Management Discussion and Analysis

For the first quarter ended March 31, 2020

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1. Executive Summary

Siam Commercial Bank and its subsidiaries reported net profit (based on reviewed consolidated financial statements) of Baht 9.3 billion, up 1% yoy, in the first quarter of 2020. Higher net profit was driven by top-line growth of 9% yoy and lower operating expenses compared to the same period last year, despite higher provisions against the current economic uncertainty.

Net interest income increased 4% yoy to Baht 25.8 billion, reflecting the Bank's strategy to rebalance its loan portfolio toward higher-margin business, improved funding cost, and higher income recognition mainly from residential mortgages following the implementation of Thailand's new accounting standard at the beginning of this year. Nevertheless, net interest income has been under pressure from a lower interest rate environment, contraction in total loan growth, and a drop of NII contribution after divestment of SCB Life.

Non-interest income increased 20% yoy to Baht 11.9 billion, largely from higher recurring fee-based income. In the first quarter, wealth management fees grew 31% yoy to Baht 2.0 billon and income from bancassurance businesses increased fivefold from the same period last year to Baht 3.2 billion which was mainly driven by the new bancassurance partnership with FWD Group. These factors combined outweighed the impact of revised regulatory guidelines on fee structure introduced at the beginning of the year and reduced transaction banking activity during COVID-19 outbreak.

Operating expenses decreased 8% yoy to Baht 16.4 billion due to the absence of one-time personnel expenses recorded in the same period last year and SCB Life's expenses following the divestment. As a result, cost-to-income ratio for the first quarter improved to 43.6%.

In light of current unfavorable economic conditions, the Bank has set aside provisions of Baht 9.7 billion in the first quarter not only to cover new NPL formation but also to comply with the new accounting standard on asset impairment during economic downturn. Non-performing loans stood at 3.17% at the end of March 2020 with adequate NPL coverage at 139.6%.

SCB's capital position remains strong with common equity tier 1 (CET1) of 16.1% and a total capital adequacy ratio of 17.2%. However, given the current economic crisis characterized by extreme volatility and uncertainty in both financial markets and real economy with no end in sight, the Board of Directors has decided to cancel the share repurchase program of Baht 16.0 billion approved on March 11, 2020 in order to best help the Bank's customers get through this unprecedented crisis. The Bank has launched relief programs to help customers as well as participating in public assistance measures announced by the Bank of Thailand. Furthermore, this decision gives the Bank flexibility and readiness to seize potential business opportunities that may arise from the crisis.

2. Thailand's Economic Outlook

Siam Commercial Bank's Economic Intelligence Center (SCB EIC) revises Thai GDP forecast for 2020 down to -5.6% as a result of COVID-19 pandemic which affects the Thai economy through 3 key following channels: **1) a global recession triggered by a sudden stop in economic activity as countries rushed to implement measures to stem** the COVID-19 outbreak including national lockdowns which will have direct impact on Thai exports, **2) severe drops in foreign tourists arrivals with sluggish recovery**, a result from international travel challenges and lower tourists' income following the current global recession, **3) a nationwide lockdown in Thailand**, although necessary to contain the spread of COVID-19, will further depress household consumption of goods and services that already suffers from heightened concern over face-to-face transactions during the epidemic. **However, massive economic stimulus measures, both monetary and fiscal, are key to soften the impact of COVID-19 and support a gradual recovery in the second half of 2020.**

Based on the International Monetary Fund (IMF) April 2020 issue, the global economy is predicted to be in a recession with -3.0% growth in 2020, the worst downturn since the Great Depression in 1930s. The accelerating pace of COVID-19 casualties and aggressive measures put in place to slow the spread of the virus halted much of global economic activity which in turn exacted a heavy toll on real sectors in countries throughout the globe. In addition to the effect from the global recession, Thailand's export sector will also face challenges from increasing supply chain disruption and the collapse in crude oil prices. SCB EIC forecasts that Thai export will contract -12.9% yoy in 2020.

For the tourism sector, SCB EIC expects the number of tourists in 2020 to drop to 13.1 million, down -67% yoy as a result of national lockdowns to control the COVID-19 spread. Moreover, concerns over international travel caused the latest number of foreign tourist arrivals in April 2020 to vanish by almost 100% yoy. For the remaining of 2020, SCB EIC thinks that the number of tourists will experience the sharpest contraction in the second quarter due to strict travel restrictions imposed by most countries. Although various bans may be relaxed in the second half of 2020, concerns over travel safety will remain in the absence of vaccine or effective treatment. Furthermore, given that tourist's income will also decline during the global recession, the pace of recovery of foreign tourist arrivals will be slow.

Thailand's lockdown together with public concern over COVID-19 outbreak will dampen consumption of goods and services at the macro level. Lockdown is a necessary measure that most countries have adopted to control the COVID-19 spread but not without unavoidable short-term economic consequences. Although some industries may have benefited from the lockdown (e.g. food, cleaning products, medicine, health products, as well as internet services following a surge in online shopping and working from home activities), SCB EIC still sees a net negative effect on overall consumption as the majority of industries have taken a big hit (e.g. travel, tourism, events, hotels and restaurants, logistic and transportation, entertainment, alcoholic beverages, and apparel.) Thus, employment, household income, and consumer confidence will likely worsen as a result of COVID-19 with private consumption forecasted to contract by -2.3% yoy in 2020.

