Management Discussion and Analysis

For the second quarter and first half ended June 30, 2020

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1. Executive Summary

Siam Commercial Bank and its subsidiaries reported consolidated net profit (based on audited financial statements) of Baht 8.4 billion for the second quarter of 2020. While net profit fell 24% yoy mainly from higher provisioning, pre-provision operating profit increased 4% yoy. For the first half of 2020, net profit fell 13% yoy to Baht 17.6 billion while pre-provision operating profit still grew 15% yoy.

Net interest income decreased 7% yoy to Baht 23.8 billion mainly because of compressed net interest margin following multiple cuts in the policy interest rate to a historic low. In addition, there was also a drop in NII contribution following the SCB Life divestment. Total loans declined slightly 1% yoy but rose 2% qoq with higher loan demand from corporate customers and extension of soft loans to business customers.

Non-interest income increased 19% yoy to Baht 12.5 billion largely from improved income from wealth and bancassurance businesses as well as one-time gains on sale of investments and corporate deals. Given an abrupt halt in economic activity during the COVID-19 lockdown in the second quarter, business volume was down significantly from April but showed early signs of recovery in June as lockdown restrictions were gradually eased.

Operating expenses decreased 3% yoy to Baht 16.1 billion due to lower overall spending during the nationwide lockdown and the Bank's effective cost control measures. The Bank's cost-to-income ratio for the second quarter was relatively stable at 44.5%.

Given the uncertainty generated by COVID-19 and the Bank's on-going relief programs to assist impacted customers, Baht 9.7 billion of provisions were set aside in the second quarter. As government relief and stimulus measures starting to take effect, the economic impact of this pandemic will be better assessed and reflected into the Bank's second half financial results. Non-performing loans declined to 3.05% at the end of June 2020 given the Bank of Thailand's current guideline on deferral of NPL classification for loans under relief programs. NPL coverage ratio increased to 152% and the Bank's capital adequacy ratio remains strong at 18%.

2. Thailand's Economic Outlook

Thai economy shrank by 6.9% yoy in the first half of 2020 with a sharp drop in 2Q20 at -12.2% yoy, the deepest quarterly contraction in 22 years since the 1997-98 Asian financial crisis. Lockdown measures imposed by many countries around the world, including Thailand, in 2Q20 had a drastic impact on the Thai economy, particularly the tourism heavily hit by border closure and exports hampered by global recession and supply chain disruption. Plummeting foreign income has had a prolonged impact on household spending and business expenditure. Private investment also shrank as companies decided to delay or even cancel investment projects because of falling sales and high uncertainty. Moreover, private consumption contracted sharply, especially in tourism-related services and durable goods expenditures, such as car sales. However, government partially helped sustain the economy through public consumption and investment, as well as various COVID-19 relief and stimulus programs.

EIC revises its GDP growth forecast for Thailand down from -5.6% to -7.3% following larger-than-expected COVID-19 impacts, which severely hampered tourism and private investment. EIC cuts 2020F foreign tourist arrivals forecast downward to merely 7.5 million persons (-81.2% yoy) based on Thailand's strict border closure policy as well as the ongoing outbreaks in many countries. Similarly, private investment is expected to fall further given high uncertainty on the COVID-19 pandemic as well as weak overall economy, especially in the area of exports and private consumption. Export of goods is expected to fall by 10.4% from global recession and lockdowns in many countries which have triggered supply chain disruption. Private consumption is also likely to shrink significantly because of falling income, higher unemployment, and higher levels of precautionary saving by both household and business sectors, although these effects are partially alleviated by government relief measures.

Recovery in 2H20F is expected to be gradual. EIC foresees that the Thai economy will continue to contract but at a slower pace and anticipates a U-shaped recovery after gradual reopening which has allowed some economic activity to return in addition to government stimulus measures. Nonetheless, the severe impact of COVID-19 on many key industries and heightened household and SME financial vulnerability still remain important risk factors that keep recovery at a slow pace. In particular, any meaningful recovery for the tourism sector, especially for those heavily dependent on foreign tourists, will not materialize until measures to control the pandemic are eased and fear among tourists subsides with the availability of an effective vaccine. As a result, recovery for other tourism-related businesses which are severely impacted, such as hotels, restaurants, entertainment, and transport, is likely to be slow. Auto and real estate (residential) sectors, already facing weak foreign demand, will be under additional pressure from weak domestic sales that mirror low employment and household income, a slump in consumer confidence, and financial institutions being cautious in lending.

Regarding monetary policies, EIC expects the MPC to keep its policy rate at 0.5% for the remaining of the year in addition to relaxing some rules and regulations and, if necessary, resorting to unconventional policies to shore up the economy. Given the sluggish economy, potential negative inflation, as well as the increasing risks of defaults by households and businesses, the BOT will give priority to reducing the cost of capital and injecting liquidity into troubled economic sectors to sustain balance sheets, supporting debt restructuring, and mitigating any risk to financial stability. If the economy becomes worse than expected, the BOT may cut the policy rate further. However, given little room in the interest rate policy space, the BOT will have to increasingly rely on additional tools, including unconventional policies, such as bond purchase programs to maintain low market interest rate, extending or revising existing relief measures to enhance their effectiveness, etc.

