stage 3	80,302	-	-	80,302
Total	2,620,380	67,568	255,473	2,943,421

* Includes accrued interest receivables and undue interest receivables

	Consolidated				
	31 December 2019				
	Loans to customers *	Loans to financial institutions *	Investments	Other assets	Total
	<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	773	32,961
Total	2,116,733	385,763	944	965	2,504,405

* Includes accrued interest receivables

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	The Bank			Total
	30 June 2020			
	Loans to customers and financial institutions*	Deposits with financial institutions*	Investments in debt instruments*	
	<i>(in million Baht)</i>			
Stage 1	2,313,842	61,188	255,759	2,630,789
Stage 2	223,525	-	-	223,525
Stage 3	79,142	-	-	79,142
Total	2,616,509	61,188	255,759	2,933,456

* Includes accrued interest receivables and undue interest receivables

	The Bank				Total
	31 December 2019				
	Loans to customers*	Loans to financial institutions*	Investments	Other assets	
	<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	688	32,573
Total	2,111,796	385,763	1,511	880	2,499,950

* Includes accrued interest receivables

13.6 Non-Performing Loans

As at 30 June 2020 and 31 December 2019, the Bank used the guidelines specified in the BoT notification number Sor Nor Sor 23/2561 dated 31 October 2018, regarding to *Regulations Asset Classification and Provisioning of a Financial Institution*, in determining Non-Performing Loans under the BoT's guideline. The amounts were as follows:

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Non-Performing Loans (net of allowance for expected credit loss / allowance for doubtful accounts)	32,100	42,761	31,797	42,498
% of Non-Performing Loans to total loans (net)	1.3	1.7	1.2	1.7
Non-Performing Loans (gross)	79,596	85,212	78,459	84,349
% of Non-Performing Loans to total loans	3.0	3.4	3.0	3.4

During the six-month period ended 30 June 2020, the Bank has completed 3 agreements to sell and transfer right to receive debt payments to an Asset Management Company with a total amount of Baht 1,210 million. The Bank recognised a gain of Baht 1,210 million in profit or loss.

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As at 30 June 2020, Rutchayothin Assets Management Co., Ltd. which is a subsidiary of the Bank, had Non-Performing Loans of Baht 374 million (31 December 2019: Baht 374 million). However, the Non-Performing Loans based on principal of loan purchased from the Bank and its subsidiaries as at 30 June 2020 was Baht 804 million (31 December 2019: Baht 804 million).

13.7 Loans to customers having problems with financial position and operating results

	Consolidated and the Bank							
	30 June 2020				31 December 2019			
	No. of companies	Loans and accrued interest receivables	Collateral	Allowance for expected credit loss	No. of companies	Loans and accrued interest receivables	Collateral	Allowance for doubtful accounts
	<i>(in million Baht)</i>				<i>(in million Baht)</i>			
Listed companies identified for delisting	1	25	25	-	2	8,408	3,810	3,103
Delisted company	1	8,307	3,775	3,046	-	-	-	-

13.8 Hire-purchase receivables

	Consolidated and the Bank			
	30 June 2020			
	Portion due			Total
	Within 1 year	1-5 years	Over 5 years	
	<i>(in million Baht)</i>			
Total gross investment under hire-purchase contracts	61,446	171,784	16,372	249,602
Less unearned interest income				(31,352)
Present value of minimum lease payments				218,250
Less allowance for expected credit loss				(9,801)
Hire-purchase receivables, net				208,449

	Consolidated and the Bank			
	31 December 2019			
	Portion due			Total
	Within 1 year	1-5 years	Over 5 years	
	<i>(in million Baht)</i>			
Total gross investment under hire-purchase contracts	65,408	170,718	15,874	252,000
Less unearned interest income				(32,850)
Present value of minimum lease payments				219,150
Less allowance for doubtful accounts				(8,546)
Hire-purchase receivables, net				210,604

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14 Allowance for expected credit loss

	Consolidated			Total
	12-month ECL	Lifetime ECL, not credit- impaired	Lifetime ECL, credit- impaired	
<i>(in million Baht)</i>				
<i>Interbank and money market items</i>				
As at 1 January 2020	133	-	-	133
Changes from stage reclassification	(2)	2	-	-
Changes from remeasurement of ECL	(43)	68	-	25
New interbank and money market items	5	-	-	5
Others	3	(1)	-	2
As at 30 June 2020	96	69	-	165
<i>Investments in debt instruments</i>				
As at 1 January 2020	18	-	-	18
Changes from remeasurement of ECL	4	-	-	4
New investments in debt instruments	7	-	-	7
As at 30 June 2020	29	-	-	29
<i>Loans to customers</i>				
As at 1 January 2020	27,096	30,929	51,433	109,458
Changes from stage reclassification	18,258	(20,186)	1,928	-
Changes from remeasurement of ECL	(8,204)	20,577	5,712	18,085
Derecognition	3	107	6	116
Write-off	-	-	(11,925)	(11,925)
Others	17	4	90	111
As at 30 June 2020	37,170	31,431	47,244	115,845
The Bank				
	12-month ECL	Lifetime ECL, not credit- impaired	Lifetime ECL, credit- impaired	Total
<i>(in million Baht)</i>				
<i>Interbank and money market items</i>				
As at 1 January 2020	132	-	-	132
Changes from stage reclassification	(2)	2	-	-
Changes from remeasurement of ECL	(68)	68	-	-
New interbank and money market items	5	-	-	5
Others	2	(1)	-	1
As at 30 June 2020	69	69	-	138
<i>Investments in debt instruments</i>				
As at 1 January 2020	18	-	-	18
Changes from remeasurement of ECL	4	-	-	4
New investments in debt instruments	7	-	-	7
As at 30 June 2020	29	-	-	29

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	The Bank			Total
	12-month ECL	Lifetime ECL, not credit- impaired	Lifetime ECL, credit- impaired	
	<i>(in million Baht)</i>			
Loans to customers				
As at 1 January 2020	27,026	30,913	50,777	108,716
Changes from stage reclassification	18,260	(20,131)	1,871	-
Changes from remeasurement of ECL	(8,210)	20,515	5,574	17,879
Derecognition	3	107	6	116
Write-off	-	-	(11,912)	(11,912)
Others	13	2	95	110
As at 30 June 2020	<u>37,092</u>	<u>31,406</u>	<u>46,411</u>	<u>114,909</u>

Consolidated							
31 December 2019							
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Allowance established in excess of BoT regulations	Total
	<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>

The Bank							
31 December 2019							
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Allowance established in excess of BoT regulations	Total
	<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>

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15 Modified loans to customers and troubled debt restructuring

The Coronavirus disease (COVID-19) is an outbreak that first emerged in People's Republic of China and impacts many countries globally as a pandemic. Thailand is currently facing these challenging circumstances as a result of this pandemic. While this is foremost a health crisis, the pandemic also has a significant economic impact. The Bank released measures to assist debtors affected by the COVID-19 and other economic impact by extending debt repayment and other measures. The relief measures provided by the Bank and the accounting guidance with respect to relief measures provided by BoT are disclosed in note 2.1.

The impact of the COVID-19 pandemic remains uncertain and represents a material downside risk to the economy. However, there are government and other support measures intended to mitigate the negative impact of the economy. The future uncertain events including the impact of the COVID-19 are still not reflected in the current credit models. Therefore, the management considered the impact from these uncertain events based on available information for individual customers level and industry level and recorded additional ECL as a management overlay.

According to BoT circular number Tor Por Tor For Nor Sor (23) Wor 276/2563 dated 28 February 2020, a new definition of debt restructuring has been introduced i.e. the debt being restructured due to the increase in credit risk and is categorised as follows:

- The debt restructuring of non-NPL customers is pre-emptive restructuring, undertaken once there is an indication of performing customers having repayment problems, resulting in a loss.
- The debt restructuring of NPL customers is classified as troubled debt restructuring, regardless of whether a loss has been incurred or not.

However, the modification of contract resulting in changes in cash flow projection in order to maintain good relationship with customers, provided that the customer has no increase in credit risk, for instance, reducing interest rate in accordance with market conditions, will not be considered as a debt restructuring.