Government stimulus measures will play a vital role in sustaining the economy. The Thai government has already rolled out various monetary and fiscal relief measures, including three Emergency Decrees (Royal Decrees) that allowed the government to borrow Baht 1 trillion to soften the economic impact, authorized the Bank of Thailand to issue soft loans worth Baht 500 billion to SMEs, and facilitated the establishment of Baht 400 billion Corporate Bond Stabilization Fund to maintain liquidity in the financial market. These Emergency Decrees also included various measures to lower the cost of living and provide needed liquidity to affected individuals in the form of, for example, tax reduction, low-interest loans, deferred debt payments and restructurings, policy rate cuts, capital injection into the financial system, as well as, direct income compensation of Baht 5,000 per month to affected target groups.

SCB EIC expects the Monetary Policy Committee (MPC) to cut the policy rate again to 0.50% following COVID-19's devastating effect on the economy. Average inflation in 2020 could turn negative for the first time in 5 years (SCB EIC's forecast at -0.9%) with increased risk of deflation in the periods ahead. Although the policy rate cut may have limited effect on stimulating new demand under extreme uncertainty and concern around COVID-19, it will at least provide liquidity, reduce debt burden, and promote debt restructuring among troubled borrowers. **By the end of 2020, Thai Baht is expected to weaken to 32.5-33.5 baht per US dollar** since Thailand's current account balance is likely to deteriorate considerably from last year as the service account falls following a sharp drop in foreign tourist receipts.

Overall, SCB EIC expects the Thai economy to reach the trough in 2Q20 and then gradually recover in the second half of 2020. However, since the COVID-19 crisis is shrouded in many uncertainties such as the pace of containment and vaccine development, possibility of a new round of outbreak, as well as the effectiveness of government measures from both public health and economic perspectives, economic recovery therefore remains uncertain. As a result, every sector must take steps to prepare for sudden changes ahead.

3. Management Discussion and Analysis

For the first quarter ended March 31, 2020

The first quarter of 2020 saw a number significant changes that affected Thailand and SCB. The global economy that has slowed since 2019 driven by strong economic headwinds arising from global trade tensions was followed by an oil price war and the COVID-19 pandemic. In addition, Thailand adopted TFRS 9 (which is broadly similar to the IFRS 9 international accounting standard) since January 1, 2020. This new accounting standard has significant implications on banks as it deals with income recognition, asset classification and impairment, and hedge accounting.

TFRS 9

Under this newly adopted TFRS 9 framework, there are largely 5 major implications to the Bank; namely

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

Details of key changes and the overall broad implications can be found in the Appendix to this MD&A.

COVID-19

While the COVID-19 outbreak started in China in January 2020, its impact was only broadly evident in Thailand from mid-March when a significant growing number of countries began imposing travel/movement restrictions, implementing social distancing measures that included shutting down non-essential businesses and large scale closures of work-places. As such, the Bank's operating environment up to then may not have been broadly or significantly impacted by the effects of this COVID-19 pandemic and thus not fully reflected in its 1Q20 financial performance.

In mid-March when it became very evident that Thailand, as a premier global tourist destination and its export-oriented economy would be significantly affected, the Thai government including the Bank of Thailand then took numerous actions to cushion the potential fallout from this pandemic. These actions include nationwide social distancing measures, the closure of non-essential businesses, cancellation of annual public holidays that celebrates the Songkran festival, interest rate cuts to ensure cheaper liquidity for borrowers, and a slew of other measures to ensure individual borrowers and businesses have access to liquidity to help them navigate through this difficult period.

A summary of the Bank of Thailand measures which the Bank is fully participating in and the Bank's initial assessment of the impact of this pandemic has been included in the Appendix.

1Q20 Performance

Siam Commercial Bank reported (reviewed) consolidated **net profit** of Baht 9,251 million for the first quarter of 2020, a 1.0% yoy increase from Baht 9,157 million in 1Q19. Pre-provision operating profit (PPOP) rose 27.0% from last year driven mainly by higher non-NII, lower OPEX and higher net interest income (NII). Given current economic uncertainty, the Bank set aside provisions of Baht 9,726 million (+79.4% yoy).

On a **quarter-on-quarter** basis, net profit increased significantly by 68.0% qoq due mainly to lower OPEX and higher net interest income.

Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	1Q20	4Q19	% qoq	1Q19	% yoy
Net interest income	25,777	22,960	12.3%	24,713	4.3%
Non-interest income	11,864	12,074	-1.7%	9,857	20.4%
Total operating income	37,641	35,035	7.4%	34,570	8.9%
Operating expenses	16,393	18,483	-11.3%	17,835	-8.1%
Pre-provision operating profit	**21,248**	**16,552**	**28.4%**	**16,735**	**27.0%**
Expected credit loss/Impairment loss on loans and debt securities	9,726	9,608	1.2%	5,420	79.4%
Income tax	2,316	1,536	50.8%	2,155	7.5%
Non-controlling interests	(46)	(98)	NM	3	NM
Net profit (attributable to shareholders of the Bank)	**9,251**	**5,506**	**68.0%**	**9,157**	**1.0%**
Other comprehensive income (loss)	117	(620)	NM	2,239	-94.8%
Total comprehensive income	**9,368**	**4,886**	**91.7%**	**11,395**	**-17.8%**
ROAE	9.3%	5.5%		9.5%	
ROAA	1.2%	0.7%		1.1%	

NM denotes "not meaningful"