Going forward, key risks include the second wave of COVID-19, which may trigger another sudden halt in global economic activity. Furthermore, tension between US and China may intensify to the point that affects Thai exports. Global credit risk that may worsen at both country- and firm-level due to higher debt-to-income ratio could lower investor confidence and lead to higher market volatility. Finally, in terms of domestic risk, heightened household and business financial vulnerability caused by unemployment and business closure especially among SMEs may lead to higher default with wider consequences on stability of the financial sector and recovery prospect of the overall economy.

3. Management Discussion and Analysis

For the second quarter and first half ended June 30, 2020

In the second quarter of 2020, Thai banks continued to face challenges as the COVID-19 pandemic has caused an unprecedented disruption all over the world. Both the global and Thai economies face very strong and challenging headwinds and are heading into, if not already in, a recession. The adoption of TFRS 9 since January 1, 2020, and the announcements by the Federation of Accounting Professions and by the Bank of Thailand also complicated the accounting treatments in certains areas. Details of key changes and the overall broad implications of the TFRS 9 adoption can be found in the Appendix to this MD&A.

COVID-19

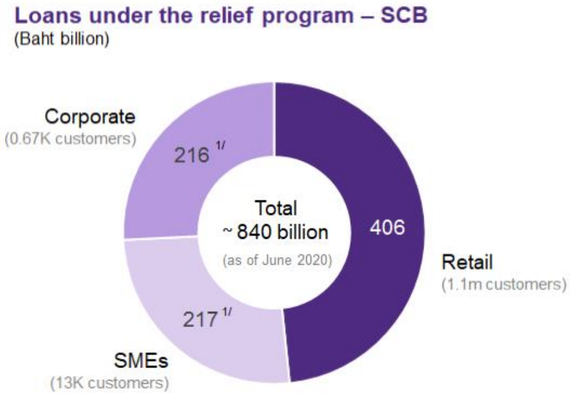
The COVID-19 outbreak, which started in China in January, was declared a global pandemic by the World Health Organization (WHO) on March 11. By the end of June 2020, the pandemic had spread to all continents with over 10 million people infected and more than 500,000 fatalities.

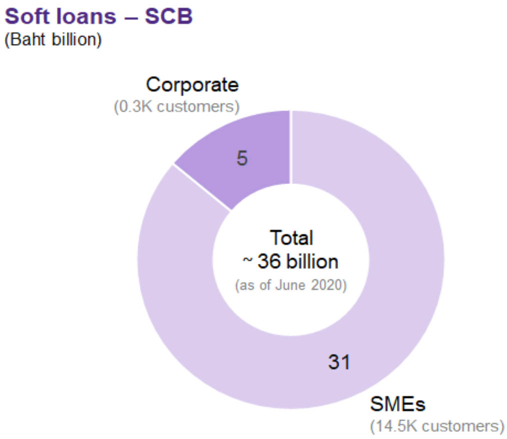
Although Thailand has successfully controlled the spread of COVID-19 so far (with 3,171 cases and 58 deaths at the end of June), the country still has to grapple with severe economic impact. SCB EIC has revised the 2020 GDP forecast for Thailand down from +2.7% (pre-COVID) to -7.3% as a result of negative export growth given global recession and supply chain disruption, a plunge in the number of tourists, and a sudden halt in economic activity during the lockdown period.

Key economic drivers especially tourism and export sectors impacted by the COVID-19 pandemic and plummeting trade flows, along with exacerbated financial vulnerability among households and businesses, will require assistance and time to recover. As such, the Government and the Bank of Thailand have issued several relief measures and policies to counter the COVID-19 impact on the economy (see summary of the Government and the Bank of Thailand measures related to the financial relief programs in the Appendix). As at the end of June, SCB EIC foresees a slow and gradual or U-shaped recovery for Thailand, and barring any further unforeseen events such as second wave, etc, the Thai economy is expected to see its growth rate back to pre-COVID level in the second half of 2022.

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

The pandemic is still raging in many parts of the world such as the United States, Brazil and India, and until a vaccine is found, it is difficult to predict when this pandemic will end. Hence, it is extremely difficult to fully assess the impact. During the past few months, the Bank has been assessing risk levels of customers in the relief program as well as analyzing customers’ problems to identify effective assistance measures. The Bank has been pursuing a pro-active approach to ensure that deserving customers are given the appropriate financial assistance. Based on the Bank’s past experiences, early identification and assistance improve the success rate of navigating through a crisis. The problems faced by customers are in different levels of severity. In the event that the customer is severely affected, the assistance will be in the form of payment holiday. Otherwise, the assistance could be in the form of interest payment only, principal payment holiday or a reduction of installment to reduce the customers’ debt burden and increase their cash flow. Besides these assistance programs, the Bank also increased the credit lines for certain groups of qualified customers to assist them to recover in the long run. At the end of June 2020, 39% of the Bank's loan book (including loans under 6-month payment holiday for all companies with a credit line not exceeding Baht 100 million according to the Royal Decree dated April 7, 2020) was under the financial relief program and the amount of soft loans from both the Bank of Thailand and the Government Savings Bank schemes that the Bank has extended are shown in the chart below:





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

While the Bank, in line with the BOT's announcement, continues to allow customers to sign up under the relief programs throughout 2020, the numbers of customers signing up under the relief program have slowed considerably since end-May, and should be relatively stable at current level. However, the Bank will continuously follow up those customers after the measures end whether they need further assistance. From the measures that started to end in June, customers requesting for further assistance was on a declining trend but could potentially rise with further negative events such as second wave, further lockdowns, etc.