During the six-month period ended 30 June 2020, the Bank and its subsidiaries have modified loans while they had a loss allowance measured at an amount equal to lifetime ECL as follows:

	Consolidated and the Bank <i>(in million Baht)</i>
<i>Loans modified during the six-month period ended 30 June 2020</i>	
Outstanding before modification*	18,882
Net modification loss	<u>(731)</u>
Loans modified since initial recognition	<u>18,151</u>
Outstanding of loans to customers previously modified for which loss allowance has changed during the period to an amount equal to 12-month ECL from lifetime	<u><u>607</u></u>

* This excluded loans to customers modified under relief program as mention in note 2.1

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During the six-month period ended 30 June 2020 and 2019, troubled debt restructuring was as follows:

	Consolidated and the Bank								
	No. of accounts		Outstanding debts				Loss on debt restructuring		
	2020	2019	Before debt restructuring		After debt restructuring		2020	2019	
			2020	2019	2020	2019	2020	2019	
			<i>(in million Baht)</i>						
Troubled debt restructuring	3,216	6,944	3,351	14,112	3,316	14,085	35	55	

As at 30 June 2020 and 31 December 2019, the Bank and subsidiaries had outstanding balances relating to troubled debt restructuring loans as follows:

	Consolidated and the Bank			
	30 June 2020		31 December 2019	
	No. of accounts	Outstanding balances	No. of accounts	Outstanding balances
		<i>(in million Baht)</i>		
Restructured loans which were classified as NPL	8,847	10,544	1,926	10,166
Restructured loans which were not classified as NPL	-	-	21,078	30,804
Total	8,847	10,544	23,004	40,970

Revaluation allowance for debt restructuring

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

	Consolidated and the Bank
	31 December 2019
	<i>(in million Baht)</i>
Beginning balance	3,868
Decrease during the year	(746)
Ending balance	3,122

Loans with renegotiated terms

Loans with renegotiated terms are redefined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank and its subsidiaries have made concessions by agreeing to terms and conditions that are more favourable for the borrowers than the Bank and its subsidiaries had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

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

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

	Six-month period ended 30 June	
	2020	2019
	(Unaudited)	(Audited)
	<i>(in million Baht)</i>	
Cash flows from operating activities		
(Loss) profit from operating before income tax expense	(3)	3
<i>Adjustments to reconcile (loss) profit from operating before income tax to cash (payments) receipts from operating activities</i>		
Reversal of impairment loss on loans and debt securities	-	(7)
Net interest expenses	3	3
Losses from operating before changes in operating assets and liabilities	-	(1)
<i>(Increase) decrease in operating assets</i>		
Intercompany and money market items	-	(12)
Investments	-	16
<i>Decrease in operating liabilities</i>		
Other liabilities	-	(3)
Net cash from operating activities	-	-
Net increase in cash	-	-
Cash at 1 January	-	-
Cash at 30 June	-	-

17 Properties for sale, net

	Consolidated			
	30 June 2020			
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	15,154	728	(730)	15,152
Movable assets	684	1,634	(1,708)	610
Total	15,838	2,362	(2,438)	15,762
Others	1,240	756	(343)	1,653
Total properties for sale	17,078	3,118	(2,781)	17,415
Less allowance for impairment	(436)	(954)	226	(1,164)
Total properties for sale, net	16,642	2,164	(2,555)	16,251

	Consolidated			
	31 December 2019			
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	11,690	4,419	(955)	15,154
Movable assets	630	5,750	(5,696)	684
Total	12,320	10,169	(6,651)	15,838
Others	1,689	1,231	(1,680)	1,240
Total properties for sale	14,009	11,400	(8,331)	17,078
Less allowance for impairment	(559)	(210)	333	(436)
Total properties for sale, net	13,450	11,190	(7,998)	16,642

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	The Bank			Ending balance
	30 June 2020			
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	14,837	728	(730)	14,835
Movable assets	684	1,634	(1,708)	610
Total	<u>15,521</u>	<u>2,362</u>	<u>(2,438)</u>	<u>15,445</u>
Others	1,240	756	(343)	1,653
Total properties for sale	<u>16,761</u>	<u>3,118</u>	<u>(2,781)</u>	<u>17,098</u>
Less allowance for impairment	(368)	(954)	226	(1,096)
Total properties for sale, net	<u>16,393</u>	<u>2,164</u>	<u>(2,555)</u>	<u>16,002</u>

	The Bank			Ending balance
	31 December 2019			
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	11,683	4,109	(955)	14,837
Movable assets	630	5,750	(5,696)	684
Total	<u>12,313</u>	<u>9,859</u>	<u>(6,651)</u>	<u>15,521</u>
Others	1,689	1,231	(1,680)	1,240
Total properties for sale	<u>14,002</u>	<u>11,090</u>	<u>(8,331)</u>	<u>16,761</u>
Less allowance for impairment	(556)	(145)	333	(368)
Total properties for sale, net	<u>13,446</u>	<u>10,945</u>	<u>(7,998)</u>	<u>16,393</u>

For the six-month period ended 30 June 2020, the Bank and its subsidiaries recognised gain on sale of properties for sale in the consolidated and the Bank's statement of profit or loss and other comprehensive income amounting to Baht 398 million and Baht 398 million, respectively (30 June 2019: the Bank and its subsidiaries recognised loss on sale of properties for sale in the consolidated and the Bank's statement of profit or loss and other comprehensive income amounting to Baht 499 million and Baht 499 million, respectively).

Immovable assets for sale classified by internal appraisers as at 30 June 2020 and 31 December 2019 were as follows:

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets				
Appraised by internal appraisers	15,152	15,154	14,835	14,837
Total	<u>15,152</u>	<u>15,154</u>	<u>14,835</u>	<u>14,837</u>

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18 Premises and equipment, net

	Cost					Consolidated 30 June 2020		Accumulated depreciation			Allowance for impairment	Net balance
	Beginning balance	Recognition of right-of-use assets on initial application of TFRS 16	Adjusted balance at 1 January 2020	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation	Disposals	Ending balance		
	<i>(in million Baht)</i>											
Land												
Cost	5,734	-	5,734	-	(172)	5,562	-	-	-	-	(142)	5,420
Appraisal *	12,634	-	12,634	-	(254)	12,380	-	-	-	-	-	12,380
Premises and building improvements												
Cost	20,179	-	20,179	301	(287)	20,193	(9,281)	(376)	175	(9,482)	(116)	10,595
Appraisal *	9,002	-	9,002	-	(122)	8,880	(2,821)	(164)	45	(2,940)	-	5,940
Equipment	19,205	-	19,205	115	(200)	19,120	(14,363)	(997)	196	(15,164)	-	3,956
Others	782	-	782	179	(368)	593	(8)	(4)	-	(12)	-	581
Right-of-use assets												
Office building	-	584	584	18	(4)	598	-	(236)	-	(236)	-	362
ATM	-	993	993	-	-	993	-	(370)	-	(370)	-	623
Vehicle	-	592	592	-	-	592	-	(152)	-	(152)	-	440
Booth	-	46	46	-	-	46	-	(12)	-	(12)	-	34
Branch	-	2,142	2,142	-	-	2,142	-	(723)	-	(723)	-	1,419
Others	-	8	8	-	-	8	-	(1)	-	(1)	-	7
Total	67,536	4,365	71,901	613	(1,407)	71,107	(26,473)	(3,035)	416	(29,092)	(258)	41,757

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

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	Consolidated											
	31 December 2019											
	Beginning balance	Additions/ Transfer in	Cost Disposals/ Transfer out	Decrease from sale of subsidiary	Ending balance	Accumulated depreciation					Ending balance	Allowance for impairment
Beginning balance						Depreciation	Disposals	Decrease from sale of subsidiary	Ending balance			
<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.