Share Information

Unit: Baht	1Q20	4Q19	% qoq	1Q19	% yoy
EPS	2.72	1.62	68.0%	2.69	1.0%
BVPS	116.27	117.78	-1.3%	115.15	1.0%
Closing price	69.25	122.00	-43.2%	132.00	-47.5%
Shares outstanding* (Million shares)	3,399	3,399	0.0%	3,399	0.0%
Market capitalization (Baht billion)	235.4	414.7	-43.2%	448.7	-47.5%

* Include both common and preferred shares

Income Statement for the first quarter ended March 31, 2020 (Consolidated basis)

Net interest income

Consolidated Unit: Baht million	1Q20	4Q19	% qoq	1Q19	% yoy
Interest income	**32,272**	**31,719**	**1.7%**	**33,455**	**-3.5%**
Loans	26,796	25,528	5.0%	24,895	7.6%
Interbank and money market	1,038	1,410	-26.4%	1,542	-32.7%
Financial leases	3,259	3,431	-5.0%	3,204	1.7%
Investments	1,128	1,315	-14.2%	3,792	-70.3%
Others	51	35	44.3%	22	129.7%
Interest expenses	**6,495**	**8,758**	**-25.8%**	**8,742**	**-25.7%**
Deposits	4,333	5,181	-16.4%	4,703	-7.9%
Interbank and money market	362	362	0.3%	417	-13.1%
Borrowings	489	629	-22.2%	1,073	-54.4%
Contribution to the Deposit Protection Agency & FIDF	1,293	2,540	-49.1%	2,481	-47.9%
Others	17	46	-62.9%	67	-74.2%
Net interest income	**25,777**	**22,960**	**12.3%**	**24,713**	**4.3%**

- **Net interest income** in 1Q20 increased by 4.3% yoy to Baht 25,777 million due to higher income recognition under TFRS 9 which changed from contractual rate to the "Effective Interest Rate (EIR)" principle, improved funding cost from a reduction of FIDF fee from 0.46% to 0.23%, the early redemption of subordinated debenture and interest rate cut as well as margin improvement through the Bank's strategy to rebalance its loan portfolio towards higher-margin business. These were partially offset by a sharp drop in interest income from investment after the divestment of SCB Life, a lower interest rate environment (with lending rates being cut 4 times during the past year), and a slight loan contraction.
- On a **quarter-on-quarter** basis, net interest income increased by 12.3% qoq due to higher interest income from loans under TFRS 9 and improved funding cost as mentioned above. The positive factors outweighed the effect from loan contraction (-0.9% qoq) and the lending rate cut in February and March 2020.

Yield and cost of funding

Consolidated Unit: Percentage	1Q20	4Q19	3Q19[3/] (As reported)	3Q19[1/]	2Q19 (As reported)	2Q19[2/]	1Q19
Net interest margin	3.54%	3.20%	3.68%	3.33%	3.45%	3.27%	3.20%
Yield on earning assets	4.44%	4.42%	4.98%	4.51%	4.65%	4.40%	4.33%
Yield on loans	5.71%	5.43%	5.61%	5.58%	5.43%	5.42%	5.27%
Yield on interbank and money market	0.82%	1.27%	1.37%	1.49%	1.52%	1.49%	1.68%
Yield on investment	1.51%	1.80%	5.41%	2.52%	3.47%	2.58%	2.34%
Cost of funds[4/]	1.06%	1.46%	1.53%	1.53%	1.47%	1.47%	1.45%
Cost of deposits[5/]	1.01%	1.41%	1.43%	1.43%	1.36%	1.36%	1.33%

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

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

[2/] Excluding the reclassification of SCB Life's total assets and liabilities as items held for sale.

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

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

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

SCB Interest Rates	**Apr 7, 16**	**Apr 25, 16**	**Oct 12, 16**	**May 16, 17**	**Jan 4, 19**	**Aug 15, 19**	**Nov 8, 19**	**Feb 7, 20**	**Mar 24, 20**
Lending rate (%)									
MLR	6.275	6.275	6.275	6.025	6.025	6.025	6.025	5.775	5.775
MOR	7.37	7.12	7.12	6.87	6.87	6.745	6.745	6.745	6.495
MRR	7.87	7.62	7.62	7.37	7.37	7.12	6.87	6.87	6.745
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	0.90	0.90	0.90	0.90	0.90-1.15	0.90-1.15	0.65-0.90	0.60	0.50
6-month deposits	1.15	1.15	1.15	1.15	1.15-1.40	1.15-1.40	0.90-1.15	0.80	0.60
12-month deposits	1.30	1.30	1.40	1.40	1.40-1.65	1.40-1.65	1.15-1.40	0.90	0.65

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

	Nov 27, 13	**Mar 12, 14**	**Mar 11, 15**	**Apr 29, 15**	**Dec 19, 18**	**Aug 7, 19**	**Nov 6, 19**	**Feb 5, 20**	**Mar 23, 20**
Policy rate (%)	2.25	2.00	1.75	1.50	1.75	1.50	1.25	1.00	0.75