Given the BOT relief programs and measures, NPLs are not expected to increase significantly over the next 2 years due to the relief measures by the Government and the Bank of Thailand that support the Bank's pre-emptive debt restructuring efforts to alleviate the impact so that customers can recover in the long run. However, the Bank has made some qualitative classification and adjusted ECL within each stage following its internal assessment in the form of higher PDs/LGDs or management overlay. Based on preliminary assessment, the Bank expects that most, estimated to be in the range of 60-70%, of the customers in the relief program will emerge from this crisis in reasonable financial conditions and can service their loans when the relief program ends. The remaining 30-40% may require further assistance which the Bank will consider on a case-by-case basis as to the most appropriate next course of action. With the situation still highly uncertain and volatile, this is the Bank's best estimates based on the current information. The Bank will continue to refine its perspective as things become clearer.

In addition to the impact on NPLs and provisions as discussed above, the Bank's financial performance has been affected by several other factors, including social distancing measures adopted in late-March which significantly curbed sales of certain bank products, especially in the bancassurance and wealth management businesses. With the easing of these measures towards the end of June but with the state of the economy remaining weak and investment environment remaining volatile, we expect customers to remain cautious and both the wealth management and bancassurance businesses to pick up gradually in the second half of the year.

Furthermore, the three policy rate cuts (in February, March and May) to a historic low and a further 0.40% reduction in all M-based interest rates in April have squeezed the Bank's interest income. This has been partly mitigated by the FIDF rate reduction, cuts in deposit rates, and strict control on the Bank's cost of funds.

Consequently, the Bank has revised down its Non-NII growth guidance for 2020 to flat growth (from 7-10%) and increased its Credit Cost target to "more than 165 bps" (from 120-130 bps) to reflect the macro-economic deterioration while maintaining other targets.

2Q20 and 1H20 Performance

Siam Commercial Bank reported (audited) consolidated **net profit** of Baht 8,360 million for the second quarter of 2020, a 23.8% yoy decrease from Baht 10,976 million in 2Q19 mainly from higher provisions. Pre-provision operating profit (PPOP) rose 3.9% from last year driven mainly by higher non-NII and lower OPEX, and offset by lower net interest income (NII). Given the uncertainty around COVID-19 and the deteriorating economic outlook, the Bank set aside provisions of Baht 9,734 million (+64.7% yoy) to strengthen its coverage ratio.

On a **quarter-on-quarter** basis, net profit decreased by 9.6% qoq due to a large drop in NII which outweighed the positive effect from higher non-NII and lower OPEX.

For the **first half of 2020**, net profit stood at Baht 17,611 million, a 12.5% yoy decrease from Baht 20,132 million in 1H19 mainly due to a significant increase in provisions arising from a deterioration in the macro-economic factors. However, pre-provision operating profit increased by 14.6% yoy driven by robust non-NII and lower OPEX which was temporarily elevated by one-time employee expenses required by the new labor law booked in 1Q19.

Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	2Q20	% qoq	% yoy	1H20	% yoy
Net interest income	23,777	-7.8%	-6.9%	49,555	-1.4%
Non-interest income	12,499	5.4%	19.0%	24,363	19.7%
Total operating income	36,277	-3.6%	0.7%	73,917	4.7%
Operating expenses	16,141	-1.5%	-3.1%	32,534	-5.7%
Pre-provision operating profit	**20,136**	**-5.2%**	**3.9%**	**41,384**	**14.6%**
Expected credit loss/Impairment loss on loans and debt securities	9,734	0.1%	64.7%	19,460	71.8%
Income tax	2,110	-8.9%	-16.6%	4,426	-5.5%
Non-controlling interests	(68)	NM	NM	(114)	NM
Net profit (attributable to shareholders of the Bank)	**8,360**	**-9.6%**	**-23.8%**	**17,611**	**-12.5%**
Other comprehensive income (loss)	(54)	NM	NM	63	NM
Total comprehensive income	**8,305**	**-11.3%**	**-50.8%**	**17,673**	**-37.5%**
ROAE	8.4%			8.8%	
ROAA	1.1%			1.2%	

NM denotes “not meaningful”

Share Information

Unit: Baht	2Q20	% qoq	% yoy	1H20	% yoy
EPS	2.46	-9.6%	-23.8%	5.18	-12.5%
BVPS	118.71	2.1%	2.2%	118.71	2.2%
Closing price	72.50	4.7%	-48.0%	72.50	-48.0%
Shares outstanding* (Million shares)	3,399	0.0%	0.0%	3,399	0.0%
Market capitalization (Baht billion)	246.5	4.7%	-48.0%	246.5	-48.0%

