

# DIGITAL BANKING DIGITAL CULTURE



MEMBER OF  
**Dow Jones**  
Sustainability Indices  
SAM

In collaboration with

ไทยพาณิชย์  
SCB

ANNUAL REPORT 2020  
FORM 56-1 ONE REPORT



DELIGHTING OUR CUSTOMERS  
WITH DIGITAL BANKING EXPERIENCES  
TAILORED TO MEET DIFFERENT  
CUSTOMER NEEDS FOR A HAPPY LIFE

Understanding, appreciating, and meeting all lifestyle needs for a worry-free life in the digital age with meaningful financial services through SCB EASY App.



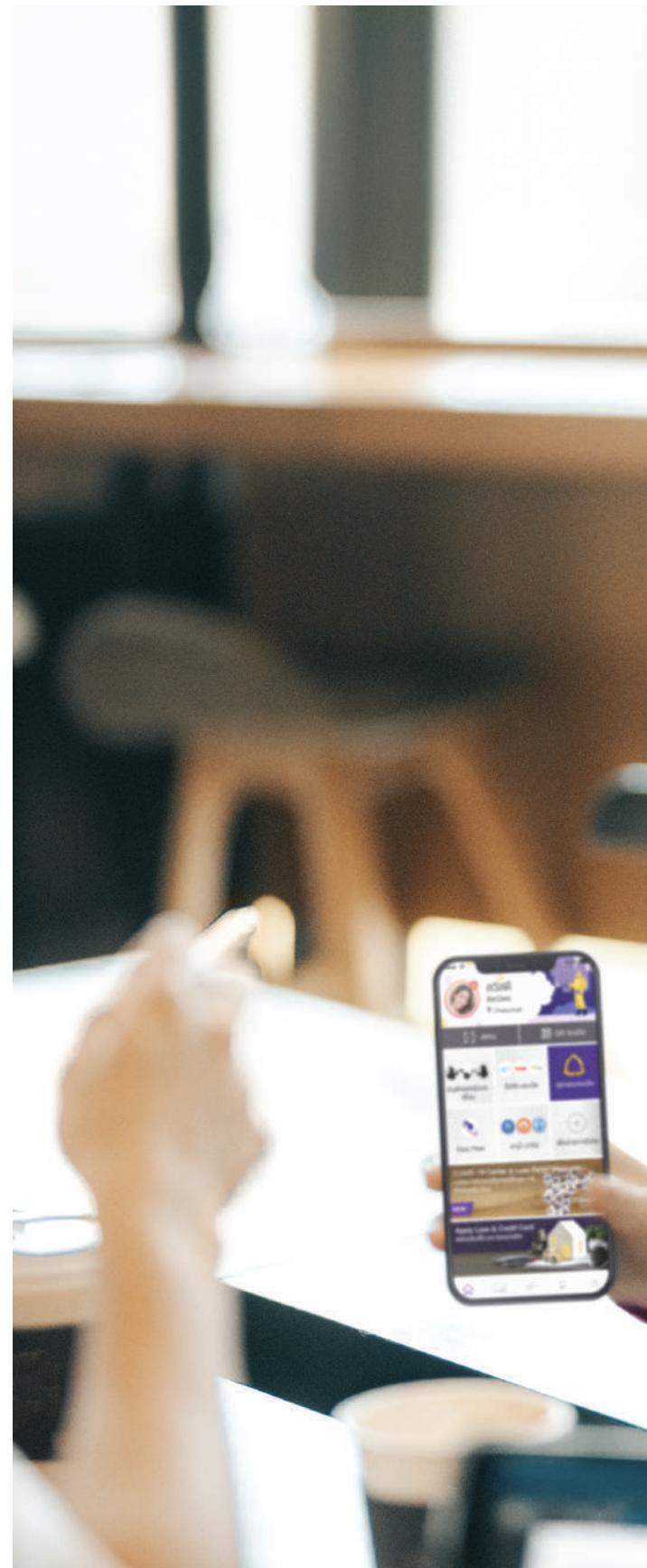
2 Million Users  
Increased



#StandByYou



SCB  
PayWise





DIGITAL CAPABILITY MEETS  
ORGANIZATIONAL REDESIGN TO CREATE  
THAILAND'S VERY OWN FOOD DELIVERY  
PLATFORM CALLED "ROBINHOOD"  
TO HELP CUSTOMERS, SOCIETY AND  
THE NATION

Building a strong and sustainable ecosystem teeming with restaurants of all sizes, from hole-in-the-wall to chain restaurants, along with customers and drivers. This platform is also designed to bring people closer together with stronger economic ties, symbolizing mutual assistance and sharing of happiness. Helping one another during a difficult time is the one strength that has rescued Thai people, Thai society, and Thailand from every crisis.