Non-interest income

Consolidated Unit: Baht million	1Q20	4Q19	% qoq	1Q19	% yoy
Net fee and service income	8,915	8,427	5.8%	6,668	33.7%
Fee and service income	11,466	11,054	3.7%	8,956	28.0%
Fee and service expenses	2,552	2,628	-2.9%	2,288	11.5%
Net insurance premiums	-	-	NM	274	NM
Net earned insurance premiums	-	-	NM	13,544	NM
Net insurance claims	-	-	NM	13,269	NM
Net fee and insurance premium	**8,915**	**8,427**	**5.8%**	**6,942**	**28.4%**
Gain on financial instruments measured at FVTPL/ Net gain on trading and foreign exchange transactions	2,125	1,552	36.9%	1,947	9.1%
Share of (loss) profit from investment in associate	-	(457)	NM	31	NM
Dividend income	46	8	476.6%	186	-75.5%
Other income	32	229	-86.2%	96	-67.0%
Non-interest income excluding net gain on investments	**11,117**	**9,759**	**13.9%**	**9,201**	**20.8%**
Net gain on investments	747	2,316	-67.7%	655	14.0%
Total non-interest income	**11,864**	**12,074**	**-1.7%**	**9,857**	**20.4%**

NM denotes “not meaningful”

- **Non-interest income** increased by 20.4% yoy to Baht 11,864 million in 1Q20 mainly due to higher recurring income which mostly stemmed from new income stream generated by the bancassurance partnership with FWD and wealth business (mutual fund business and brokerage business) while transactional banking and lending related fees declined yoy. Following the adoption of TFRS 9, loan related fee (front-end fee and commitment fee) will be amortized and recorded in NII. Also, non-NII was supported by larger net gain on trading and FX transactions.
- On a **quarter-on-quarter** basis, non-interest income decreased by 1.7% qoq due to a sharp drop in non-recurring income, especially on less gain on investments, while recurring income grew moderately driven mainly by a substantial growth in bancassurance and partly by wealth management. Lending related fee fell sharply due to the adoption of TFRS 9 mentioned above and lower credit card spending during this period as the COVID-19 crisis became more pronounced.

Non-interest income

Consolidated Unit: Baht million	1Q20	4Q19	% qoq	1Q19	% yoy
Transactional banking *	3,478	3,715	-6.4%	3,766	-7.6%
Lending related **	1,432	1,948	-26.5%	1,830	-21.7%
Wealth management ***	2,022	1,858	8.9%	1,544	31.0%
Bancassurance	3,159	1,790	76.5%	611	417.0%
Recurring income	**10,092**	**9,311**	**8.4%**	**7,751**	**30.2%**
Non-recurring and others	1,772	2,764	-35.9%	1,831	-3.3%
Net insurance premium	-	-	0.0%	274	NM
Total non-interest income	**11,864**	**12,074**	**-1.7%**	**9,857**	**20.4%**

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

** Including loan related fee and credit cards

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

NM denotes "not meaningful"

Operating expenses

Consolidated Unit: Baht million	1Q20	4Q19	% qoq	1Q19	% yoy
Employee expenses	7,953	8,542	-6.9%	9,209	-13.6%
Premises and equipment expenses	3,463	3,666	-5.5%	3,313	4.5%
Taxes and duties	1,011	1,066	-5.2%	1,153	-12.3%
Directors' remuneration	27	28	-2.7%	26	2.9%
Other expenses	3,939	5,181	-24.0%	4,134	-4.7%
Total operating expenses	**16,393**	**18,483**	**-11.3%**	**17,835**	**-8.1%**
Cost to income ratio	**43.6%**	**52.8%**		**51.6%**	

- **Operating expenses** decreased by 8.1% yoy to Baht 16,393 million in 1Q20 primarily due to lower staff cost which was temporarily inflated in 1Q19 as the Bank recorded a one-time personnel expenses to comply with the new labor law. Other contributing factors to lower OPEX were the absence of SCB Life's expenses following the divestment as well as lower marketing and promotion expenses.
- On a **quarter-on-quarter** basis, operating expenses decreased by 11.3% qoq due to the seasonality of marketing and promotional expenses and slower business activities in this period as well as lower staff cost.

As a result of lower OPEX, cost-to-income ratio decreased to 43.6% in 1Q20 from 51.6% in 1Q19 and 52.8% in 4Q19. The decline in cost-to-income ratio, though partly due to slower business activities from COVID-19 outbreak, is an indication that the Bank's expense is trending down.

ECL/Impairment loss on loans and debt securities

Consolidated Unit: Baht million	1Q20	4Q19	% qoq	1Q19	% yoy
ECL/Impairment loss on loans and debt securities	9,726	9,608	1.2%	5,420	79.4%
Credit cost (bps)	185	180		102	

- In 1Q20, **ECL/impairment loss on loans and debt securities** was set at Baht 9,726 million (185 bps of total loans) given the current unfavorable economic conditions and heightened uncertainty around COVID-19. This amount includes taking into account the pro-cyclicality of the forward-looking Expected Credit Loss (ECL) models under the TFRS 9 framework. As part of its risk management the Bank has decided to set up an allowance against severe macroeconomic downward trends as part of its management overlay process.