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 30 June 2020 amounted to Baht 17,981 million (31 December 2019: Baht 18,079 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the six-month period ended 30 June 2020
For the three-month period ended 30 June 2020 (Unaudited)

	The Bank														
	30 June 2020														
	Cost						Accumulated depreciation								
	Beginning balance	Recognition of right-of-use assets on initial application of TFRS 16	Adjusted balance at 1 January 2020	Additions/ Transfer in	Disposals/ Transfer out	Transfer to investment properties	Ending balance	Beginning balance	Depreciation	Disposals	Transfer to investment properties	Ending balance	Allowance for impairment	Net balance	
	<i>(in million Baht)</i>														
Land															
Cost	5,648	-	5,648	-	(172)	(1)	5,475	-	-	-	-	-	(142)	5,333	
Appraisal *	12,142	-	12,142	-	(254)	(222)	11,666	-	-	-	-	-	-	11,666	
Premises and building improvements															
Cost	19,754	-	19,754	252	(276)	(78)	19,652	(8,970)	(358)	172	8	(9,148)	(116)	10,388	
Appraisal *	8,906	-	8,906	-	(122)	-	8,784	(2,784)	(164)	45	-	(2,903)	-	5,881	
Equipment	18,777	-	18,777	80	(201)	-	18,656	(14,062)	(974)	196	-	(14,840)	-	3,816	
Others	786	-	786	164	(367)	-	583	-	-	-	-	-	-	583	
Right-of-use assets															
Office building	-	358	358	1	(1)	-	358	-	(170)	-	-	(170)	-	188	
ATM	-	992	992	-	-	-	992	-	(370)	-	-	(370)	-	622	
Vehicle	-	501	501	-	-	-	501	-	(134)	-	-	(134)	-	367	
Booth	-	46	46	-	-	-	46	-	(12)	-	-	(12)	-	34	
Branch	-	2,142	2,142	-	-	-	2,142	-	(723)	-	-	(723)	-	1,419	
Others	-	7	7	-	-	-	7	-	(1)	-	-	(1)	-	6	
Total	66,013	4,046	70,059	497	(1,393)	(301)	68,862	(25,816)	(2,906)	413	8	(28,301)	(258)	40,303	

* Appraisal values are based on valuations completed in 2015.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the six-month period ended 30 June 2020

For the three-month period ended 30 June 2020 (Unaudited)

	The Bank									
	31 December 2019									
	Beginning balance	Cost		Ending balance	Accumulated depreciation			Ending balance	Allowance for impairment	Net balance
	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.

The gross amount of the Bank's fully depreciated premises and equipment that were still in use as at 30 June 2020 amounted to Baht 17,553 million (31 December 2019: Baht 17,700 million).

As at 30 June 2020, right-of-use assets amounting to Baht 2,885 million and Baht 2,636 million in the consolidated and the Bank's financial statements, respectively.

The fair values of land and premises are determined by using the market approach for land and the depreciated replacement cost approach for premises. The fair values are appraised by independent appraisers who are qualified as professionals and have appropriate experience. The fair values are land and premises categorised as Level 3 in the fair value hierarchy.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

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For the six-month period ended 30 June 2020

For the three-month period ended 30 June 2020 (Unaudited)

19 Goodwill and other intangible assets, net

	Consolidated									
	30 June 2020									
	Cost				Accumulated amortisation			Ending balance	Allowance for impairment	Net balance
Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Amortisation	Disposals				
	<i>(in million Baht)</i>									
Goodwill	1,270	-	-	1,270	-	-	-	-	-	1,270
Software licenses	23,407	1,940	-	25,347	(9,918)	(1,953)	4	(11,867)	(12)	13,468
Software under installation	4,409	26	(565)	3,870	-	-	-	-	-	3,870
Others	123	-	(1)	122	(19)	(11)	-	(30)	-	92
Total	29,209	1,966	(566)	30,609	(9,937)	(1,964)	4	(11,897)	(12)	18,700

	Consolidated									
	31 December 2019									
	Cost				Accumulated amortisation			Ending balance	Allowance for impairment	Net balance
Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Decrease from sale of subsidiary	Ending balance	Beginning balance	Amortisation	Disposals			
	<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)
Software under installation	6,838	91	(2,253)	(267)	4,409	-	-	-	-	4,409
Others	10	115	(2)	-	123	(9)	(12)	2	-	(19)
Total	32,887	8,346	(2,327)	(9,697)	29,209	(7,386)	(2,864)	10	303	(9,937)

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 30 June 2020 amounted to Baht 5,164 million (31 December 2019: Baht 5,014 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the interim financial statements

For the six-month period ended 30 June 2020

For the three-month period ended 30 June 2020 (Unaudited)

	Cost				The Bank 30 June 2020				
	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	22,427	1,840	-	24,267	(9,607)	(1,814)	-	(11,421)	12,846
Software under installation	4,361	-	(544)	3,817	-	-	-	-	3,817
Total	28,058	1,840	(544)	29,354	(9,607)	(1,814)	-	(11,421)	17,933

	Cost				The Bank 31 December 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

The gross amount of the Bank's fully amortised intangible assets that were still in use as at 30 June 2020 amounted to Baht 5,025 million (*31 December 2019: Baht 4,854 million*).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the six-month period ended 30 June 2020
For the three-month period ended 30 June 2020 (Unaudited)

20 Deferred tax

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Deferred tax assets	2,022	2,005	1,800	1,809
Deferred tax liabilities	(138)	(139)	-	-
Net	1,884	1,866	1,800	1,809

	At 1 January 2020*	Consolidated (Charged) / Credited to:		At 30 June 2020
		Profit or loss	Other Comprehensive income	
	<i>(in million Baht)</i>			
Deferred tax assets				
Financial assets measured at FVTPL	29	34	-	63
Derivative assets	144	(66)	-	78
Investments	1	(1)	-	-
Investments in subsidiaries and associate	159	(114)	-	45
Loans to customers and accrued interest receivables	4,409	(919)	-	3,490
Properties for sale	151	(26)	-	125
Other intangible assets	18	(1)	-	17
Other assets	40	(35)	-	5
Provisions	2,273	973	-	3,246
Other liabilities	1,163	(453)	-	710
Total	8,387	(608)	-	7,779
Deferred tax liabilities				
Financial assets measured at FVTPL	(127)	(295)	-	(422)
Investments	(1,005)	436	(19)	(588)
Loans to customers and accrued interest receivables	(649)	649	-	-
Premises and equipment	(4,927)	210	-	(4,717)
Other intangible assets	-	(1)	-	(1)
Other assets	(238)	71	-	(167)
Total	(6,946)	1,070	(19)	(5,895)
Net	1,441	462	(19)	1,884

* Includes the impact of changes in accounting policies of Baht 425 million (Note 3)

The Siam Commercial Bank Public Company Limited and its Subsidiaries
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For the six-month period ended 30 June 2020
For the three-month period ended 30 June 2020 (Unaudited)

	Consolidated (Charged) / Credited to:					At 30 June 2019
	At 1 January 2019	Profit or loss	Other comprehensive income <i>(in million Baht)</i>	Retained earnings	Transfer to liabilities directly associated with assets classified as held for sale	
<i>Deferred tax assets</i>						
Derivative assets	43	13	-	-	-	56
Investments	194	(5)	(94)	-	(16)	79
Investments in subsidiaries and associate	454	-	-	-	-	454
Loans to customers and accrued interest receivables	2,508	(323)	-	-	-	2,185
Properties for sale	112	27	-	-	-	139
Premises and equipment	1	-	-	-	(1)	-
Other intangible assets	11	-	-	-	-	11
Other assets	77	(10)	-	-	(22)	45
Derivative liabilities	69	-	136	-	(205)	-
Provisions	1,890	346	-	-	(48)	2,188
Liabilities under insurance contracts	42	19	-	-	(61)	-
Other liabilities	812	(328)	-	-	(8)	476
Total	6,213	(261)	42	-	(361)	5,633
<i>Deferred tax liabilities</i>						
Derivative assets	(229)	(9)	(340)	-	578	-
Investments	(685)	(35)	(1,792)	-	1,970	(542)
Loans to customers and accrued interest receivables	(503)	82	-	-	-	(421)
Premises and equipment	(4,983)	7	-	1	-	(4,975)
Other assets	(17)	(47)	-	-	1	(63)
Deposits	(21)	21	-	-	-	-
Total	(6,438)	19	(2,132)	1	2,549	(6,001)
Net	(225)	(242)	(2,090)	1	2,188	(368)

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Notes to the interim financial statements
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For the three-month period ended 30 June 2020 (Unaudited)

	At 1 January 2020*	The Bank (Charged) / Credited to:		At 30 June 2020
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
<i>Deferred tax assets</i>				
Derivative assets	144	(66)	-	78
Investments in subsidiaries and associate	159	(114)	-	45
Loans to customers and accrued interest receivables	4,386	(917)	-	3,469
Properties for sale	150	(26)	-	124
Other intangible assets	1	(1)	-	-
Other assets	40	(40)	-	-
Provisions	2,200	969	-	3,169
Other liabilities	1,088	(425)	-	663
Total	8,168	(620)	-	7,548
<i>Deferred tax liabilities</i>				
Financial assets measured at FVTPL	(127)	(295)	-	(422)
Investments	(997)	428	(19)	(588)
Loans to customers and accrued interest receivables	(649)	649	-	-
Premises and equipment	(4,782)	212	-	(4,570)
Other intangible assets	-	(1)	-	(1)
Other assets	(238)	71	-	(167)
Total	(6,793)	1,064	(19)	(5,748)
Net	1,375	444	(19)	1,800