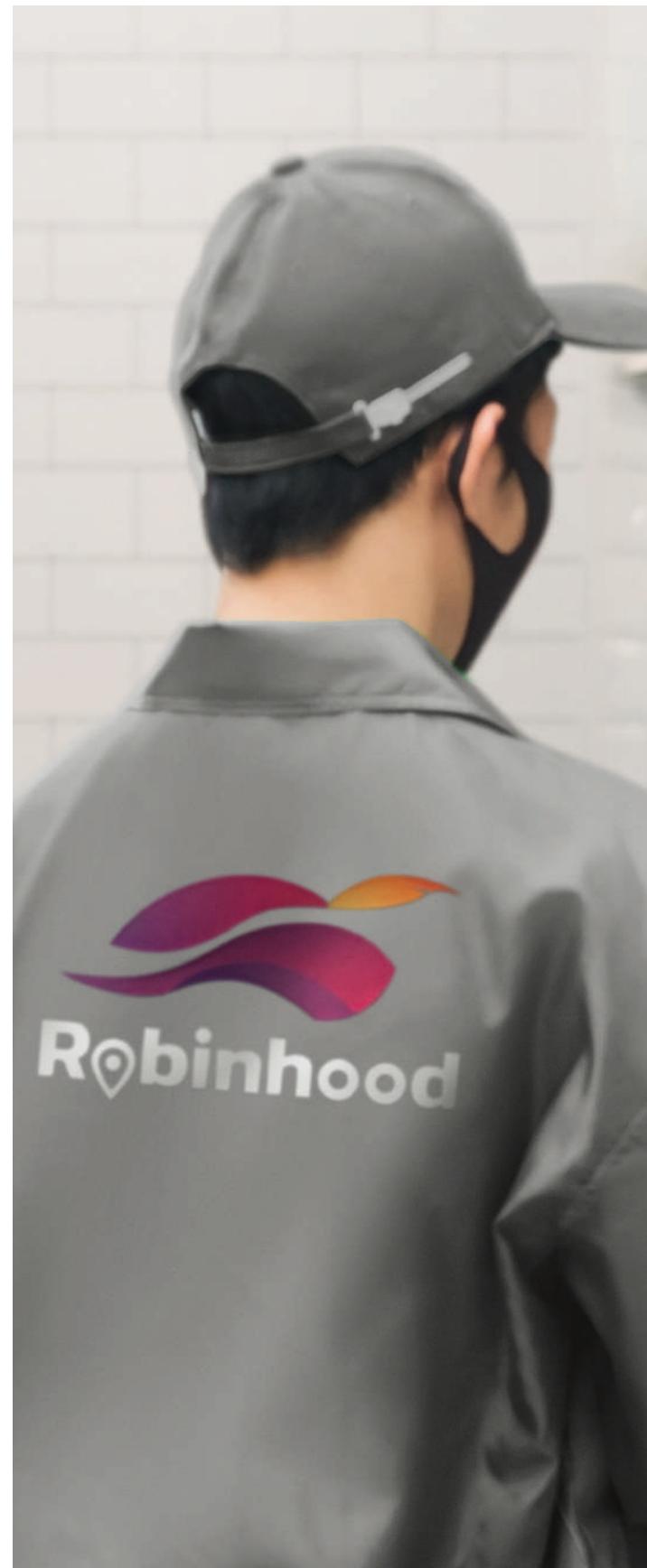
Help  
Restaurants



Help  
Drivers



Help  
Customers





## DIGITAL SOLUTIONS TO HELP SMEs STAY STRONG AND MOVE FORWARD TOGETHER

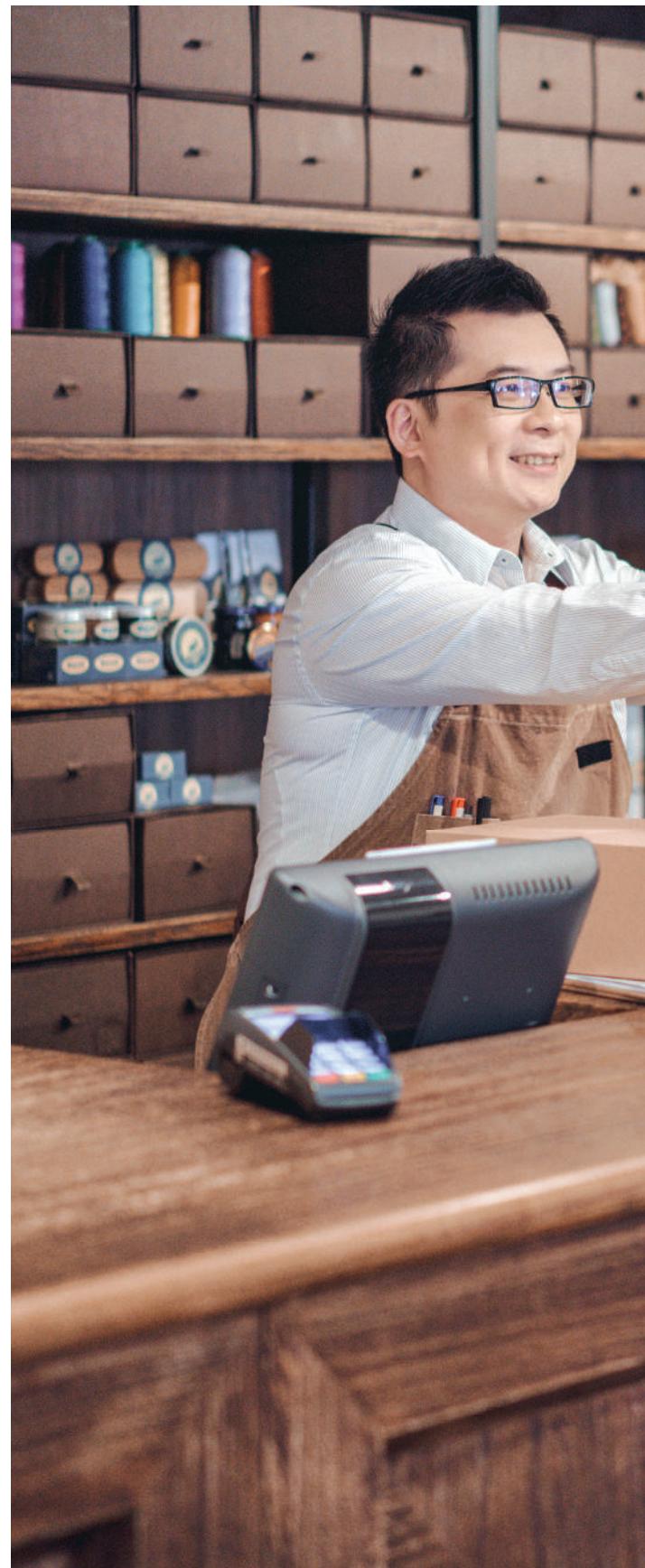
Standing by as advisors to SMEs in need of expert advice and business insights to thrive in any economic and social circumstances.



Business  
Advice



Business  
Achieve





## STRENGTHENING THE NETWORK OF LEADING CORPORATIONS AND EMPOWERING LEADERS WITH DIGITAL KNOWLEDGE TO ACHIEVE EXPONENTIAL GROWTH

Be an adviser that stands behind continuous innovation and knowledge creation to transcend conventional limitations by harnessing technological advancement to help companies achieve sustainable, stable and steady growth that will increase the country's competitiveness at the global level.



Empowering  
Digital Knowledge



Leading Business  
to Global Level





OPERATING OUR BUSINESS WITH  
STRICT ETHICAL STANDARDS TO  
BE A PILLAR OF SOCIETY AND  
DRIVE THE COUNTRY'S DIGITAL  
ECONOMY

Committed to creating economic and social stability while practicing good governance. Being a world-class organization with economic, social, and environmental responsibility to achieve sustainable growth.



Drive Digital  
Economy



Strict Ethical  
Standards



Social  
Sustainable





## BUILDING AN AGILE CULTURE AND A NEW WAY OF WORKING THAT ALLOWS "WORKING FROM ANYWHERE"

Realigning the organizational culture, developing capabilities, cultivating the courage to experiment and reiterating for the best results, and quickly adapting to the new normal to always keep pace with the digital world to provide a foundation for the business to face myriad changes in the future.