Balance sheet as of March 31, 2020 (Consolidated basis)

As of March 31, 2020, the Bank's total assets fell 2.0% yoy to Baht 3,136 billion due to the divestment of SCB Life and a decline in loan growth. Details on the consolidated balance sheets are provided in the following sections:

Net loans and accrued interest receivables

Consolidated Unit: Baht million	Mar 31, 20	Dec 31, 19	Mar 31, 19
Loans to customers	2,127,596	2,146,867	2,157,893
Less Deferred revenue	(32,092)	(33,080)	(31,610)
Total loans	**2,095,504**	**2,113,787**	**2,126,283**
Add Accrued interest receivables and unearned interest income	5,021	2,946	4,049
Total loans and accrued interest receivables and unearned interest income	**2,100,525**	**2,116,733**	**2,130,332**
Less Modification losses	(472)	-	-
Less Allowance for expected credit loss/allowance for doubtful accounts	(110,776)	(111,150)	(99,808)
Less Revaluation allowance for debt restructuring	-	(3,122)	(3,917)
Total loans and accrued interest receivables, net	**1,989,277**	**2,002,461**	**2,026,606**

Loans

By Segment (Consolidated) Unit: Baht million	Mar 31, 20	Dec 31, 19	% qoq	Mar 31, 19	% yoy
Corporate	758,618	755,822	0.4%	797,283	-4.8%
SME	349,534	350,837	-0.4%	340,496	2.7%
Retail	987,352	1,007,128	-2.0%	988,504	-0.1%
Housing loans*	645,881	649,925	-0.6%	654,500	-1.3%
Auto loans	212,938	219,187	-2.9%	213,142	-0.1%
Unsecured loans	126,011	135,709	-7.1%	108,515	16.1%
Other loans	2,522	2,307	9.3%	12,347	-79.6%
Total loans	**2,095,504**	**2,113,787**	**-0.9%**	**2,126,283**	**-1.4%**

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

Total loans (net of deferred revenue) as of March 31, 2020 decreased by 1.4% yoy and 0.9% qoq. Details on changes in loan volume by customer segments are as follows:

- **Corporate** loans decreased by 4.8% yoy but increased slightly by 0.4% qoq. The yoy decrease in loans was mainly from loan repayments and slower loan demand as most customers adopted a “wait-and-see” approach amid concerns on the COVID-19 outbreak resulting in lockdown of large parts of China in late January/early February and its implications on the local and global economy.
- **SME** loans rose 2.7% yoy but decreased slightly by 0.4% qoq. The yoy growth was largely from small SME customers following the Bank’s strategy to grow high margin loans in targeted customer segments. However, the Bank’s adoption of more stringent underwriting criteria amid unfavorable economic environment resulted in a decline qoq.
- **Retail** loans declined 0.1% yoy and 2.0% qoq.
    - **Housing loans** decreased 1.3% yoy and 0.6% qoq mainly due to lower demand for new housing loans despite the BOT’s relaxation on loan to value rule for new housing loans.
    - **Auto loans** decreased by 0.1% yoy and 2.9% qoq, largely due to a drop in demand for new cars and used cars given the slower economic environment as well as further tightening of underwriting criteria.
    - **Unsecured loans** (personal loans and credit card receivables) increased by 16.1% yoy but fell 7.1% qoq. The yoy growth was from the Bank’s strategy to grow high-margin loans in targeted customer segments. However, the Bank has tightened its underwriting criteria and been focused on specific customer segments amidst the current economic environment.
    - **Other loans** declined significantly by 79.6% yoy mainly due to the deconsolidation of SCB Life’s policy loans after its divestment in September 2019.

Deposits

Consolidated Unit: Baht million	Mar 31, 20	Dec 31, 19	% qoq	Mar 31, 19	% yoy
Demand	83,278	77,549	7.4%	79,710	4.5%
Savings	1,571,137	1,376,942	14.1%	1,406,251	11.7%
Fixed	621,545	704,934	-11.8%	632,098	-1.7%
Less than 6 months	142,164	110,568	28.6%	113,007	25.8%
6 months and up to 1 year	128,011	244,694	-47.7%	165,541	-22.7%
Over 1 year	351,370	349,672	0.5%	353,550	-0.6%
Total deposits	**2,275,960**	**2,159,425**	**5.4%**	**2,118,058**	**7.5%**
CASA - Current & Savings Accounts (%)	72.7%	67.4%		70.2%	
Gross loans to deposits ratio	92.1%	97.9%		100.4%	
Liquidity ratio (Bank-only)	34.2%	31.0%		26.5%	

As of March 31, 2020, total **deposits** increased by 7.5% yoy and 5.4% qoq due to higher CASA while fixed deposits declined, resulting in the Bank's CASA proportion increasing to 72.7% at the end of March 2020. As a consequence, gross loans to deposits ratio declined to 92.1% at the end of March 2020 from 97.9% at the end of December 2019.

The Bank's daily liquidity ratio of 34.2% at the end of March 2020, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Statutory Capital

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

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

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

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

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

The table below shows the Bank's total capital ratios under Basel III at the end of March 2020.

	Consolidated			Bank-only		
Unit: Baht million, %	Mar 31, 20	Dec 31, 19	Mar 31, 19	Mar 31, 20	Dec 31, 19	Mar 31, 19
Statutory Capital						
Common Equity Tier 1/ Tier 1	339,437	352,692	325,713	303,846	317,312	305,487
Tier 2 capital	22,883	22,514	41,591	22,824	22,432	40,740
Total capital	**362,320**	**375,206**	**367,304**	**326,670**	**339,744**	**346,227**
Risk-weighted assets	2,105,505	2,075,492	2,151,899	2,091,444	2,060,169	2,073,217
Capital Adequacy Ratio	**17.2%**	**18.1%**	**17.1%**	**15.6%**	**16.5%**	**16.7%**
Common Equity Tier 1/ Tier 1	16.1%	17.0%	15.2%	14.5%	15.4%	14.7%
Tier 2 capital	1.1%	1.1%	1.9%	1.1%	1.1%	2.0%

At the end of March 2020, the Bank's consolidated common equity Tier 1/Tier 1 capital increased significantly yoy, mainly as a result of capital released from the divestment of SCB Life as well as appropriation of net profit. On the other hand, Tier 2 capital declined yoy due to early redemption of Tier 2 subordinated debenture of Baht 20 billion in 3Q19. A qoq decline in common equity Tier 1/Tier 1 capital was mainly driven by dividend payments (special dividend of Baht 0.75 per share announced on January 20, 2020 and normal dividend of Baht 4.00 per share announced on February 19, 2020). Overall, the Bank's strong capital position will enable the Bank to weather the current adverse economic conditions as well as to pursue any future growth opportunities.