* Include both common and preferred shares

Income statement for the second quarter and first half ended June 30, 2020
(Consolidated basis)

Net interest income

Consolidated Unit: Baht million	2Q20	% qoq	% yoy	1H20	% yoy
Interest income	**29,191**	**-9.5%**	**-15.2%**	**61,463**	**-9.4%**
Loans	24,116	-10.0%	-6.2%	50,912	0.6%
Interbank and money market	940	-9.5%	-31.6%	1,978	-32.2%
Financial leases	3,238	-0.6%	-3.6%	6,498	-1.0%
Investments	880	-22.0%	-77.7%	2,007	-74.0%
Others	17	-65.8%	-41.2%	68	31.9%
Interest expenses	**5,414**	**-16.6%**	**-39.1%**	**11,909**	**-32.4%**
Deposits	3,451	-20.4%	-28.9%	7,783	-18.6%
Interbank and money market	230	-36.7%	-49.3%	592	-32.0%
Borrowings	370	-24.3%	-63.5%	860	-58.8%
Contribution to the Deposit Protection Agency & FIDF	1,361	5.3%	-46.0%	2,654	-46.9%
Others	2	-87.4%	-94.8%	20	-82.0%
Net interest income	**23,777**	**-7.8%**	**-6.9%**	**49,555**	**-1.4%**

- **Net interest income** in 2Q20 decreased by 6.9% yoy to Baht 23,777 million due to a sharp drop in interest income from investment after the divestment of SCB Life coupled with a contraction in net interest margin (NIM) following multiple interest rate cuts (with lending rates being cut 5 times during the past year) and changes in the composition of the loan book. These were partly offset by lower funding cost, a reduction in FIDF fee from 0.46% to 0.23%, and higher income recognition under TFRS 9.
- On a **quarter-on-quarter** basis, net interest income fell 7.8% qoq mainly due to lower interest income from interest rate cuts (specifically, full impact of 2 times lending rate cut in 1Q20 and partial impact of another 2 times lending rate cut in 2Q20) although loan grew 2.3% qoq and funding cost improved.
- In the **first half of 2020**, net interest income decreased by 1.4% yoy to Baht 49,555 million largely due to lower interest income from investment after the divestment of SCB Life which were offset by improved funding cost and reduced FIDF fee as explained earlier.

Yield and cost of funding

Consolidated Unit: Percentage	2Q20	1Q20	4Q19	3Q19[3/] (As reported)	3Q19[1/]	2Q19 (As reported)	2Q19[2/]
Net interest margin	3.20%	3.54%	3.20%	3.68%	3.33%	3.45%	3.27%
Yield on earning assets	3.93%	4.44%	4.42%	4.98%	4.51%	4.65%	4.40%
Yield on loans	5.16%	5.71%	5.43%	5.61%	5.58%	5.43%	5.42%
Yield on interbank and money market	0.67%	0.82%	1.27%	1.37%	1.49%	1.52%	1.49%
Yield on investment	1.46%	1.51%	1.80%	5.41%	2.52%	3.47%	2.58%
Cost of funds[4/]	0.86%	1.06%	1.46%	1.53%	1.53%	1.47%	1.47%
Cost of deposits[5/]	0.85%	1.01%	1.41%	1.43%	1.43%	1.36%	1.36%

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

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

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

Non-interest income

Consolidated Unit: Baht million	2Q20	% qoq	% yoy	1H20	% yoy
Net fee and service income	7,681	-13.8%	6.9%	16,595	19.8%
Fee and service income	9,736	-15.1%	4.1%	21,202	15.8%
Fee and service expenses	2,055	-19.5%	-5.3%	4,607	3.3%
Gain on financial instruments measured at FVTPL/ Net gain on trading and foreign exchange transactions	2,951	38.9%	43.2%	5,076	26.7%
Share of (loss) profit from investment in associate	(78)	NM	NM	(78)	NM
Dividend income	95	108.6%	-64.9%	141	-69.2%
Other income	1,246	NM	NM	1,277	NM
Non-interest income excluding net gain on investments	**11,894**	**7.0%**	**24.1%**	**23,010**	**22.5%**
Net gain on investments	606	-18.9%	-34.1%	1,353	-14.1%
Total non-interest income	**12,499**	**5.4%**	**19.0%**	**24,363**	**19.7%**

NM denotes "not meaningful"

- **Non-interest income** surged 19.0% yoy in 2Q20 to Baht 12,499 million largely from a sharp increase in non-NII from non-recurring items including higher net gain on trading and FX transactions and other operating income from gain on sale of unsecured loans which have been written off. Recurring non-NII grew moderately as a strong growth in bancassurance was partially offset by a yoy decline in transactional banking and lending related fees. Note that following the adoption of TFRS 9, loan-related fees (i.e. front-end fee and commitment fee) will be amortized and recorded in NII.
- On a **quarter-on-quarter** basis, non-interest income increased by 5.4% qoq due to higher net gain on trading and FX transactions and other operating income as mentioned above. However, the increase in non-interest income was partly offset with a drop in recurring income from all products, especially in wealth and bancassurance, during the lockdown in 2Q20.
- In the **first half of 2020**, non-interest income increased by 19.7% yoy to Baht 24,363 million. This increase was largely due to strong recurring income from bancassurance and wealth management (mostly from mutual fund and brokerage businesses) especially in 1Q20, coupled with net gain on trading and FX transactions and other operating income. However, recurring income from transactional banking and lending related fees fell yoy. The sharp drop in lending related fees was due to the adoption of TFRS 9 mentioned above and lower credit card spending following the large decline in tourist and local spending since the start of the COVID-19 crisis.