Developing  
Capabilities



Agile  
Working



Ready for  
All Situations





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# 2020 HIGHLIGHTS



Assets  
**3.3**  
Baht trillion



Loans  
**2.3**  
Baht trillion



Deposits  
**2.4**  
Baht trillion



CASA  
**77%**



CET1  
**17.1%**

Net profit  
**27.2**  
Baht billion



Operating profit growth

**+12%**



Excluding one-time item in 2019

Net fee growth

**+23%**



Cost-to-income ratio

**44%**



Digital users  
on all platforms

**13.7** Million



Individual customers

**16.3** Million





**Dr. Vichit Suraphongchai**  
Chairman of the Board of Directors

**Mr. Arthid Nanthawithaya**  
Chief Executive Officer and  
Chairman of the Executive Committee

## MESSAGE FROM THE BOARD OF DIRECTORS

### Dear Shareholders,

2020 was an extremely challenging year for Thai banks as the COVID-19 pandemic unfolded at the beginning of the year leading to major economic crises in many countries including Thailand. The Thai economy contracted 6.1% from a slowdown in exports, tourism and domestic consumption following the public health measures to control the COVID-19 outbreak, especially during the first half of the year. Moreover, the pandemic also accelerated the change in customer behaviors and technology usage. These factors, in conjunction with industry competition and regulatory changes, have forced commercial banks to adapt their work and service models amid this challenging operational environment.

As for Siam Commercial Bank, since the onset of the pandemic, the Bank has been focusing on helping affected customers to restore their financial health and sustain their businesses. The Bank offers a wide range of financial relief for all customer sectors in accordance with the relief measure guidelines and frameworks set forth by the Government and the Bank of Thailand to assist borrowers; these relief efforts have so far proven effective. Moreover, the Bank has developed and launched two important digital platforms, namely Robinhood and SCB Shop Deal, to support customers during the COVID-19 pandemic as well as help the Bank expand its digital customer base.

Throughout 2020, the Bank has been proactive and prudent in handling this crisis as evidenced by its strong pre-provision operating profits for the year. This robust performance can be attributed to the Bank's focus on fee-income growth, strict discipline in cost control and careful balance sheet management while continuing to maintain a strong capital position. Moreover, the Bank is still committed to being a technology-driven bank by migrating customers to digital channels and creating an ecosystem to enhance customer engagement which will lead to business opportunities and sustainable performance in the future.

### 2020 Performance

In addition to urgently assisting the Bank's customers who have been affected by this economic crisis, the Bank has not lost sight of its key strategic implementations to generate long-term growth including building new digital capability by establishing SCB10X, capturing market share in the insurance business through SCB Protect, and partnering with both FWD and Julius Baer to strengthen the insurance and the wealth businesses. Moreover, the COVID-19 pandemic has prompted the Bank to reshape its work and service models to be less branch-dependent, resulting in higher productivity and lower cost. Specifically, the Bank has reskilled employees to fit today's mode of business operations as well as started to use the new "Work From Anywhere" model to adapt to the current global situation.

For financial performance in 2020, the Bank's net profit was Baht 27,218 million, down 33% from the previous year owing to higher provisions. However, pre-provision operating profit went up 12% from the prior year to Baht 80,437 million (excluding one-time extraordinary gains from divestment of SCB Life in 2019) as a result of strong growth in non-interest income and effective cost control measures.

Net interest income was Baht 96,899 million, down 3% from the prior year, mainly due to multiple rate cuts in the first half of the year, while total loans grew 7% from the previous year powered by higher loan demand from corporate customers and demand for soft loans from business customers. Non-interest income rose 12% from the prior year to Baht 47,869 million (excluding one-time extraordinary gains from divestment of SCB Life in 2019) on consistent growth in bancassurance and wealth management businesses.

Operating expenses went down 9% from the prior year to Baht 64,330 million due to the Bank's effective cost control measures, which resulted in a better cost-to-income ratio at 44% compared with 49% in the previous year (excluding one-time extraordinary items in 2019).

The Bank set aside 29% higher provisions in 2020, or Baht 46,649 million, to strengthen its reserves and prepare for economic consequences from the COVID-19 pandemic. At the end of 2020, the NPL ratio rose to 3.68% from 3.41% in the prior year, mainly as a result of qualitative classification among customers severely affected by the COVID-19 pandemic. The Bank's coverage ratio remained high at 141%, with the capital adequacy ratio at a robust level of 18.2%.

## Corporate Governance and Sustainability

The Bank has always prioritized and strived to improve the effectiveness of its corporate governance to foster sustainable growth. This commitment is reflected in the Bank's consistently scoring "Excellent" (the highest level) on corporate governance by the Thai Institute of Directors since 2005. In addition, the Bank has been selected as a member of 2020 Dow Jones Sustainable Indices (DJSI) in World Index and Emerging Markets Index for the 3<sup>rd</sup> consecutive year and was ranked number 10 worldwide in the banking category.

The Bank's key implementations on corporate governance and sustainability in 2020 are summarized below:

- The Board of Directors reviewed the Corporate Governance Policy and the Board charter as well as other board committee charters to ensure alignment with the Bank of Thailand's notifications, DJSI corporate sustainability criteria, and CG Code of the Securities and Exchange Commission as well as the Board's implementation guidelines.
- In addition to the semi-annual meeting of independent directors and non-executive directors, the Board of Directors has started to hold meetings among all board committee chairmen to facilitate a closer working relationship in this challenging business environment. The Board of Directors also arranged for the performance assessment of the Board, the Chairman of the Board, individual directors and Board committees. Feedback from these meetings and the assessments are then used to further improve the Board's performance.
- One of the Board's priorities is to take care of every stakeholder during the COVID-19 pandemic. In addition to closely monitoring customer relief measures, taking care of employees' well-being, engaging in social and environmental initiatives, the Bank also focused on giving shareholders all the rights afforded to them by law and by the CG Code, including the right to participate in the shareholder meeting. During the time when the 2020 annual general meeting could not be held, the Board of Directors approved an interim dividend for shareholders. When restrictions on gatherings were lifted, the Bank then organized the annual general meeting with safety guidelines and protocols in place to protect against COVID-19 that fully meet the requirements issued by the government and relevant public health organizations.
- The Board of Directors approved the SCB Sustainability Governance framework as well as the SCB Group Sustainability

Policy which explicitly state the Bank's commitment and implementation guidelines to ensure that the Bank's sustainability management, governance and performance assessment are efficient and effective.