* Includes the impact of changes in accounting policies of Baht 434 million (*Note 3*)

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For the six-month period ended 30 June 2020
For the three-month period ended 30 June 2020 (Unaudited)

	At 1 January 2019	The Bank (Charged) / Credited to:			At 30 June 2019
		Profit or loss	Other comprehensive income (in million Baht)	Retained earnings	
Deferred tax assets					
Derivative assets	43	13	-	-	56
Investments	172	-	(95)	-	77
Investments in subsidiaries and associate	454	-	-	-	454
Loans to customers and accrued interest receivables	2,503	(333)	-	-	2,170
Properties for sale	111	27	-	-	138
Other intangible assets	9	-	-	-	9
Other assets	56	(11)	-	-	45
Provisions	1,785	324	-	-	2,109
Other liabilities	759	(312)	-	-	447
Total	5,892	(292)	(95)	-	5,505
Deferred tax liabilities					
Investments	(408)	(61)	(49)	-	(518)
Loans to customers and accrued interest receivables	(503)	82	-	-	(421)
Premises and equipment	(4,836)	6	-	1	(4,829)
Other assets	(17)	(46)	-	-	(63)
Deposits	(21)	21	-	-	-
Total	(5,785)	2	(49)	1	(5,831)
Net	107	(290)	(144)	1	(326)

Income tax recognised in profit or loss

Three-month period ended 30 June	Consolidated		The Bank	
	2020	2019	2020	2019
	(in million Baht)			
Current tax expense				
Current period	3,130	2,705	2,923	2,281
Deferred tax expense				
Movements in temporary differences	(1,020)	(175)	(979)	(134)
Total income tax expense	2,110	2,530	1,944	2,147

Six-month period ended 30 June	Consolidated		The Bank	
	2020	2019	2020	2019
	(in million Baht)			
Current tax expense				
Current period	4,888	4,443	4,523	3,612
Deferred tax expense				
Movements in temporary differences	(462)	242	(444)	290
Total income tax expense	4,426	4,685	4,079	3,902

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For the six-month period ended 30 June 2020
For the three-month period ended 30 June 2020 (Unaudited)

Income tax recognised in other comprehensive income

<i>Three-month period ended 30 June</i>	Consolidated					
	2020	2020	2019	2019	2019	2019
	Before tax	Tax income (expense)	Net of tax <i>(in million Baht)</i>	Before tax	Tax expense	Net of tax
Losses on investments in debt instruments at FVOCI	(209)	42	(167)	-	-	-
Gains on remeasuring available-for-sale	-	-	-	6,775	(1,355)	5,420
Changes in hedge reserve	-	-	-	808	(162)	646
Gains on investments designated at FVOCI	102	(20)	82	-	-	-
Total	(107)	22	(85)	7,583	(1,517)	6,066

<i>Three-month period ended 30 June</i>	The Bank					
	2020	2020	2019	2019	2019	2019
	Before tax	Tax income (expense)	Net of tax <i>(in million Baht)</i>	Before tax	Tax expense	Net of tax
Losses on investments in debt instruments at FVOCI	(209)	42	(167)	-	-	-
Gains on remeasuring available-for-sale	-	-	-	333	(67)	266
Gains on investments designated at FVOCI	102	(20)	82	-	-	-
Total	(107)	22	(85)	333	(67)	266

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For the three-month period ended 30 June 2020 (Unaudited)

<i>Six-month period ended 30 June</i>	Consolidated					
	2020	2020	2019	2019	2019	2019
	Before tax	Tax income (expense)	Net of tax <i>(in million Baht)</i>	Before tax	Tax expense	Net of tax
Losses on investments in debt instruments at FVOCI	(126)	25	(101)	-	-	-
Gains on remeasuring available-for-sale	-	-	-	9,434	(1,886)	7,548
Changes in hedge reserve	-	-	-	1,018	(204)	814
Gains on investments designated at FVOCI	219	(44)	175	-	-	-
Total	93	(19)	74	10,452	(2,090)	8,362

<i>Six-month period ended 30 June</i>	The Bank					
	2020	2020	2019	2019	2019	2019
	Before tax	Tax income (expense)	Net of tax <i>(in million Baht)</i>	Before tax	Tax expense	Net of Tax
Losses on investments in debt instruments at FVOCI	(126)	25	(101)	-	-	-
Gains on remeasuring available-for-sale	-	-	-	719	(144)	575
Gains on investments designated at FVOCI	219	(44)	175	-	-	-
Total	93	(19)	74	719	(144)	575

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Reconciliation of effective tax rate

<i>Three-month period ended 30 June</i>	Consolidated			
	2020	2019	2020	2019
	<i>Rate (%)</i>	<i>(in million Baht)</i>	<i>Rate (%)</i>	<i>(in million Baht)</i>
Profit before income tax expense		<u>10,402</u>		<u>13,475</u>
Income tax using the Thai corporation tax rate	20.0	2,080	20.0	2,695
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>30</u>		<u>(165)</u>
Total	<u>20.3</u>	<u>2,110</u>	<u>18.8</u>	<u>2,530</u>

<i>Three-month period ended 30 June</i>	The Bank			
	2020	2019	2020	2019
	<i>Rate (%)</i>	<i>(in million Baht)</i>	<i>Rate (%)</i>	<i>(in million Baht)</i>
Profit before income tax expense		<u>10,987</u>		<u>12,405</u>
Income tax using the Thai corporation tax rate	20.0	2,197	20.0	2,481
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>(253)</u>		<u>(334)</u>
Total	<u>17.7</u>	<u>1,944</u>	<u>17.3</u>	<u>2,147</u>

<i>Six-month period ended 30 June</i>	Consolidated			
	2020	2019	2020	2019
	<i>Rate (%)</i>	<i>(in million Baht)</i>	<i>Rate (%)</i>	<i>(in million Baht)</i>
Profit before income tax expense		<u>21,923</u>		<u>24,789</u>
Income tax using the Thai corporation tax rate	20.0	4,385	20.0	4,958
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>41</u>		<u>(273)</u>
Total	<u>20.2</u>	<u>4,426</u>	<u>18.9</u>	<u>4,685</u>

<i>Six-month period ended 30 June</i>	The Bank			
	2020	2019	2020	2019
	<i>Rate (%)</i>	<i>(in million Baht)</i>	<i>Rate (%)</i>	<i>(in million Baht)</i>
Profit before income tax expense		<u>22,281</u>		<u>21,735</u>
Income tax using the Thai corporation tax rate	20.0	4,456	20.0	4,347
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>(377)</u>		<u>(445)</u>
Total	<u>18.3</u>	<u>4,079</u>	<u>18.0</u>	<u>3,902</u>

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21 Other assets, net

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Collateral per Credit Support Annex	13,300	9,740	13,300	9,740
Securities business receivables and receivables from clearing house	3,315	2,266	-	-
Accrued service income	3,269	2,360	3,353	2,071
Prepaid expenses	2,552	2,992	2,701	3,196
Receivables from sale of NPL	2,160	-	2,160	-
Sundry receivables	1,415	1,436	2,864	1,544
Accrued interest on investment and interest rate derivatives	1,129	1,300	1,129	1,300
Net inter-account balance	634	1,135	562	1,087
Others	5,192	5,046	3,797	3,560
Total	32,966	26,275	29,866	22,498

22 Deposits

22.1 Classified by type of deposits

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
At call	87,700	77,549	86,759	76,201
Savings	1,577,688	1,376,942	1,577,457	1,375,084
Fixed				
- Less than 6 months	130,321	110,568	130,618	111,037
- 6 months and less than 1 year	125,330	244,694	124,864	244,495
- Over 1 year	333,699	349,672	333,699	349,672
Total	2,254,738	2,159,425	2,253,397	2,156,489