Share Repurchase Program

On March 11, 2020, the Board of Directors approved and announced the Share Repurchase Program for financial management purposes. Under this program, the Bank shall use a maximum amount of not exceeding Baht 16 billion to repurchase shares not exceeding 135.96 million shares (equivalent to the amount of not exceeding 4.0% of total paid-up shares of the Bank). The share repurchase was to be conducted through the SET during a 6-month period from April 20 – October 19, 2020.

Subsequently, in its meeting on April 17, 2020, the Board of Directors approved the cancellation of the Share Repurchase Program given the still evolving pandemic and its unprecedented shock to the real economy. It is clear that market and business volatility have increased, and there are further unknowns ahead including the length of period before this pandemic ends. Consequently, the Bank sees it as a critical element of prudent financial management to preserve capital. This will allow SCB to sign up customers to already launched relief programs as well as fully participate in several measures announced by the Bank of Thailand. Additionally, it gives the Bank full flexibility to seize potential business opportunities arising from this crisis such as expansion of corporate loans due to the tightening of bond markets or M&A activities.

Asset Quality

At the end of March 2020, **gross NPLs** (on a consolidated basis) decreased 1.9% qoq to Baht 83.6 billion. **Gross NPL ratio** fell to 3.17% from 3.41% at the end of December 2019 largely from the Bank's pro-active management of its NPL portfolio that included sales and write-offs, as well as the suspension of downgrades to NPLs following announcement of BOT relief measures (see Appendix). With these BOT measures, gross NPLs, gross NPL ratio and new NPLs at the end of the first quarter may not fully reflect the current economic conditions at this time.

In addition to the higher provisions arising from the worsening macro-economic factors within the ECL model as discussed in the section of "ECL/Impairment Loss of Loans and Debt Securities" on page 11, the Bank in the following quarters may set aside higher provisions against the potential increase in NPLs after the situation normalizes and the relief measures end. At the end of March 2020, the Bank's **coverage ratio** was 139.6%, a 5.5% improvement from end 2019.

Unit: Baht million, %	Mar 31, 20 (TFRS 9)	Dec 31, 19	Sep 30, 19	Jun 30, 19	Mar 31, 19
Consolidated					
Non-Performing Loans (Gross NPLs)	83,621	85,212	77,207	68,885	67,904
Gross NPL ratio	3.17%	3.41%	3.01%	2.77%	2.77%
Gross NPL ratio by segment/product					
Corporate	3.51%	3.56%	3.18%	2.08%	2.16%
SME	7.76%	8.31%	7.51%	7.80%	7.82%
Retail	3.03%	2.90%	2.54%	2.50%	2.43%
Housing loans	3.33%	3.34%	2.90%	2.90%	2.87%
Auto loans	2.55%	2.29%	1.97%	1.91%	1.74%
Total allowance*	116,730	114,272	111,008	105,358	103,725
Total allowance to NPLs (Coverage ratio)	139.6%	134.1%	143.8%	152.9%	152.8%
Credit cost (Quarterly, bps)	185	180	284	110	102
Bank-only					
Non-Performing Loans (Gross NPLs)	82,467	84,349	76,217	67,895	66,914
Gross NPL ratio	3.14%	3.38%	2.97%	2.73%	2.76%

* Excluding interbank and money market items. Total allowance as of March 31, 2020 included allowance for loans, interbank and loan commitments and financial guarantee contracts.

Loan Classification and Allowance for expected credit losses

Under TFRS 9, loans are classified in 3 stages. The stages are based on changes in credit quality since initial recognition. As of March 31, 2020, loans and allowance for expected credit losses were classified as follows:

Consolidated Unit: Baht million	Mar 31, 20 (TFRS 9)	
	Loans and interbank	ECL*
Stage 1 (Performing)	2,343,999	31,814
Stage 2 (Underperforming)	207,447	34,717
Stage 3 (Non performing)	83,621	50,199
Total	**2,635,067**	**116,730**

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

This TFRS 9 loan staging classification adopted from January 1, 2020 is not directly comparable on a “like-for-like” basis to the previous loan classification. Loan classification as at December 31, 2019 and March 31, 2019 prior to the adoption of TFRS 9 are as follows.

Consolidated Unit: Baht million	Dec 31, 19 Loan and accrued interest	Dec 31, 19 Allowance for doubtful accounts	Mar 31, 19 Loan and accrued interest	Mar 31, 19 Allowance for doubtful accounts
Normal	1,966,438	20,403	2,005,001	20,525
Special mention	64,996	4,040	57,381	3,413
Substandard	36,234	19,618	19,392	9,838
Doubtful	17,821	6,353	13,702	4,959
Doubtful loss	31,244	16,763	34,856	19,505
Total	**2,116,733**	**67,177**	**2,130,332**	**58,240**
Allowance established in excess of BOT regulations		43,973		41,568
Total allowance		**111,150**		**99,808**

New NPLs by Segment and by Product

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

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

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

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

In 1Q20, new NPL formation improved qoq to 0.58%. However, new NPLs during the quarter may not fully reflect the current economic conditions following the BOT measures (announced on February 28, 2020) that were adopted from January 1, 2020 and cover suspension of stage downgrades of customers joining relief programs, including into NPL.