- Another priority of the Board is compliance with the Anti-corruption and Bribery Policy. The Bank takes a firm stance against corruption and works hard to instill a culture of zero tolerance for corruption and bribery. In 2020, the Bank was granted a second three year membership extension from Thailand's Private Sector Collective Action Against Corruption (CAC Recertification).

## 2021 Strategic Plan

The key components of the Bank's 2021 plan are to navigate the organization and its customers out of the current economic crisis and to create sustainable growth for the banking business. The Bank will focus on providing assistance to customers affected by the economic crisis with prudent risk management and will leverage its digital and data analytics capability to improve asset quality. Moreover, the Bank will continue to manage and control cost without compromising on necessary expenditure to invest in the Bank's future competitiveness.

The past investment in SCB Transformation has made the Bank ready to march ahead toward the goal of becoming a tech company with a financial-service focus. In 2021, the Bank will continue to enhance its digital capability and transform the work model with

the development of digital banking and business ecosystems to attract and deepen engagement with customers. The Bank will focus on creating business opportunities for exponential growth through SCB10X by investing in new digital businesses in the form of direct investments, a venture builder and business partnerships.

The Bank expects a gradual recovery of the Thai economy in 2021 with the implication that loan growth will remain sluggish. Despite the down trend, it is still important to monitor and adjust the loan portfolio with a careful risk-return consideration. Moreover, the Bank is still highly confident in the growth potential of wealth management and insurance businesses, and thus plans to expand its capability in these two business areas by leveraging the strength within SCB Group and forming partnerships with expert companies. The Bank has been looking for inorganic growth opportunities to build new capability and generate sustainable return for the Bank's stakeholders.

Siam Commercial Bank is still firmly committed to the goal of being "the Most Admired Bank" and achieving sustainable growth by balancing the interests of all key stakeholders: customers, employees, shareholders, regulators and the environment. The Bank wishes to thank all our shareholders, customers and suppliers for their continued trust and support and to thank our executives and employees for their commitment and dedication. Siam Commercial Bank is committed to helping every customer get through this crisis together and will continue to strengthen its foundation for sustainable growth in the future.

**Dr. Vichit Suraphongchai**  
Chairman of the Board of Directors

**Mr. Arthid Nanthawithaya**  
Chief Executive Officer and  
Chairman of the Executive Committee

## BOARD OF DIRECTORS

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**Dr. Vichit Suraphongchai**

Chairman of the Board and Chairman  
of the Corporate Social Responsibility  
Committee



**ACM. Satitpong Sukvimol**

Director and Member of the Corporate Social Responsibility Committee



**Mr. Prasan Chuaphanich**

Independent Director and Chairman of the Audit Committee



**Mr. Kan Trakulhoon**

Independent Director, Chairman of the Nomination, Compensation and Corporate Governance Committee, and Member of the Executive Committee



**Mr. Krirk Vanikkul**

Independent Director and Chairman of the Risk Oversight Committee



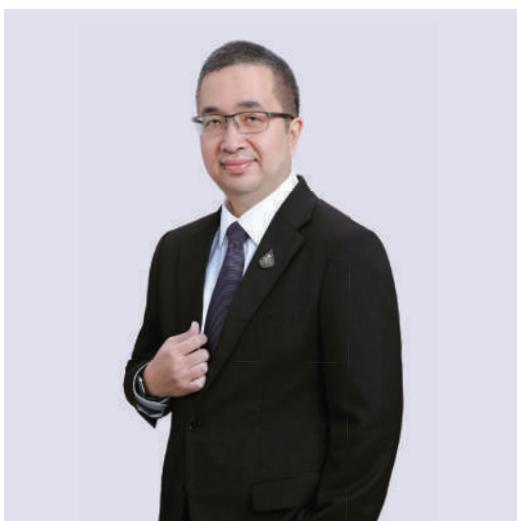
**Dr. Thaweesak Koanantakool**

Independent Director, Chairman of the Technology Committee, and Member of the Nomination, Compensation and Corporate Governance Committee



**Pol. Col. Thumnithi Wanichthanom**

Director and Member of the Corporate Social Responsibility Committee



**Dr. Pasu Decharin**

Independent Director, Member of the Audit Committee, and Member of the Risk Oversight Committee



**Mr. Weerawong Chittmittrapap**

Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee



**Mr. Chaovalit Ekabut**

Independent Director and Member of the Audit Committee



**Dr. Lackana Leelayouthayotin**

Independent Director and Member of the Executive Committee



**Dr. Pailin Chuchottaworn**

Independent Director, Member of the Executive Committee, and Member of the Technology Committee



**Miss Jareeporn Jarukornsakul**

Director, Member of the Technology Committee, and Member of the Corporate Social Responsibility Committee



**Mr. Chakkrit Parapuntakul**

Director, Member of the Executive Committee,  
and Member of the Nomination, Compensation  
and Corporate Governance Committee



**Miss Chunhachit Sungmai**

Director and Member of  
the Risk Oversight Committee



**Mr. Arthid Nanthawithaya**

Director, Chief Executive Officer,  
Chairman of the Executive Committee,  
Member of the Risk Oversight Committee,  
and Member of the Technology Committee.

# PRESIDENT

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**Mrs. Apiphan Charoenanusorn**