22.2 Classified by currency and residence of customer

	Consolidated					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	2,215,241	748	2,215,989	2,121,405	971	2,122,376
US Dollar	19,689	14,138	33,827	19,739	12,893	32,632
Other currencies	2,494	2,428	4,922	2,298	2,119	4,417
Total	2,237,424	17,314	2,254,738	2,143,442	15,983	2,159,425

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	The Bank					
	30 June 2020			31 December 2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	2,220,405	716	2,221,121	2,125,045	936	2,125,981
US Dollar	19,689	7,669	27,358	19,739	6,355	26,094
Other currencies	2,494	2,424	4,918	2,298	2,116	4,414
Total	<u>2,242,588</u>	<u>10,809</u>	<u>2,253,397</u>	<u>2,147,082</u>	<u>9,407</u>	<u>2,156,489</u>

23 Interbank and money market items (Liabilities)

	Consolidated		The Bank	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Domestic items				
Bank of Thailand and Financial Institutions Development Fund	29,269	-	29,269	-
Commercial banks	97,999	72,176	97,999	72,027
Specialised financial institutions*	48,976	40,483	48,976	40,483
Other financial institutions**	27,599	25,386	27,775	25,536
Total domestic items	<u>203,843</u>	<u>138,045</u>	<u>204,019</u>	<u>138,046</u>
Foreign items				
US Dollar	4,389	4,794	4,535	4,967
Euro	1,156	46	1,156	46
Other currencies	3,003	2,959	2,546	2,812
Total foreign items	<u>8,548</u>	<u>7,799</u>	<u>8,237</u>	<u>7,825</u>
Total domestic and foreign items	<u>212,391</u>	<u>145,844</u>	<u>212,256</u>	<u>145,871</u>

* Specialised financial institutions are financial institutions incorporated by special laws e.g. Government Savings Bank, Bank for Agriculture and Agricultural Co-operatives, Government Housing Bank, SME Bank, Islamic Bank of Thailand, Export-Import Bank of Thailand and Secondary Mortgage Corporation excluding Thai Credit Guarantee Corporation.

** Other financial institutions represent financial institutions other than 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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24 Debt issued and borrowings

	Interest rate (%)	Year of maturity	30 June 2020		Consolidated			
			Domestic	Foreign	Total	31 December 2019		
						Domestic	Foreign	Total
			<i>(in million Baht)</i>					
Debentures								
- US Dollar	2.75 - 4.40	2020 - 2029	453	58,585	59,038	597	57,171	57,768
- Baht	-	2020 - 2021	4,037	-	4,037	18,292	-	18,292
Structured notes								
- Baht	0.00 - 22.00	2020	423	-	423	1,596	-	1,596
Others	-	-	257	-	257	296	-	296
Total			5,170	58,585	63,755	20,781	57,171	77,952
Hedge			-	6,094	6,094	-	-	-
Total			5,170	64,679	69,849	20,781	57,171	77,952

	Interest rate (%)	Year of maturity	30 June 2020		The Bank			
			Domestic	Foreign	Total	31 December 2019		
						Domestic	Foreign	Total
			<i>(in million Baht)</i>					
Debentures								
- US Dollar	2.75 - 4.40	2020 - 2029	453	58,585	59,038	597	57,171	57,768
- Baht	-	2020 - 2021	4,037	-	4,037	18,292	-	18,292
Others	-	-	257	-	257	296	-	296
Total			4,747	58,585	63,332	19,185	57,171	76,356
Hedge			-	6,094	6,094	-	-	-
Total			4,747	64,679	69,426	19,185	57,171	76,356

25 Provisions

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Allowance for expected credit loss of loan commitments and financial guarantee contracts	5,367	-	5,320	-
Employee benefit obligations	7,559	7,998	7,173	7,635
Reserve for reward points	3,271	3,283	3,271	3,280
Others	82	129	82	82
Total	16,279	11,410	15,846	10,997

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.

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Present value of unfunded provision

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Severance Payment (SP) benefits scheme	6,672	7,131	6,316	6,796
Other schemes	887	867	857	839
Total	7,559	7,998	7,173	7,635

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.

Present value of the defined benefit obligations

	Consolidated			
	30 June 2020		31 December 2019	
	SP	Others	SP	Others
	<i>(in million Baht)</i>			
Beginning balance	7,131	867	5,499	861
Included in profit or loss:				
Past service cost	-	-	1,366	-
Current service cost	285	18	582	42
Interest on obligation	101	14	206	28
	386	32	2,154	70
Included in other comprehensive income:				
Actuarial (gains) losses				
- Demographic assumptions	-	-	8	-
- Financial assumptions	-	-	(23)	-
- Experience adjustment	-	-	(45)	-
	-	-	(60)	-
Others				
Benefits paid	(845)	(12)	(236)	(44)
Decrease from sale of subsidiary	-	-	(226)	(20)
	(845)	(12)	(462)	(64)
Ending balance	6,672	887	7,131	867

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	The Bank			
	30 June 2020		31 December 2019	
	SP	Others	SP	Others
	<i>(in million Baht)</i>			
Beginning balance	6,796	839	5,043	816
Included in profit or loss:				
Past service cost	-	-	1,264	-
Current service cost	260	16	515	37
Interest on obligation	96	13	192	26
	356	29	1,971	63
Others				
Benefits paid	(836)	(11)	(218)	(40)
Ending balance	6,316	857	6,796	839

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	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(%)</i>			
Discount rate	1.5 - 3.3	1.5 - 3.3	3.3	3.3
Future salary growth	1.0 - 10.0	1.0 - 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	0.0 - 24.0	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, would have affected the defined benefit obligation by the amounts shown below.

<i>Effect to the defined benefit obligation</i>	Consolidated			
	1% increase in assumption		1% decrease in assumption	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Discount rate	(784)	(830)	948	1,003
Future salary growth	720	762	(620)	(656)

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<i>Effect to the defined benefit obligation</i>	The Bank			
	1% increase in assumption		1% decrease in assumption	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Discount rate	(753)	(802)	912	971
Future salary growth	686	730	(591)	(629)

Post-employee benefit expenses included in the statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2020 and 2019 were as follows:

	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Defined contribution plans	649	662	595	586
Defined benefit plans	418	1,797	385	1,649
Total	1,067	2,459	980	2,235

26 Other liabilities

	<i>Note</i>	Consolidated		The Bank	
		30 June 2020	31 December 2019	30 June 2020	31 December 2019
		<i>(in million Baht)</i>			
Deferred income from Distribution Agreement	12.2	16,834	17,425	16,834	17,425
Accrued expenses		15,327	32,313	15,888	31,374
Accrued interest payable		4,245	6,213	4,237	6,203
Other payables		4,210	7,702	4,210	7,707
Other payable per Credit Support Annex		3,711	10,065	3,711	10,065
Lease obligation		2,903	-	2,653	-
Unsettled remittance transaction		2,862	5,732	2,862	5,732
Securities business payables and payables to clearing house		2,812	1,854	-	-
Withholding tax payable		754	770	718	696
Marginal deposits		647	633	627	612
Others		9,399	11,671	8,764	11,194
Total		63,704	94,378	60,504	91,008

27 Advance received from electronic payment

In accordance with the BoT notification number Sor Nor Chor 7/2561 dated 16 April 2018, regarding to *Regulations on Service Business relating to Electronic Money (E-Money)* and Sor Nor Chor 2/2562 dated 20 December 2019 regarding to *Regulations on Service Business relating to Electronic Fund Transfer (EFT)*, the Bank discloses advances received from E-Money and EFT as at 30 June 2020 in the amount of Baht 2,133 million.