Non-interest income

Consolidated Unit: Baht million	2Q20	% qoq	% yoy	1H20	% yoy
Transactional banking *	2,681	-22.9%	-26.3%	6,159	-16.8%
Lending related **	1,224	-14.5%	-41.3%	2,656	-32.2%
Wealth management ***	1,838	-9.1%	0.0%	3,861	14.1%
Bancassurance	2,632	-16.7%	NM	5,792	NM
Recurring income	**8,375**	**-17.0%**	**3.2%**	**18,468**	**16.4%**
Non-recurring and others	4,124	132.8%	70.4%	5,895	38.7%
Total non-interest income	**12,499**	**5.4%**	**19.0%**	**24,363**	**19.7%**

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

** Including loan related fee and credit cards

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

NM denotes "not meaningful"

Operating expenses

Consolidated Unit: Baht million	2Q20	% qoq	% yoy	1H20	% yoy
Employee expenses	8,276	4.1%	6.7%	16,229	-4.3%
Premises and equipment expenses	2,823	-18.5%	-16.2%	6,285	-5.9%
Taxes and duties	893	-11.7%	-24.8%	1,905	-18.6%
Directors' remuneration	30	11.7%	23.4%	58	12.8%
Other expenses	4,118	4.6%	-4.7%	8,057	-4.7%
Total operating expenses	**16,141**	**-1.5%**	**-3.1%**	**32,534**	**-5.7%**
Cost to income ratio	**44.5%**			**44.0%**	

- **Operating expenses** decreased by 3.1% yoy to Baht 16,141 million in 2Q20 primarily due to lower premises and equipment expenses from lower rental expenses and lower software rental and maintenance expenses, lower marketing and promotion expenses and lower OPEX following the divestment of SCB Life. However, higher staff cost from annual salary adjustments since the beginning of the year partly offset other expense reduction.
- On a **quarter-on-quarter** basis, operating expenses decreased by 1.5% qoq due to lower premises and equipment expenses as decribed above which was partly offset by higher staff cost as the Bank continues to recruit specialized skillsets especially in the areas of IT and data science.
- In the **first half of 2020**, operating expenses decreased by 5.7% yoy to Baht 32,534 million due to lower overall spending during the lockdown period and the higher base from the one-time employee expenses necessitated by the amended labor law booked in 1Q19.

The Bank's cost-to-income ratio was 44.5% in 2Q20, and 44.0% for the first half of 2020. With the income outlook for 2H20 being on the downside, the Bank with continue to maintain strict discipline on cost in this difficult operating environment.

ECL/Impairment loss on loans and debt securities

Consolidated Unit: Baht million	2Q20	% qoq	% yoy	1H20	% yoy
ECL/Impairment loss on loans and debt securities	9,734	0.1%	64.7%	19,460	71.8%
Credit cost (bps)	184			183	

- Given the uncertainty around COVID-19 and weak economic outlook, the Bank set aside **impairment loss on loans and debt securities** in 2Q20 at Baht 9,734 million (184 bps of total loans).This amount has taken into account the pro-cyclicality of the forward-looking Expected Credit Loss (ECL) models and management overlay within the deteriorating economic environment under the TFRS 9 framework.

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

As of June 30, 2020, the Bank's total assets fell 4.7% yoy to Baht 3,111 billion largely due to the divestment of SCB Life and partly from a slight 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	Jun 30, 20	Mar 31, 20	Dec 31, 19	Jun 30, 19
Loans to customers	2,175,996	2,127,596	2,146,867	2,191,193
Less Deferred revenue	(31,611)	(32,092)	(33,080)	(32,946)
Total loans	**2,144,385**	**2,095,504**	**2,113,787**	**2,158,247**
Add Accrued interest receivables and unearned interest income	7,921	5,021	2,946	3,066
Total loans and accrued interest receivables and unearned interest income	**2,152,306**	**2,100,525**	**2,116,733**	**2,161,313**
Less Modification losses	(1,378)	(472)	-	-
Less Allowance for expected credit loss/allowance for doubtful accounts	(115,845)	(110,776)	(111,150)	(101,390)
Less Revaluation allowance for debt restructuring	-	-	(3,122)	(3,968)
Total loans and accrued interest receivables, net	**2,035,083**	**1,989,277**	**2,002,461**	**2,055,955**