President



**Mr. Sarut Ruttanaporn**

President



**Dr. Arak Sutivong**

President

## SENIOR EXECUTIVE VICE PRESIDENT



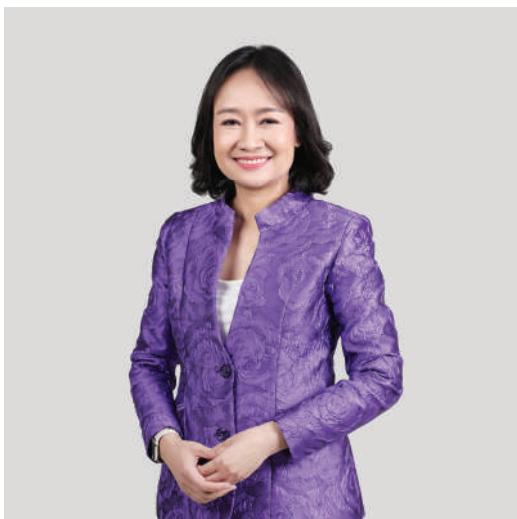
**Mr. Narong Srichukrin**

Senior Executive Vice President,  
Chief Wealth Banking Officer



**Mr. Wasin Saiyawan**

Senior Executive Vice President,  
Chief Wholesale Banking Officer



**Miss Poramasiri Manolamai**

Senior Executive Vice President,  
Chief Insurance Business Officer



**Miss Auraratana Jutimitta**

Senior Executive Vice President,  
Chief Retail and Business Banking Officer



**Mr. Vitoon Pornsakulvanich**

Senior Executive Vice President,  
Chief Integrated Channels Officer



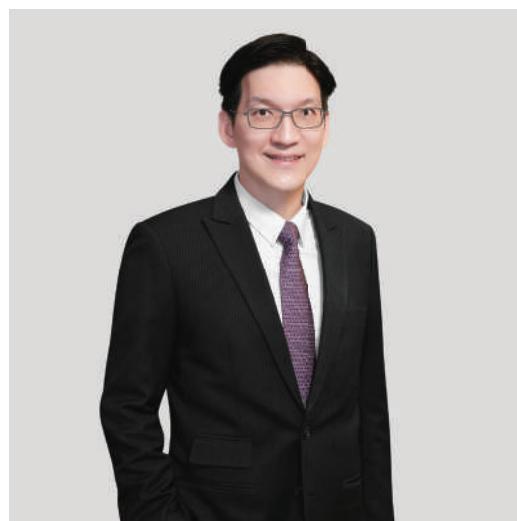
**Mrs. Pikun Srimahunt**

Senior Executive Vice President,  
Chief SME Banking Officer



**Mrs. Wallaya Kaewrungruang**

Senior Executive Vice President,  
Chief Legal and Control Officer



**Mr. Manop Sangiambut**

Senior Executive Vice President,  
Chief Financial Officer



**Mr. Sathian Leowarin**

Senior Executive Vice President,  
Chief Strategy Officer



**Dr. Yunyong Thaicharoen**

Senior Executive Vice President,  
Chief Economist



**Mr. Krieng Wongnongtaey**

Senior Executive Vice President,  
Chief Audit Officer



**Mr. Anucha Laokwansatit**

Senior Executive Vice President,  
Chief Risk Officer



**Mrs. Voranuch Dejakaisaya**

Senior Executive Vice President,  
Chief Information and Operations Officer



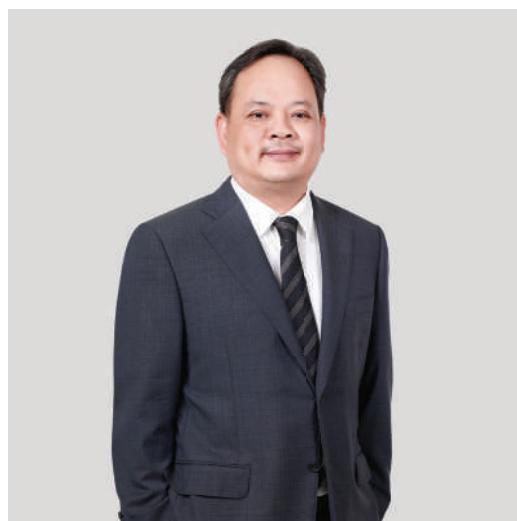
**Dr. Chalee Asavathiratham**

Senior Executive Vice President,  
Chief Digital Banking



**Mrs. Patraporn Sirodom**

Senior Executive Vice President,  
Chief People Officer



**M.L. Chiradej Chakrabandhu**

Senior Executive Vice President,  
Chief Credit Officer



### Mr. Trirat Suwanprateeb

Senior Executive Vice President,  
Chief Executive Officer of  
The New Technology Company

### First Executive Vice Presidents

(As of January 26, 2021)

Ms. Araya	Phuphanich
Ms. Jamaree	Ketrakool
Mr. Kamalkant	Agarwal
Mr. Kiradit	Arromdee
Mr. Kramol	Pulkes
Mrs. Metinee	Jongsaliswang
Ms. Pitiporn	Phanaphat
Mr. Ralph	Brunner
Ms. Sirote	Vichayabhai
Ms. Soramont	Inkatanuvatana
Ms. Sutapa	Amornvivat
Mr. Tse Tiong	Lee
Mr. Wannarat	Phanjan
Mr. Worawat	Suvagondha

### Executive Vice Presidents

(As of January 26, 2021)

Mrs. Anisa	Choocharn
Mrs. Apiradee	Synsukpermpoon
Mr. Arpat	Vijitakula
Mr. Artapong	Porndhiti
Mr. Chalitti	Nuangchamnong

Ms. Chunpen	Vitchichunthakhron
Mr. Ekkapol	Apinun
Mr. Ittiphan	Jearkjirm
Ms. Jinda	Chobpattana
Ms. Jittinun	Chatsiharach
Mr. Kanin	Rangkla
Ms. Kanokwan	Jaisri
Ms. Kluaymai	Devahastin
Ms. Nartruedi	Punyaratabandhu
Mrs. Nataya	Sukhum
Mrs. Natthakan	Kanpachai
Mr. Nipat	Wattanatittan
Ms. Parichart	Changprai
Mr. Parnu	Chotiprasidhi
Mr. Patiphan	Lerdprasertsiri
Mr. Patrick	Poulier
Mr. Pavarej	Hwangdee
Ms. Phannee	Prachantrikal
Mr. Pichan	Angsuvajrakon
Ms. Pimjai	Tongmee
Ms. Piyaahpa	Charoenvej
Mr. Pornsit	Kridsadapradit
Mr. Rungsan	Ongsaranakom
Mr. Rungsi	Vongkitbuncha
Ms. Rutttaya	Tongrut
Mrs. Sakara	Asvaraksh
Mr. Sakda	Dumnakkaew
Mr. Sakkawat	Itthisawad
Ms. Salisa	Hanpanich
Mr. Seksan	Pornpairin
Mr. Seksom	Intralawan
Mr. Siri	Ruttanawetwong
Mrs. Siribunchong	Uthayophas
Mr. Sittiporn	Thanyarattana
Mr. Somnuek	Siriwan
Mr. Somsakul	Vinichbutr
Ms. Soontharee	Rajitprueksa
Mr. Sornchai	Suneta
Mr. Srihanath	Lamsam
Mr. Sutirapan	Sakkawatra
Mr. Tanik	Tarawisid
Ms. Teerin	Ratanapinyowong
Mr. Thanawatn	Kittisuwan
Mr. Theeradate	Sritarachiyanon
Ms. Vachiraporn	Ngaothammasarn
Ms. Veena	Lertnimitr
Ms. Vipasiri	Chantanumat
Mrs. Virasana	Boonyasai
Mr. Wongsakorn	Chaiwanon