Sources and Uses of Funds

As of March 31, 2020, deposits accounted for 72.6% of SCB's funding base. Other major sources of funds were: 12.6% from shareholders' equity, 5.0% from interbank borrowings, and 2.3% from debt issuance. Uses of funds for this same period were: 66.8% for loans, 18.5% for interbank and money markets lending, 9.1% for investments in securities, and 1.4% held in cash.

Additional Financial Information

Consolidated Unit: Baht million, %	Mar 31, 20 (TFRS 9)	Dec 31, 19	% qoq	Mar 31, 19	% yoy
Loans by Sector	**2,095,504**	**2,113,787**	**-0.9%**	**2,126,283**	**-1.4%**
Agricultural and mining	17,387	16,820	3.4%	17,069	1.9%
Manufacturing and commercial	564,146	554,901	1.7%	581,636	-3.0%
Real estate and construction	172,809	169,798	1.8%	162,971	6.0%
Utilities and services	353,667	363,278	-2.6%	378,264	-6.5%
Housing loans [1/]	539,031	544,388	-1.0%	558,547	-3.5%
Other loans	448,464	464,602	-3.5%	427,796	4.8%
Debt issued and borrowings	**72,282**	**77,952**	**-7.3%**	**133,347**	**-45.8%**
Bonds	65,863	76,060	-13.4%	112,486	-41.4%
Subordinated bonds	-	-	0.0%	20,000	-100.0%
Structured notes	441	1,596	-72.4%	615	-28.3%
Others	278	296	-6.1%	246	13.0%
Fair value adjustment on qualifying FV hedge	5,700	-	NM	-	NM
Troubled debt restructured loans	**15,835** [2/]	**40,970**		**38,747**	
	1Q20	**4Q19**	**3Q19**	**2Q19**	**1Q19**
Yield on loans	**5.71%**	**5.43%**	**5.61%**	**5.43%**	**5.27%**
Corporate	4.13%	4.01%	4.21%	4.31%	4.17%
SME	6.51%	6.28%	6.28%	6.05%	5.77%
Retail	6.71%	6.41%	6.63%	6.32%	6.17%
Housing loans	5.34%	4.82%	4.92%	4.93%	4.86%
Auto loans	6.04%	6.22%	6.28%	6.22%	6.17%
Credit card [3/]	15.56%	15.19%	15.58%	15.74%	15.23%
Speedy	21.12%	21.44%	22.22%	21.77%	20.90%
Auto loans portfolio					
New car	55.8%	56.1%	56.0%	56.4%	56.6%
Used car	25.6%	26.0%	26.8%	27.3%	27.4%
My car, My cash	18.6%	17.9%	17.2%	16.3%	16.1%
NPL reduction methodology					
Repayments, auctions, foreclosuresand account closed	45.5%	47.6%	34.2%	44.9%	40.5%
Debt restructuring	3.7%	4.2%	1.6%	3.5%	2.8%
NPL sales [4/]	24.3%	0.4%	25.6%	28.6%	37.3%
Write off	26.5%	47.8%	38.6%	23.0%	19.4%

[1/] Classified by sector/product and excludes retail loans where customers use their home as collateral. (These loans are classified under "Other loans" in accordance with regulatory guidelines). Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of March 31, 2020, December 31, 2019, and March 31, 2019, was Baht 646 billion, Baht 650 billion, and Baht 655 billion, respectively.

[2/] New definition under BOT's notification on February 28, 2020

[3/] Revolving only

[4/] The Bank sold NPLs of Baht 4.5 billion in 1Q20, 0.05 billion in 4Q19, Baht 5.6 billion in 3Q19, Baht 4.3 billion in 2Q19, and Baht 6.7 billion in 1Q19.
NM denotes “not meaningful”

Investment Classification

Under TFRS 9, investments are classified into three categories: fair value to profit or loss (FVTPL), measured at amortised cost and fair value to other comprehensive income (FVOCI). This new standard eliminates the existing classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105. As of March 31, 2020, Investments were classified as follows:

Consolidated
Unit: Baht million

Investment (TFRS 9)	Mar 31, 20
Financial assets measured at FVTPL	59,226
Investments in debt securities measured at amortised cost	7,115
Investments in debt securities measured at FVOCI	202,021
Investments in equity securities measured at FVOCI	15,477
Net investment *	**224,613**
Investment in associate	78
Total	**283,917**

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

As of March 31, 2019 and December 31, 2019, investments classified under TAS 105 prior to the adoption of TFRS 9, are as follows.

Consolidated
Unit: Baht million

Investment	Dec 31, 19	Mar 31, 19
Trading securities and securities measured at fair value through P/L	29,814	38,007
Available-for-sale securities	270,740	459,001
Held-to-maturity securities	7,830	119,679
General investments	3,681	2,137
Net investment	**312,065**	**618,824**
Investment in associate	78	78
Total	**312,143**	**618,902**

Appendix:

A. Adoption of TFRS 9

The Bank has adopted TFRS 9 since January 1, 2020. This new Financial Reporting Standard will affect the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting. Please see key impacts of TFRS 9 in Table 1, Investment classification in Table 2, and loan classification and loan provisioning in the section below.