Loans

By Segment (Consolidated) Unit: Baht million	Jun 30, 20	Mar 31, 20	% qoq	Dec 31, 19	% ytd	Jun 30, 19	% yoy
Corporate	779,979	758,618	2.8%	755,822	3.2%	821,947	-5.1%
SME	364,062	349,534	4.2%	350,837	3.8%	345,551	5.4%
Retail	1,000,344	987,352	1.3%	1,007,128	-0.7%	990,749	1.0%
Housing loans*	655,277	645,881	1.5%	649,925	0.8%	651,823	0.5%
Auto loans	218,282	212,938	2.5%	219,187	-0.4%	219,479	-0.5%
Unsecured loans	124,040	126,011	-1.6%	135,709	-8.6%	117,641	5.4%
Other loans	2,745	2,522	8.8%	2,307	19.0%	1,806	52.0%
Total loans	**2,144,385**	**2,095,504**	**2.3%**	**2,113,787**	**1.4%**	**2,158,247**	**-0.6%**

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

Total loans (net of deferred revenue) as of June 30, 2020 slightly decreased by 0.6% yoy but increased 2.3% qoq. Details on changes in loan volume by customer segments are as follows:

- **Corporate** loans decreased by 5.1% yoy but increased by 2.8% qoq. The yoy decrease in loans was mainly from large scheduled loan repayments while the qoq increase arose from rising demand following tightening liquidity in the capital market.
- **SME** loans rose 5.4% yoy and 4.2% qoq. The yoy growth was largely from small SME customers following the Bank's strategy to grow high margin loans in targeted customer segments pre-COVID coupled with soft loans to SME customers in 2Q20. However, the qoq increase was mainly from soft loans to SME customers as the Bank has been pro-active in providing financial assistance to qualified customers who have cashflow difficulties.
- **Retail** loans increased 1.0% yoy and 1.3% qoq.
  - **Housing loans** increased 0.5% yoy and 1.5% qoq largely due to a lower level of loan originations and the effect of payment holiday under relief program.
  - **Auto loans** decreased by 0.5% yoy but increased by 2.5% qoq. The yoy decline was due to the softening economic environment prior to the COVID-19 pandemic while the qoq increase was from the payment holiday that was instituted in late March as a relief measure as well as pockets of demand for new cars and the My Car, My Cash product.
  - **Unsecured loans** (personal loans and credit card receivables) increased by 5.4% yoy but fell 1.6% 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. The qoq decrease was mainly from lower credit card usage since the onset of the COVID-19 crisis.

Deposits

Consolidated Unit: Baht million	Jun 30, 20	Mar 31, 20	% qoq	Dec 31, 19	% ytd	Jun 30, 19	% yoy
Demand	87,700	83,278	5.3%	77,549	13.1%	77,324	13.4%
Savings	1,577,688	1,571,137	0.4%	1,376,942	14.6%	1,443,184	9.3%
Fixed	589,350	621,545	-5.2%	704,934	-16.4%	670,112	-12.1%
Less than 6 months	130,321	142,164	-8.3%	110,568	17.9%	106,748	22.1%
6 months and up to 1 year	125,330	128,011	-2.1%	244,694	-48.8%	216,760	-42.2%
Over 1 year	333,699	351,370	-5.0%	349,672	-4.6%	346,604	-3.7%
Total deposits	**2,254,738**	**2,275,960**	**-0.9%**	**2,159,425**	**4.4%**	**2,190,620**	**2.9%**
CASA - Current & Savings Accounts (%)	73.9%	72.7%		67.4%		69.4%	
Gross loans to deposits ratio	95.1%	92.1%		97.9%		98.5%	
Liquidity ratio (Bank-only)	31.6%	34.2%		31.0%		27.3%	

As of June 30, 2020, total **deposits** increased by 2.9% yoy but fell 0.9% qoq. The yoy increase was due to higher CASA while fixed deposits declined, resulting in the Bank's CASA proportion increasing to 73.9% at the end of June 2020. Gross loans to deposits ratio decreased to 95.1% at the end of June 2020 from 97.9% at the end of December 2019.

The Bank's daily liquidity ratio of 31.6%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Investment Classification

Under TFRS 9, investments are classified into three categories: fair value to profit or loss (FVTPL), measured at 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 June 30, 2020 and March 31, 2020, investments were classified as follows:

Consolidated
Unit: Baht million

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

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

As of December 31, 2019 and June 30, 2019, investments classified under TAS 105 prior to the adoption of TFRS 9, are as follows:

Consolidated
Unit: Baht million

Investments	Dec 31, 19	Jun 30, 19
Trading securities and securities measured at fair value through P/L	29,814	28,657
Available-for-sale securities	270,740	246,095
Held-to-maturity securities	7,830	9,858
General investments	3,681	3,835
Net investment	**312,065**	**288,445**
Investment in associate	78	78
Total	**312,143**	**288,523**

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 June 2020.