# 5-YEAR: KEY FINANCIAL STATISTICS

## Financial Status (Consolidated)

As of December 31

Unit: Billion Baht

	2020 (TFRS9)	2019	2018	2017	2016
Total assets	3,278.4	2,963.7	3,187.3	3,024.0	2,913.0
Loans*	2,255.2	2,113.8	2,140.6	2,034.7	1,939.0
Loans and accrued interest receivables, net	2,130.3	2,002.5	2,040.6	1,948.1	1,865.8
Total liabilities	2,866.6	2,562.9	2,806.4	2,660.3	2,578.7
Deposits	2,420.5	2,159.4	2,159.6	2,092.5	2,026.3
Total shareholders' equity	411.8	400.8	381.0	363.8	334.3

\* After deducting deferred revenue

## Financial Results (Consolidated)

For the year ended December 31

Unit: Billion Baht

	2020 (TFRS9)	2019	2018	2017	2016
Interest income	118.4	135.0	129.1	125.1	122.4
Less interest expenses	21.5	35.6	32.8	32.8	34.0
Net interest income	96.9	99.4	96.4	92.3	88.4
Non-interest income	47.9	66.7	41.9	43.9	44.9
Total income	144.8	166.1	138.2	136.2	133.3
Less operating expenses	64.3	70.5	64.6	57.7	51.6
Pre-provision operating profit	80.4	95.6	73.6	78.6	81.7
Less expected credit loss/impairment loss of loans and debt securities	46.6	36.2	24.0	25.1	22.5
Less income tax and non-controlling interests	6.6	18.9	9.5	10.3	11.6
Net profit (attributable to shareholders of the Bank)	27.2	40.4	40.1	43.2	47.6

**Key Financial Ratios (Consolidated)**

Unit: Percent

	2020 (TFRS9)	2019	2018	2017	2016
<b>Profitability ratio</b>					
Return on assets (ROA)	0.9	1.3	1.3	1.5	1.7
Return on equity (ROE)	6.7	10.4	10.8	12.4	14.8
Net interest margin (NIM)	3.2	3.3	3.2	3.2	3.3
Non-interest income to total income	33.1	40.2	30.3	32.2	33.7
<b>Efficiency ratio</b>					
Cost to income ratio	44.4	42.5	46.8	42.3	38.7
Cost to assets	2.1	2.3	2.1	1.9	1.8
<b>Financial ratio</b>					
Equity to assets	12.5	13.5	11.9	12.0	11.5
Loans to deposits	93.2	97.9	99.1	97.2	95.7
<b>Capital adequacy ratio <sup>1/</sup></b>					
Total capital to risk assets	18.2	18.1	17.1	17.7	17.7
Tier 1 capital to risk assets	17.1	17.0	15.1	15.6	14.8
Tier 2 capital to risk assets	1.1	1.1	2.0	2.1	2.9
<b>Asset quality ratio</b>					
Non-performing loans to total loans	3.68	3.41	2.85	2.83	2.67
Total allowance to non-performing loans (Coverage ratio)	140.8	134.1	146.7	137.3	134.3
Allowance for doubtful accounts on loans to total loans	6.2	5.4	4.8	4.4	4.0

**Share Information <sup>2/</sup>**

	2020 (TFRS9)	2019	2018	2017	2016
Earnings per share - EPS (Baht)	8.01	11.90	11.79	12.69	14.01
Book value per share (Baht)	121.04	117.78	111.80	106.93	98.28
Dividend per share <sup>3/</sup> (Baht)	2.30	6.25	5.50	5.50	5.50
Market capitalization (Billion Baht)	297	415	454	510	518
Number of shares (Million)	3,399	3,399	3,399	3,399	3,399

<sup>1/</sup> Figures are disclosed under Basel III framework.<sup>2/</sup> The Bank's share includes ordinary shares and preferred shares.<sup>3/</sup> Dividend per share in 2020 as proposed to the Annual General Meeting of Shareholders in April 2021.

# 1

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## BUSINESS OPERATIONS AND PERFORMANCE

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Structure and  
Business  
Operations

Risk Management  
and Risk Factor

SCB Way  
to Sustainability

Management  
Discussion  
and Analysis

General Information  
and Other Important  
Information

# STRUCTURE AND BUSINESS OPERATIONS

## VISION

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To be “The Most Admired Bank.”  
In other words, the Bank aspires  
to be recognized by each of its  
constituents as follows:

**Customers:**

The Most PREFERRED Partner

**Employees:**

The Most CARING Employer

**Shareholders:**

The Most SUSTAINABLE RETURN Company

**Society and Environment:**

The Most RESPONSIBLE Corporate Citizen

**Regulators:**

The Most PRUDENT Bank

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## CORE VALUE

The Bank’s core values are known as CRIS,  
which stands for Customer centricity,  
Risk culture, Innovation and Speed.

# MAJOR SCB FINANCIAL GROUP COMPANIES



## Background

Siam Commercial Bank (SCB) was established by Royal Charter as Thailand's first indigenous bank on January 30, 1906. Over the past 114 years, the Bank has played a pivotal role in shaping the country's financial services landscape through many economic cycles and political changes. Backed by strong support of its major shareholders, the Bank has successfully navigated these changes to become bigger, better and stronger.

Following Asia's financial crisis in 1997, the Bank undertook major recapitalization by joining the Ministry of Finance's Tier 1 Capital Support Scheme (the August 14, 1998 Measure). As a result, the Ministry of Finance became one of the two largest shareholders of the Bank in May 1999, along with the Crown Property Bureau. The Ministry of Finance subsequently established the Vayupak Fund 1 and transferred a substantial part of its stake to the Fund on December 1, 2003. SCB's major shareholders as of December 31, 2020 were His Majesty King Maha Vajiralongkorn Phra Vajiraklaochaoyuhua (23.35%) and Vayupak Fund 1 (23.10%).