Table 1: Key Impact of TFRS 9

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

Table 2: Investment Classification

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

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

Loan classification and loan provisioning

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

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

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

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

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

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

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

B. <u>COVID-19</u>

Measures by the Bank of Thailand

On February 28, 2020 the Bank of Thailand (BOT) announced measures on loan staging which allows banks to classify a non-NPL customer as of January 1, 2020 as performing or Stage 1 immediately if the Bank believes that such customer can perform according to the restructuring plan. Such debt restructuring during January 1, 2020 to December 31, 2021 (including any multiple restructuring) is considered pre-emptive debt restructuring, not troubled-debt restructuring.

In the event a customer is an existing NPL customer as of January 1, 2019, the Bank can classify this customer as performing or Stage 1 immediately if the customer can repay the debt according to the restructuring plan for 3 consecutive months or periods, whichever is longer. The Bank will continuously monitor and review whether the customers can perform according to the new terms and conditions.

In addition, the BOT announced measures to help customers as follows:

<u>For retail customers:</u>

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

2. Minimum payment for credit cards will be reduced from 10% to 5% in 2020-2021, 8% in 2022 and back to 10% in 2023.

For non-retail customers

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

SMEs with a line of credit with a commercial bank not exceeding Baht 100 million are automatically eligible to pause payments of both principal and interest for 6 months. However, the customers can choose not to enter the relief program. This payment holiday will not be considered as a missed payment and thus will not impair credit history.

Measure 2: Soft loans to support liquidity for SMEs customers with a credit line not exceeding Baht 500 million, with a concessional interest rate of 2% per annum and interest-free (subsidized by BOT) 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 on-lend to SMEs customers at a concessional rate of 2% per annum.

Customers that are eligible for this measure must:

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

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

The Thai Cabinet approved two Draft Emergency Decrees to support the BOT measures above, and these measures became effective on April 19, 2020 following the announcement in the Royal Gazette.

Moreover, the BOT has reduced the FIDF fee from 0.46% of deposit base to 0.23% per annum for 2 years as a relief to banks to support the economy. The BOT expects banks to pass on the savings from this rate cut to borrowers. As such, on April 10, 2020, SCB had announced a 0.40% reduction for all “M-based” lending rates.

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

The Bank assesses that this pandemic as having an unprecedented shock to the real economy and will be very much liquidity-focused. It is also very broad based and affects large segments of the society and businesses. As this pandemic is still evolving, and the length of time required for this outbreak to be contained is still unknown, it is difficult to truly assess the financial impact of this crisis and its implication to the Bank. The Bank believes, through past experiences, that identifying and assisting affected debtors early could significantly help these customers navigate this difficult period as well as mitigate the Bank's emerging risks. Given this, the Bank has been rapidly identifying and signing up its affected customers into the various above-mentioned relief programs. The Bank will diligently and cautiously monitor all debtors participating in these relief measures to assess the real asset quality despite the BOT's relief measures allowing suspension of stage downgrades.

The Bank may therefore see a smaller migration of customers into Stage 3 (NPLs) as allowed under the relief programs. Therefore, the new NPLs in the next six months may not truly reflect the performance of the loan portfolio. However, the Bank has prudently set aside higher provisions arising from the deterioration in external macro-economic factors within the Expected Credit Loss (ECL) models. The Bank will also assess the performance of this group of relief customers and may consider adding provision through the management overlay process as prescribed under TFRS 9.

Besides the impact on NPLs and provisions as discussed above, the Bank's financial performance could also be affected by several other factors from 2Q20 onwards. These includes the wide adoption of the social distancing measure within the populace from late-March that will greatly affect the sales of certain bank products especially in the bancassurance and wealth management businesses. Also, policy rate cuts effected in February and March, and the pass-on of the FIDF rate reduction leading to a further 0.40% reduction in all M-based interest rates in April will lower the Bank's interest income while the FIDF rate reduction will reduce interest expense. As it is still evolving, it is too early to assess the full potential impact of this crisis on the Bank.

Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	March 31, 2020
Moody's Investors Service	
Outlook	Positive*
Bank deposits	Baa1/P-2
Senior unsecured MTN	(P) Baa1
Other short term	(P) P-2
S&P Global Ratings	
Counterparty Credit Rating	BBB+/A-2
Outlook	Stable
Senior Unsecured (Long Term)	BBB+
Senior Unsecured (Short Term)	A-2
Fitch Ratings	
Foreign Currency	
Long Term Issuer Default Rating	BBB+*
Short Term Issuer Default Rating	F2*
Outlook	Stable
Senior Unsecured	BBB+
Viability Rating	bbb+
National	
Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable
Subordinated Debenture	AA(tha)

* On April 2, 2020, Fitch Ratings downgraded Long-Term Issuer Default Rating to BBB from BBB+ and Short-Term Issuer Default Rating to F3 from F2 and on April 22, 2020, Moody's revised outlook of 10 Thai banks to stable from positive.

4. Awards and Achievement

(Awards granted the first quarter of 2020)

Global Finance (U.S.)

- Best Equity Bank in Asia-Pacific
- Best Private Bank in Thailand
- Best Investment Bank in Thailand

Thailand's Most Admired Brand 2020 by BrandAge magazine