	Consolidated			Bank-only		
Unit: Baht million, %	**Jun 30, 20**	**Mar 31, 20**	**Jun 30, 19**	**Jun 30, 20**	**Mar 31, 20**	**Jun 30, 19**
Statutory Capital						
Common Equity Tier 1/ Tier 1	362,490	339,437	332,040	360,567	303,846	305,148
Tier 2 capital	23,102	22,883	42,017	23,076	22,824	41,146
Total capital	**385,592**	**362,320**	**374,057**	**383,643**	**326,670**	**346,294**
Risk-weighted assets	2,134,539	2,105,505	2,187,582	2,124,195	2,091,444	2,107,778
Capital Adequacy Ratio	**18.1%**	**17.2%**	**17.1%**	**18.1%**	**15.6%**	**16.4%**
Common Equity Tier 1/ Tier 1	17.0%	16.1%	15.2%	17.0%	14.5%	14.5%
Tier 2 capital	1.1%	1.1%	1.9%	1.1%	1.1%	1.9%

At the end of June 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. On a qoq basis, an 90bps increase in common equity Tier 1/Tier 1 capital was mainly from the appropriation of 2H19 net profit. Overall, the Bank's strong capital position will enable the Bank to weather the current adverse economic conditions as well as to pursue any potential growth opportunities.

Asset Quality

At the end of June 2020, **gross NPLs** (on a consolidated basis) decreased 4.8% qoq to Baht 79.6 billion. **Gross NPL ratio** fell to 3.05% from 3.17% at the end of March 2020 and 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 pre-emptive assistance following announcement of BOT relief measures (see Appendix). With these BOT measures, gross NPLs, gross NPL ratio and new NPLs at the end of this 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", the Bank in the following quarters may need to set aside higher provisions against the expected increase in NPLs after the relief measures end. At the end of June 2020, the Bank's **coverage ratio** was 152.5%, a 18.4% points improvement from end 2019.

Unit: Baht million, %	Jun 30, 20 (TFRS 9)	Mar 31, 20 (TFRS 9)	Dec 31, 19	Sep 30, 19	Jun 30, 19
Consolidated					
Non-Performing Loans (Gross NPLs)	79,596	83,621	85,212	77,207	68,885
Gross NPL ratio	3.05%	3.17%	3.41%	3.01%	2.77%
Gross NPL ratio by segment/product					
Corporate	3.44%	3.51%	3.56%	3.18%	2.08%
SME	7.22%	7.76%	8.31%	7.51%	7.80%
Retail	2.65%	3.03%	2.90%	2.54%	2.50%
Housing loans	3.21%	3.33%	3.34%	2.90%	2.90%
Auto loans	1.86%	2.55%	2.29%	1.97%	1.91%
Total allowance*	121,353	116,730	114,272	111,008	105,358
Total allowance to NPLs (Coverage ratio)	152.5%	139.6%	134.1%	143.8%	152.9%
Credit cost (Quarterly, bps)	184	185	180	284	110
Bank-only					
Non-Performing Loans (Gross NPLs)	78,459	82,467	84,349	76,217	67,895
Gross NPL ratio	3.01%	3.14%	3.38%	2.97%	2.73%

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

Loan Classification and Allowance for expected credit losses

Under TFRS 9, loans are classified into 3 stages. The stages are based on changes in credit quality since initial recognition. As of June 30, 2020 and March 31, 2020, loans and allowance for expected credit losses were classified as follows:

Consolidated Unit: Baht million	Jun 30, 20 (TFRS 9)		Mar 31, 20 (TFRS 9)	
	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,310,333	39,468	2,343,999	31,814
Stage 2 (Underperforming)	222,488	34,389	207,447	34,717
Stage 3 (Non performing)	79,596	47,496	83,621	50,199
Total	**2,612,417**	**121,353**	**2,635,067**	**116,730**

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

This TFRS 9 loan staging classification adopted 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 June 30, 2019 prior to the adoption of TFRS 9 are as follows:

Consolidated Unit: Baht million	Dec 31, 19		Jun 30, 19	
	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts
Normal	1,966,438	20,403	2,018,508	20,649
Special mention	64,996	4,040	73,873	4,084
Substandard	36,234	19,618	20,011	10,487
Doubtful	17,821	6,353	15,811	6,336
Doubtful loss	31,244	16,763	33,110	18,493
Total	**2,116,733**	**67,177**	**2,161,313**	**60,049**
Allowance established in excess of BOT regulations		43,973		41,341
Total allowance		**111,150**		**101,390**

New NPLs by Segment and by Product (%)

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

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

2/ Most 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 2Q20, new NPL formation improved qoq to 0.45%, compared to 0.58% in 1Q20. Although new NPLs during the quarter may not fully reflect the current economic conditions following the BOT measures, new NPL in 2Q20 was mainly from customers who did not enroll into the payment holiday program with vulnerable financial position prior to the COVID-19 outbreak and partly from the qualitative classification of some SME customers.

Sources and Uses of Funds

As of June 30, 2020, deposits accounted for 72.5% of SCB's funding base. Other major sources of funds were: 13.0% from shareholders' equity, 6.8% from interbank borrowings, and 2.2% from debt issuance. Uses of funds for this same period were: 68.9% for loans, 17.2% for interbank and money markets lending, 9.5% for investments in securities, and 1.4% held in cash.