Thai economy contracted

**6.1%** in 2020

led by a sharp decline  
in economic activity  
in the second quarter



Thailand's GDP growth is  
expected to gradually  
recover to

**2.2%** in 2021

## THAILAND'S ECONOMY IN 2020 AND OUTLOOK FOR 2021

**In 2020, the Thai economy contracted 6.1%, led by a sharp decline in economic activity in the second quarter.** The global pandemic had a direct impact on the nation's crucial tourism sector, after arrivals of international travelers declined drastically from the second quarter onward. Moreover, the strict lockdown measures in most countries slowed economic activity to a crawl throughout the world, disrupting supply chains and shrinking Thai exports in the second quarter by 17.7%. Thailand's own hard lockdown during that quarter devastated service sectors as people avoided face-to-face activities and lowered private consumption. These factors produced a deep contraction of 12.2% in Thailand's GDP in the second quarter. But in the year's second half, the economy showed signs of bottoming out, led by government stimulus measures and a resumption of domestic tourism activities. The recovery was gradual due to ongoing scarring effects, including increasing business closures, weak labor markets and high levels of debt among both households and companies.

**As for 2021, SCB forecasts that Thailand's GDP growth will gradually recover to 2.2%.** Key to our macro outlook is the expectation of foreign tourist arrivals of 3.7 million for the year, only 9.2% of pre-COVID level. The pace of tourism recovery will depend on the progress in vaccinating populations in Thailand and other countries, as well as national policies regarding cross-border travel. In high-income countries, Mass vaccination programs are likely to produce herd immunity by the second or third quarter, allowing vaccinated individuals to travel. Low- and middle-income countries in Asia, which account for the majority of people travelling to Thailand, are expected to achieve herd immunity somewhat later in the year. According to the latest government plan, Thailand will begin mass vaccinations in mid-2021 and likely achieve herd immunity by the first half of 2022. Accordingly, SCB expects that Thailand will open its borders to vaccinated tourists on a gradual basis, starting in the second half of 2021. The pace of the tourism recovery

will be slow this year but will accelerate in 2022. Moreover, the resurgence of COVID-19 in Thailand and abroad during early 2021 will somewhat dampen prospects for the economic recovery.

**Existing scarring effects put economic recovery on a slow track.** Thailand's economic growth had been soft before the COVID-19 pandemic. The lingering economic scars include 1) fragile labor markets characterized by high unemployment, rising underemployment and falling incomes, 2) the likelihood of additional business closures especially among small and medium-size enterprises, and 3) the rising ratio of household debt to income, which will require balance sheet restoration. These scarring effects will be impediments to a recovery in consumption and investment going forward. On the bright side, the government stands ready to shore up the economic recovery under its Baht 1-trillion Act, which includes various income subsidy and co-payment measures.

**Regarding monetary policy, SCB expects that the Bank of Thailand (BOT) will maintain its policy rate at 0.5% throughout 2021 and use other measures to accommodate the economic recovery.** In our baseline forecast that the new wave of COVID-19 will be contained in the first two months of 2021, we believe that the BOT is likely to hold the policy rate at 0.5% throughout 2021. Furthermore, the BOT is likely to implement targeted measures to support economic recovery and strengthen financial stability. Such measures could include soft loans for SMEs and support for debt restructuring and NPL management.

**Key risks in 2021 include** 1) a potential delay in the distribution of vaccines in Thailand, 2) lingering economic problems that drive NPLs higher, 3) potential turbulence in Thailand's domestic politics, 4) severe drought due to low levels of water in major reservoirs, and 5) strengthening of the Thai baht against currencies of key trading partners, which could hamper the recovery of external demand.



The Bank's total number  
of online users rose

33% yoy to

**13.7**

million users



The Bank reported  
net profit of Baht

**27,218**

million



# NATURE OF BUSINESS

## BUSINESS OVERVIEW AND STRATEGY OF THE BANK AND ITS SUBSIDIARIES

### SCB Today

As one of the leading universal banking groups in Thailand, the Bank provides a wide array of financial products and services to meet the needs of diverse customers. True to its role as a universal bank, the Bank has a large presence throughout the financial services landscape in Thailand.

Complementing its core transaction services related to deposits and loans, the Bank provides a comprehensive range of products and services tailored to meet specific customer needs. Retail services include home loans, personal loans, car hire purchase, credit cards, debit cards, currency exchange facilities and overseas remittances as well as investment and bancassurance products. For corporate and SME customers, the Bank offers business cash management services, lending products, trade finance, treasury products, bond and equity products, investment banking & corporate advisory, and other related financial services.

The Bank has several subsidiaries to provide specific financial solutions as well as acquire new growth opportunities. Apart from SCB Securities Co., Ltd. and SCB Asset Management Co., Ltd., an additional subsidiary entity, SCB 10X, was founded in 2020 to strengthen SCB Group's digital and data analytics capabilities for long-term sustainability. The mandate

of SCB 10X is to identify new growth areas beyond banking through technology innovations and investments with three approaches: venture builder, venture capital and strategic investment & partnership. The Bank continues to leverage its partnership with Julius Baer, the leading global private banking group based in Switzerland, to provide world-class wealth management services for ultra-high-net-worth customers.

In 2020, the Bank started to operate life and non-life insurance brokerage through SCB Protect Company Limited (SCB Protect), to capture the underpenetrated mass insurance market. Together with its business partners, SCB Protect will harness digital technology to create differentiated and sustainable value for customers.

The Bank's revenue stream comes from three key business segments: Corporate, SME and Retail & Wealth. In 2020, the Retail & Wealth Segment contributed more than half of the Bank's revenue, followed by the Corporate and SME Segment. Given the Bank's strategic direction to grow fee income from bancassurance and wealth products, contribution from the Retail & Wealth Segment is expected to rise over time. The table below shows a breakdown of the Bank's revenue by customer segment.

Share of Revenue by Customer Segment (Consolidated)	2020	2019	2018
Corporate Segment	19%	16%	20%
SME Segment	14%	11%	13%
Retail & Wealth Segment	55%	48%	55%
Others *	12%	25%	12%

\* Including Group Treasury, equity investments, subsidiaries and affiliates whose revenue is not included in the customer segments

## Performance in 2020

The financial services industry faced significant challenges in 2020, including macroeconomic difficulties, rapid technological advances, evolving customer behavior, industry competition and regulatory changes. The pandemic created unprecedented economic shocks, which turned into major economic crises in Thailand and throughout the world. With support from the government and regulators, the Bank was able to swiftly assist customers since their survival also means the Bank's survival. During this difficult time, the Bank placed great emphasis on prudent financial management by focusing on asset quality and operating cost management.