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28 Fair value of financial assets and financial liabilities

28.1 Financial assets and financial liabilities measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

	Consolidated			Total
	30 June 2020			
	Fair value			
	Level 1	Level 2	Level 3	
	<i>(in million Baht)</i>			
Financial assets				
Financial assets measured at FVTPL	3,968	30,254	5,136	39,358
Derivative assets				
- Foreign exchange rate	-	37,884	-	37,884
- Interest rate	-	50,498	-	50,498
- Others	-	483	-	483
Total	-	88,865	-	88,865
Investments, net				
- Investments in debt instruments measured at FVOCI	20,687	226,985	-	247,672
- Investments in equity instruments designated at FVOCI	-	-	2,222	2,222
Total	20,687	226,985	2,222	249,894
Total financial assets	24,655	346,104	7,358	378,117
Financial liabilities				
Financial liabilities measured at FVTPL	5	-	-	5
Derivative liabilities				
- Foreign exchange rate	-	30,185	-	30,185
- Interest rate	-	47,792	-	47,792
- Others	-	267	-	267
Total	-	78,244	-	78,244
Total financial liabilities	5	78,244	-	78,249

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	The Bank			
	30 June 2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Financial assets measured at FVTPL	2,334	30,087	3,508	35,929
Derivative assets				
- Foreign exchange rate	-	37,884	-	37,884
- Interest rate	-	50,498	-	50,498
- Others	-	732	-	732
Total	-	89,114	-	89,114
Investments, net				
- Investments in debt instruments measured at FVOCI	20,687	226,985	-	247,672
- Investments in equity instruments designated at FVOCI	-	-	2,210	2,210
Total	20,687	226,985	2,210	249,882
Total financial assets	23,021	346,186	5,718	374,925
<i>Financial liabilities</i>				
Derivative liabilities				
- Foreign exchange rate	-	30,185	-	30,185
- Interest rate	-	47,792	-	47,792
- Others	-	749	-	749
Total financial liabilities	-	78,726	-	78,726

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	Consolidated 31 December 2019			The Bank 31 December 2019		
	Level 1	Fair value Level 2	Total	Level 1	Fair value Level 2	Total
<i>Financial assets</i>						
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
<i>Financial liabilities</i>						
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

The Bank and its subsidiaries determine Level 2 fair values for debt instruments 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. In the case of derivative assets, fair values reflect the credit risk of the counterparty.

28.2 Financial assets and financial liabilities not measured at fair value

Fair value of financial assets and financial liabilities which are not measured at fair value and for which there is a significant difference with carrying amount as at 30 June 2020 and 31 December 2019 were as follows:

	Consolidated 30 June 2020		The Bank 30 June 2020	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
<i>Financial assets</i>				
Investments in debt instruments measured at AMC	7,322	8,268	7,609	8,554

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	Consolidated		The Bank	
	31 December 2019		31 December 2019	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
	<i>(in million Baht)</i>			
<i>Financial assets</i>				
Derivative assets	84	151	84	151
Held-to-maturity securities	7,830	8,717	8,115	9,002
<i>Financial liabilities</i>				
Derivative liabilities	63	48	63	48

The following methods and assumptions are used in estimating fair 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.
Financial assets measured at FVTPL and 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 instruments 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 instruments with no active market price, the fair value is estimated based on the yield curve of debt securities plus a risk premium. - The fair value of listed private sector equity instruments and listed unit trust is estimated by using the bidding prices at The Stock Exchange of Thailand on the last business day of the period. - 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 instruments listed on foreign stock exchanges is estimated by using the bid prices at such exchanges as of the last business day of the period. The fair value of non-listed foreign debt and equity instruments is determined based on values quoted by reliable international financial institutions.
Derivatives:	The fair value 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.

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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. - The fair value 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:	<ul style="list-style-type: none"> - The fair value of deposits which are payable on demand by the depositor are equal to the carrying amount. - The fair value of fixed-deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar deposits.
Interbank and money market items (Liabilities):	- The fair value is approximated based on its carrying amount.
Liabilities payable on demand:	- The fair value is approximated based on its carrying amount.
Financial liabilities measured at FVTPL:	- The fair value is calculated based on valuation models using market data obtained from reliable sources.
Debt issued and borrowings:	<ul style="list-style-type: none"> - The fair value of short-term borrowings maturing within 90 days approximated its carrying amount. - 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.

29 Share capital

All preferred shares had a period of 10 years, which expired on 10 May 2009. Hence, rights of preferred shareholders have 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.

30 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.

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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 investments in debt instruments measured at FVOCI and investments designated at FVOCI (2019: Fair value changes in available-for-sale investments)

The fair value changes in investments measured at FVOCI account within shareholders' equity comprises the cumulative net change in the fair value of investments measured at FVOCI and the allowance for ECL for debt instruments measured at FVOCI until the investments are derecognised.

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 shareholders' 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 within shareholders' equity 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.

31 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>2020</i>				
Interim dividend 2019 (special)	17 January 2020	14 February 2020	0.75	2,549
Interim dividend 2019	24 March 2020	22 April 2020	4.00	13,597
Total			4.75	16,146
<i>2019</i>				
Annual dividend 2018	4 April 2019	3 May 2019	4.00	13,597
Total			4.00	13,597

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32 Assets pledged as collateral and under restriction

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Securities pledged as collateral for repurchase	38,381	58,793	38,381	58,793
Others	90	90	79	79
Total	<u>38,471</u>	<u>58,883</u>	<u>38,460</u>	<u>58,872</u>

33 Contingent liabilities

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Avals to bills	6,268	6,233	6,268	6,233
Guarantees of loans	7,573	8,037	7,198	7,270
Liability under unmatured import bills	7,826	12,138	7,742	11,987
Letters of credit	31,258	27,255	31,126	27,138
Other contingencies				
- Amount of unused bank overdrafts	201,148	184,954	200,279	184,182
- Other guarantees	217,884	216,868	216,814	215,829
- Receivables / payables from investments	8,268	9,109	8,268	9,109
- Others	44,868	46,729	44,868	46,729
Total	<u>525,093</u>	<u>511,323</u>	<u>522,563</u>	<u>508,477</u>

As at 30 June 2020, 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 (31 December 2019: Baht 3 million).

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34 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:

34.1 Assets, liabilities and contingencies

	Consolidated		The Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	<i>(in million Baht)</i>			
Subsidiaries				
Derivative assets	-	-	264	152
Investments	-	-	328	326
Loans*	-	-	1,521	-
Other assets	-	-	2,413	749
Deposits	-	-	5,341	3,690
Interbank and money market items (liabilities)	-	-	183	174
Derivative liabilities	-	-	483	50
Debt issued and borrowings	-	-	-	100
Other liabilities	-	-	1,706	804
Contingencies	-	-	4,293	1,906
Associate				
Derivative assets	1	-	1	-
Loans*	8,307	8,387	8,307	8,387
Deposits	27	7	27	7
Contingencies	209	108	209	108
Major shareholders (more than 10% ownership)				
Deposits	9,895	9,481	9,895	9,481
Directors and key executive officers				
Loans*	105	111	105	111
Deposits	1,801	1,519	1,801	1,519
Related companies (Shareholding through other companies' debt restructuring process)				
Contingencies	1	1	1	1
Entities in which the directors, management or close members of their families have significant influence				
Loans*	10,256	23,710	10,256	23,710
Deposits	47,294	16,128	47,294	16,128
Other liabilities	-	9	-	9
Contingencies	2,323	7,771	2,323	7,771

* Before deducting allowance for expected credit loss / allowance for doubtful accounts.

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34.2 Income and expenses

<i>Three-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Subsidiaries				
Interest income	-	-	2	1
Interest expenses	-	-	9	26
Other income	-	-	2,197	3,303
Other expenses	-	-	814	904
Net gains (losses) on financial instruments measured at FVTPL	-	-	133	(10)
Associate				
Interest income	94	59	94	59
Interest expenses	89	53	89	53
Net gains on financial instruments measured at FVTPL	1	117	1	117
Major shareholders (more than 10% ownership)				
Interest expenses	33	14	33	14
Other expenses	5	8	5	8
Directors and key executive officers				
Interest income	1	1	1	1
Interest expenses	3	3	3	3
Entities in which the directors, management or close members of their families have significant influence				
Interest income	84	40	84	40
Interest expenses	57	77	57	77
Other expenses	121	29	121	29

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<i>Six-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Subsidiaries				
Interest income	-	-	6	3
Interest expenses	-	-	12	46
Other income	-	-	3,290	5,441
Other expenses	-	-	1,631	1,719
Net gain (loss) on financial instruments measured at FVTPL	-	-	285	(4)
Associate				
Interest income	147	117	147	117
Interest expenses	138	107	138	107
Net gain on financial instruments measured at FVTPL	2	128	2	128
Major shareholders (more than 10% ownership)				
Interest expenses	67	26	67	26
Other expenses	13	16	13	16
Directors and key executive officers				
Interest income	1	1	1	1
Interest expenses	5	6	5	6
Entities in which the directors, management or close members of their families have significant influence				
Interest income	181	81	181	81
Interest expenses	110	147	110	147
Other expenses	121	29	121	29

35 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>Three-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Short-term employee benefits	642	418	558	333
Post-employment benefits and others	11	21	9	6
Termination benefits	55	-	55	-
Total	708	439	622	339

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<i>Six-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Short-term employee benefits	1,553	1,215	1,324	996
Post-employment benefits and others	23	63	20	40
Other long-term employee benefits	4	-	-	-
Termination benefits	55	-	55	-
Total	1,635	1,278	1,399	1,036

36 Leases

The Bank and its subsidiaries lease a number of branch offices rental, foreign exchange booths, ATM rental areas, cars and office equipment. 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.