Additional Financial Information

Consolidated Unit: Baht million, %	Jun 30, 20 (TFRS 9)	Mar 31, 20 (TFRS 9)	% qoq	Jun 30, 19	% yoy
Loans by Sector	**2,144,385**	**2,095,504**	**2.3%**	**2,158,247**	**-0.6%**
Agricultural and mining	18,738	17,387	7.8%	13,851	35.3%
Manufacturing and commercial	573,634	564,146	1.7%	566,543	1.3%
Real estate and construction	187,963	172,809	8.8%	178,027	5.6%
Utilities and services	364,153	353,667	3.0%	409,964	-11.2%
Housing loans [1/]	545,744	539,031	1.2%	552,588	-1.2%
Other loans	454,153	448,464	1.3%	437,274	3.9%
Debt issued and borrowings	**69,849**	**72,282**	**-3.4%**	**122,318**	**-42.9%**
Bonds	63,075	65,863	-4.2%	101,672	-38.0%
Subordinated bonds	-	-	0.0%	20,000	-100.0%
Structured notes	423	441	-4.1%	389	8.7%
Others	257	278	-7.6%	257	0.0%
Fair value adjustment on qualifying FV hedge	6,094	5,700	6.9%	-	NM
Troubled debt restructured loans	**10,544**[2/]	**14,110**[2/]	-25.3%	**39,380**	
	2Q20	**1Q20**	**2Q19**	**1H20**	**1H19**
Yield on loans	**5.16%**	**5.71%**	**5.43%**	**5.39%**	**5.32%**
Corporate	3.73%	4.13%	4.31%	3.89%	4.16%
SME	5.93%	6.51%	6.05%	6.14%	5.85%
Retail	6.15%	6.74%	6.32%	6.39%	6.27%
Housing loans	4.63%	5.34%	4.93%	4.96%	4.92%
Auto loans	6.01%	6.04%	6.22%	5.94%	6.22%
Credit card [3/]	16.10%	16.05%	15.74%	16.07%	15.48%
Speedy	19.74%	21.15%	21.77%	20.49%	21.18%
Auto loans portfolio					
New car	55.6%	55.8%	56.4%	55.6%	56.4%
Used car	25.7%	25.6%	27.3%	25.7%	27.3%
My car, My cash	18.7%	18.6%	16.3%	18.7%	16.3%
NPL reduction methodology					
Repayments, auctions, foreclosuresand account closed	56.5%	45.5%	44.9%	50.7%	42.5%
Debt restructuring	6.9%	3.7%	3.5%	5.2%	3.1%
NPL sales [4/]	14.3%	24.3%	28.6%	19.6%	33.3%
Write off	22.3%	26.5%	23.0%	24.5%	21.0%

[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 June 30, 2020, March 31, 2020, and June 30, 2019, was Baht 655 billion, Baht 646 billion, and Baht 652 billion, respectively.

[2/] New definition under BOT's notification on February 28, 2020. This excluded loans to customers modified under relief program.

[3/] Revolving only

[4/] The Bank sold NPLs of Baht 2.4 billion in 2Q20, Baht 4.5 billion in 1Q20, Baht 4.3 billion in 2Q19, Baht 6.9 billion in 1H20 and Baht 11.1 billion in 1H19.
NM denotes “not meaningful”

Appendix:

A. Adoption of TFRS 9

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

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

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

Table 2: Investment Classification

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

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

Loan classification and loan provisioning

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

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

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

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

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

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

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

Please note that the BOT provides certain relaxation on stage classification per its announcement dated February 28, 2020.

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

The BOT Relief Measures Phase 1

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

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

The BOT 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, auto loans and SSME loans) beginning in April 2020 for affected non-NPL customers (as of March 1, 2020) who request assistance.

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

For non-retail customers

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

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

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

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

For eligibility, customers must:

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

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

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

The Government Soft Loan Program

On March 10, 2020, the Government of Thailand approved measures to help business owners directly and indirectly affected by the COVID-19 pandemic. One of the key measures is the soft loan program in the total amount of Baht 150 billion which will be provided by the Government Savings Bank (GSB). GSB will provide soft loans to banks at the interest rate of 0.01% for 2 years 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%.

The BOT Relief Measures Phase 2

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

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

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

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

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

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

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

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

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

4. Debt restructuring

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

Credit Ratings

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

4. Awards and Achievement

(Awards received in the second quarter of 2020)

The Asset (H.K.)

- Best Service Provider-Trade Finance
- Best in Treasury and Working Capital-LLCs

Alpha SEA (H.K.)

- Best Bank in Thailand
- Best SME Bank in Thailand
- Best Cash Management Bank in Thailand
- Best Asset Manager (SCBAM) - Money Market & Balance Funds
- Best Asset Manager (SCBAM) - Fixed Income Funds
- Best FX Bank for Corporate & FIs
- Best FX Bank for Structured Hedging Solutions and Proprietary Trading Ideas

Euromoney (U.K.)

- Best Bank

FinanceAsia (H.K.)

- Best Domestic Bank

Asiamoney (H.K.)

- Best for Investment Research in Thailand

Corporate Treasurer (H.K.)

- Best Cash Management House
- Best FX House
- Best Transaction Bank
- Best Trade and Supply Chain House

Digital Banker (S.G.)

- Best Private Bank - Thailand