Future minimum lease payments

Type of lease	Period	Consolidated	The Bank
		31 December 2019	31 December 2019
		<i>(in million Baht)</i>	
Land and/or premises	Within 1 year	2,051	1,965
	1 - 5 years	990	884
	Over 5 years	139	139
Equipment	Within 1 year	177	177
Vehicles	Within 1 year	268	261
	1 - 5 years	281	272

Amount recognised in profit or loss

<i>Six-month period ended 30 June</i>	Consolidated	The Bank
	2019	2019
	<i>(in million Baht)</i>	
Lease expense	2,509	2,384

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37 Segment information

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>Three-month period ended</i> 30 June 2020	Consolidated						Total
	Corporate Segment	SME Segment	Retail Segment	Insurance Segment	Others	Elimination	
	<i>(in million Baht)</i>						
Net interest income	4,539	4,218	11,345	-	3,675	-	23,777
Non-interest income, net	2,184	570	4,851	2,349	4,968	(2,422)	12,500
Total operating income	6,723	4,788	16,196	2,349	8,643	(2,422)	36,277
Total operating expenses	(2,597)	(2,858)	(9,206)	(176)	(2,424)	1,120	(16,141)
Profit before expected credit loss and income tax expense	4,126	1,930	6,990	2,173	6,219	(1,302)	20,136
Expected credit loss							(9,734)
Income tax expense							(2,110)
Net profit							8,292
	Consolidated						
<i>Three-month period ended</i> 30 June 2019	Corporate Segment	SME Segment	Retail Segment	Insurance Segment	Others	Elimination	Total
	<i>(in million Baht)</i>						
Net interest income	4,240	3,553	12,096	2,774	2,873	-	25,536
Non-interest income, net	2,179	862	4,748	1,017	3,814	(2,115)	10,505
Total operating income	6,419	4,415	16,844	3,791	6,687	(2,115)	36,041
Total operating expenses	(2,395)	(2,685)	(9,720)	(862)	(2,185)	1,190	(16,657)
Profit before impairment loss and income tax expense	4,024	1,730	7,124	2,929	4,502	(925)	19,384
Impairment loss							(5,909)
Income tax expense							(2,530)
Net profit							10,945

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<i>Six-month period ended 30 June 2020</i>	Corporate Segment	SME Segment	Retail Segment	Consolidated			Total
				Insurance Segment	Others	Elimination	
				<i>(in million Baht)</i>			
Net interest income	9,228	8,524	24,059	-	7,743	-	49,554
Non-interest income, net	3,838	1,214	9,645	5,233	7,850	(3,417)	24,363
Total operating income	13,066	9,738	33,704	5,233	15,593	(3,417)	73,917
Total operating expenses	(5,286)	(5,297)	(19,070)	(362)	(4,601)	2,082	(32,534)
Profit before expected credit loss and income tax expense	7,780	4,441	14,634	4,871	10,992	(1,335)	41,383
Expected credit loss							(19,460)
Income tax expense							(4,426)
Net profit							17,497

<i>Six-month period ended 30 June 2019</i>	Corporate Segment	SME Segment	Retail Segment	Consolidated			Total
				Insurance Segment	Others	Elimination	
				<i>(in million Baht)</i>			
Net interest income	8,536	6,925	23,747	5,490	5,552	-	50,250
Non-interest income, net	4,117	1,565	9,494	2,181	6,217	(3,213)	20,361
Total operating income	12,653	8,490	33,241	7,671	11,769	(3,213)	70,611
Total operating expenses	(4,964)	(5,520)	(20,459)	(1,588)	(4,233)	2,271	(34,493)
Profit before impairment loss and income tax expense	7,689	2,970	12,782	6,083	7,536	(942)	36,118
Impairment loss							(11,329)
Income tax expense							(4,685)
Net profit							20,104

	Corporate Segment	SME Segment	Retail Segment	Consolidated			Total
				Insurance Segment	Others	Elimination	
				<i>(in million Baht)</i>			
Loans to customers	776,832	364,820	996,209	-	6,524	-	2,144,385
Total assets	739,407	320,426	996,760	-	1,077,506	(23,532)	3,110,567
Total liabilities	650,390	189,613	1,489,680	-	389,384	(12,535)	2,706,532

	Corporate Segment	SME Segment	Retail Segment	Consolidated			Total
				Insurance Segment	Others	Elimination	
				<i>(in million Baht)</i>			
Loans to customers*	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

* Net of deferred revenue

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38 Financial position and results of operations classified by domestic and foreign business

38.1 Financial position classified by domestic and foreign business

	Consolidated					
	30 June 2020			31 December 2019		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
	<i>(in million Baht)</i>					
Total assets	3,087,059	23,508	3,110,567	2,887,037	76,709	2,963,746
Interbank and money market items, net (Assets)	526,067	9,411	535,478	421,587	11,923	433,510
Financial assets measured at FVTPL	39,358	-	39,358	-	-	-
Investments, net *	254,995	2,221	257,216	310,536	1,607	312,143
Loans to customers and accrued interest receivables, net	2,018,138	16,945	2,035,083	1,984,799	17,662	2,002,461
Deposits	2,241,870	12,868	2,254,738	2,148,020	11,405	2,159,425
Interbank and money market items (Liabilities)	208,251	4,140	212,391	140,652	5,192	145,844
Debt issued and borrowings	11,264	58,585	69,849	20,781	57,171	77,952

	The Bank					
	30 June 2020			31 December 2019		
	Domestic business	Foreign business	Total	Domestic business	Foreign business	Total
	<i>(in million Baht)</i>					
Total assets	3,088,981	14,092	3,103,073	2,885,151	67,296	2,952,447
Interbank and money market items, net (Assets)	527,320	3,305	530,625	421,438	5,813	427,251
Financial assets measured at FVTPL	35,929	-	35,929	-	-	-
Investments, net *	265,727	2,190	267,917	315,656	1,576	317,232
Loans to customers and accrued interest receivables, net	2,016,378	14,269	2,030,647	1,983,270	14,899	1,998,169
Deposits	2,247,034	6,363	2,253,397	2,151,661	4,828	2,156,489
Interbank and money market items (Liabilities)	208,610	3,646	212,256	140,975	4,896	145,871
Debt issued and borrowings	10,841	58,585	69,426	19,185	57,171	76,356

* Includes net investments in subsidiaries and associate

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38.2 Results of operations classified by domestic and foreign business

<i>Three-month period ended 30 June</i>	Consolidated							
	2020			2019				
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	28,818	181	192	29,191	34,111	1,275	(967)	34,419
Interest expenses	(4,828)	(394)	(192)	(5,414)	(8,708)	(1,142)	967	(8,883)
Net interest income (expense)	23,990	(213)	-	23,777	25,403	133	-	25,536
Net fee and service income	7,659	22	-	7,681	7,122	63	-	7,185
Other operating income	5,083	(252)	(12)	4,819	3,304	16	-	3,320
Other operating expenses	(16,003)	(150)	12	(16,141)	(16,544)	(113)	-	(16,657)
Expected credit loss	(9,889)	155	-	(9,734)	-	-	-	-
Impairment loss	-	-	-	-	(5,900)	(9)	-	(5,909)
Profit (loss) before income tax expense	10,840	(438)	-	10,402	13,385	90	-	13,475
Income tax expense	(2,084)	(26)	-	(2,110)	(2,531)	1	-	(2,530)
Net profit (loss)	<u>8,756</u>	<u>(464)</u>	<u>-</u>	<u>8,292</u>	<u>10,854</u>	<u>91</u>	<u>-</u>	<u>10,945</u>

<i>Three-month period ended 30 June</i>	The Bank							
	2020			2019				
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	28,785	117	192	29,094	31,337	1,200	(967)	31,570
Interest expenses	(4,812)	(381)	(192)	(5,385)	(8,663)	(1,172)	967	(8,868)
Net interest income (expense)	23,973	(264)	-	23,709	22,674	28	-	22,702
Net fee and service income	6,830	8	-	6,838	7,933	17	-	7,950
Other operating income	6,399	(247)	-	6,152	3,669	13	-	3,682
Other operating expenses	(15,714)	(92)	-	(15,806)	(15,924)	(95)	-	(16,019)
Expected credit loss	(9,875)	(31)	-	(9,906)	-	-	-	-
Impairment loss	-	-	-	-	(5,900)	(10)	-	(5,910)
Profit (loss) before income tax expense	11,613	(626)	-	10,987	12,452	(47)	-	12,405
Income tax expense	(1,930)	(14)	-	(1,944)	(2,135)	(12)	-	(2,147)
Net profit (loss)	<u>9,683</u>	<u>(640)</u>	<u>-</u>	<u>9,043</u>	<u>10,317</u>	<u>(59)</u>	<u>-</u>	<u>10,258</u>

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<i>Six-month period ended 30 June</i>	2020				2019			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	60,554	1,335	(426)	61,463	67,256	2,606	(1,988)	67,874
Interest expenses	(10,714)	(1,621)	426	(11,909)	(17,175)	(2,437)	1,988	(17,624)
Net interest income (expense)	49,840	(286)	-	49,554	50,081	169	-	50,250
Net fee and service income	16,548	47	-	16,595	13,779	74	-	13,853
Other operating income	7,694	94	(20)	7,768	6,496	12	-	6,508
Other operating expenses	(32,258)	(296)	20	(32,534)	(34,209)	(284)	-	(34,493)
Expected credit loss	(19,395)	(65)	-	(19,460)	-	-	-	-
Impairment loss	-	-	-	-	(11,334)	5	-	(11,329)
Profit (loss) before income tax expense	22,429	(506)	-	21,923	24,813	(24)	-	24,789
Income tax expense	(4,389)	(37)	-	(4,426)	(4,648)	(37)	-	(4,685)
Net profit (loss)	18,040	(543)	-	17,497	20,165	(61)	-	20,104

<i>Six-month period ended 30 June</i>	2020				2019			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	60,500	1,197	(425)	61,272	61,762	2,457	(1,988)	62,231
Interest expenses	(10,681)	(1,589)	425	(11,845)	(17,168)	(2,408)	1,988	(17,588)
Net interest income (expense)	49,819	(392)	-	49,427	44,594	49	-	44,643
Net fee and service income	15,039	14	-	15,053	15,289	28	-	15,317
Other operating income	8,946	90	-	9,036	6,245	5	-	6,250
Other operating expenses	(31,805)	(190)	-	(31,995)	(32,924)	(212)	-	(33,136)
Expected credit loss	(19,362)	122	-	(19,240)	-	-	-	-
Impairment loss	-	-	-	-	(11,341)	2	-	(11,339)
Profit (loss) before income tax expense	22,637	(356)	-	22,281	21,863	(128)	-	21,735
Income tax expense	(4,064)	(15)	-	(4,079)	(3,882)	(20)	-	(3,902)
Net profit (loss)	18,573	(371)	-	18,202	17,981	(148)	-	17,833

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39 Interest income

<i>Six-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Interbank and money market items	1,978	2,916	1,948	2,655
Investments and trading transactions	301	232	292	232
Investments in debt instruments	1,706	7,497	1,707	2,601
Loans	50,912	50,614	50,759	50,127
Hire-purchase	6,498	6,563	6,498	6,563
Others	68	52	68	53
Total	61,463	67,874	61,272	62,231

40 Interest expenses

<i>Six-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Deposits	7,783	9,558	7,729	9,542
Interbank and money market items	592	870	583	895
Contributions to Deposit Protection Agency	2,654	5,001	2,654	5,001
Debt issued				
- Debentures	-	461	-	461
- Others	859	1,589	859	1,581
Borrowings	1	37	-	-
Others	20	108	20	108
Total	11,909	17,624	11,845	17,588

41 Net fee and service income

<i>Six-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Fee and service income				
- ATM, Debit cards, Credit Cards and other banking electronic	5,892	7,115	5,898	7,118
- Acceptances, avals and guarantees	717	747	709	739
- Insurance commission and bancassurance related income	4,848	1,287	4,848	3,589
- Others	9,745	9,163	7,669	7,826
Total fee and service income	21,202	18,312	19,124	19,272
Fee and service expenses	(4,607)	(4,459)	(4,071)	(3,955)
Net fee and service income	16,595	13,853	15,053	15,317

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42 Net gain on financial instruments measured at fair value through profit or loss

	Consolidated	The Bank
	2020	2020
	<i>(in million Baht)</i>	
Foreign currencies and foreign exchange derivatives	4,869	4,885
Interest rate derivatives	(267)	(267)
Debt instruments	456	414
Equity instruments	17	(25)
Others	1	1
Total	5,076	5,008

43 Net gain on trading and foreign exchange transactions

	Consolidated	The Bank
	2019	2019
	<i>(in million Baht)</i>	
Foreign currencies and foreign exchange derivatives	4,135	4,121
Interest rate derivatives	(504)	(504)
Debt securities	305	245
Equity securities	70	32
Others	1	1
Total	4,007	3,895

44 Net gain on investments

	Consolidated	The Bank
	2020	2020
	<i>(in million Baht)</i>	
Investment in debt instruments measured at FVOCI	1,356	1,356
Investments measured at AMC	(3)	28
Total	1,353	1,384

	Consolidated	The Bank
	2019	2019
	<i>(in million Baht)</i>	
Available-for-sale securities	1,656	1,247
Held-to-maturity securities	(96)	-
General investments	(77)	(77)
Others	91	91
Total	1,574	1,261

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45 Other expenses

<i>Six-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
Marketing expenses	2,270	3,029	2,244	2,944
Other service fees	2,553	1,222	2,699	2,712
Amortisation of intangible assets	1,953	1,218	1,814	1,147
Others	1,281	2,987	2,547	2,873
Total	8,057	8,456	9,304	9,676

46 Expected credit loss

<i>Six-month period ended 30 June</i>	Consolidated	The Bank
	2020	2020
	<i>(in million Baht)</i>	
<i>Expected credit loss</i>		
- Interbank and money market items	32	6
- Investment in debt instruments measured at FVOCI	12	12
- Investment in debt instruments measured at AMC	(1)	-
- Loans to customers and accrued interest receivables *	17,874	17,657
- Loan commitments and financial guarantee contracts	380	402
Modification loss	1,163	1,163
Total	19,460	19,240

* Net of bad debts recovery

47 Impairment loss on loans and debt securities

<i>Six-month period ended 30 June</i>	Consolidated	The Bank
	2019	2019
	<i>(in million Baht)</i>	
Interbank and money market items	(65)	(65)
Loans to customers *	11,339	11,349
Loss on debt restructuring	55	55
Total	11,329	11,339

* Net of bad debts recovery

48 Basic earnings per share

<i>Three-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht / million shares)</i>			
Profit attributable to common shareholders of the Bank (basic)	8,360	10,976	9,043	10,258
Number of common and preferred shares outstanding	3,399	3,399	3,399	3,399
Earnings per share (basic) (in Baht)	2.46	3.23	2.66	3.02

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<i>Six-month period ended 30 June</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht / million shares)</i>			
Profit attributable to common shareholders of the Bank (basic)	<u>17,611</u>	<u>20,132</u>	<u>18,202</u>	<u>17,833</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>5.18</u>	<u>5.92</u>	<u>5.35</u>	<u>5.25</u>

49 Events after the reporting period

49.1 On 13 July 2020, SCB 10X Co., Ltd. which is the Bank's subsidiary and a company under SCB Financial Group, has incorporated a new subsidiary under the name Purple Venture Co., Ltd. and registered with the Department of Business Development, Ministry of Commerce. The Company has a registered capital of Baht 300 million. The principle activity of the Company is to develop and provide a lifestyle e-Market place platform service, with the initial focus on food delivery service.

49.2 On 31 July 2020, the Bank sold entire shares in SCB Abacus Co., Ltd. to SCB 10X Co., Ltd. (the Bank's subsidiary) at book value of Baht 351 million and the Bank became an indirect shareholder of SCB Abacus Co., Ltd.