Since the beginning of the pandemic, the Bank has helped over 1.1 million customers. At the end of 2020, relief loans stood at 18% of total loans (Baht 402 billion), declining for two consecutive quarters from 29% (Baht 636 billion) at the end of 3Q20 and from 39% (Baht 839 billion) at the end of 2Q20.

The COVID-19 challenge has accelerated SCB's adoption of new technologies, enabling the Bank to create new ways of work, minimize dependency on physical branches, as well as increase effectiveness and cost efficiency. With on-going branch closures, the Bank has been re-skilling its people to suit new roles and circumstances.

The Bank has also recognized that its increasing reliance on digital solutions requires a solid and sustainable technological foundation and so embarked on a transformation journey from 2016 to 2019. The SCB Transformation Program has uplifted the technological infrastructure and capabilities throughout the

organization, preparing the Bank to confront and benefit from future disruptions and rapid changes in customer behaviors.

While part of the transformation benefit has already been realized in the form of reduced cost to serve in several areas, the pandemic has made the value of the Bank's technological investments and digital transformation efforts even more evident. The Bank was able to effectively deliver banking services despite the temporary branch closures and reduced hours during the period of nationwide lockdown. The Bank's employees quickly adjusted to the "Work from Anywhere" mode, which has become a new norm for the Bank going forward.

The Bank also leveraged its digital technology expertise to help SME customers operate more effectively during the pandemic, as e-commerce and online transactions overtook physical retail. The Bank built two new digital platforms, Robinhood and SCB SHOP DEAL, to give SMEs and small restaurants low-cost channels to market and deliver their products and services. These platforms also provide additional digital channels for the Bank to deepen its customer engagement.

Robinhood was launched as an alternative food delivery platform to support some 16,000 small restaurants and merchants to adopt digital sales without high fees. Unlike other delivery platforms, Robinhood does not charge gross profit fees, which are normally bundled with hourly sales settlements. Moreover, with Robinhood, funds become available in the merchant's account within just one hour,

providing much needed day-to-day liquidity to operate amid this economic crisis. The application has also created 10,000 delivery jobs during this period of rising unemployment. The application's cashless and 100% digital payment feature enables customers to pay merchants directly via SCB EASY App, credit card, debit card or cash card, eliminating the need for drivers to advance their own cash for customers' orders.

SCB SHOP DEAL was designed to help customers in the hospitality and related service businesses market special deals online to the Bank's entire customer base.

Together with SCB EASY App and online lending subsidiaries, the Bank has now adopted a multi-channel approach to digital customer acquisition and customer service. As a result, the Bank's total number of online users rose 33% yoy to 13.7 million users.

In 2020, the Bank reported net profit of Baht 27,218 million, a 32.7% yoy decrease from the prior year. The large decline was due to the base effect resulting from one-off items recorded in 3Q19 for the sale of shares in SCB Life Assurance PCL (SCB Life), and higher provisions in expectation of the pandemic impact on overall loan quality. Excluding the one-time gain from the sale of SCB Life in 3Q19, pre-provision operating profit increased by 12.4% yoy due to higher net fee income, higher net gain on trading and FX transactions and effective cost control measures. Nevertheless, the Bank proactively set aside Baht 46,649 million (214 bps of total loans) for expected credit loss, which reflected weakening macroeconomic variables and asset impairment during this period of an economic downturn.

Total loans increased by 6.7% yoy, which was higher than the revised target of 3–5% due mainly to higher-than-expected growth in Retail and Corporate Segment, especially among top-quality corporates, given a decline in bond market liquidity, as well as resilient demand for mortgage loans. The Bank's gross NPL ratio rose to 3.68%, mainly from qualitative downgrades and partly from NPL formation, which was at the rate considered normal in a major economic downturn. At the end of 2020, the Bank's coverage ratio remained high at 140.8%, with strong total capital adequacy ratios under Basel III at 18.2% of total risk-weighted assets and 17.1% of common equity Tier 1.

The Bank maintained market leadership in a broad range of products and services across customer segments while offering one of the largest customer service networks in the country. At the end of 2020, the Bank had 811 traditional branches, 12,055 ATMs/CDMs, 67 foreign exchange kiosks, and various alternative channels, such as SCB EASY App and SCB LINE Connect.

### SCB's Strategic Roadmap

The financial services industry continues to face constant challenges ranging from rapid technological advancement that has drastically altered the way banking businesses operate; to constant disruption that has now become the new normal; and a shift in the industry's competitive landscape and revenue structure. Additionally, revenue from transaction fees has been in decline under pressure from intense competition and tighter regulations.

The SCB Transformation program has paved the way for the Bank to move ahead with its aspiration to be a tech company that provides financial services. Just like a tech company, the Bank is putting customer needs first by creating customer-centric platforms with new capabilities and technologies to deliver exceptional customer experiences. Once customers fully migrate to the Bank's digital platforms and embrace the holistic shift to digital banking, the Bank will be in a strong position to capture more opportunities and grow sustainably in the future.

By utilizing digital technology, the Bank can instantly identify customer needs and provide personalized solutions. More and frequent customer interactions on the Bank's digital platforms mean more data for the Bank to gather and generate insights on customer behaviors and preferences, enabling the Bank to better serve customers. Data can be further harnessed by the use of artificial intelligence and machine learning, which will help the Bank reshape its future business model and customer service approach.

To provide the best possible customer experience and to be the consumer's trusted financial partner, the Bank plans to move from the "platform and partnership" banking model toward predictive banking. This shift requires the Bank to continue investing in technology and keep up with customers' evolving lifestyle and banking preferences.

The Bank is committed to creating value with the right balance for all stakeholders: customers, employees, shareholders, regulators and society. To be the “**Most Admired Bank**,” the Bank’s strives to be the most preferred partner for customers, a caring employer for staff, an attractive investment for shareholders and investors, a prudent bank working closely with the regulators, and a responsible corporate citizen for society and environment.

#### **The Bank’s key strategic priorities for 2021 are:**

- 1. Digital and technology:** The Bank will continue to enhance technological capabilities and advance toward a new digital banking operating model while developing ecosystems to engage customers.
- 2. Strong cost discipline:** The Bank will tightly manage the cost base but not at the expense of new investment and capability enhancements.
- 3. Prudent risk management:** The Bank will closely monitor the credit portfolio while exercising prudent risk management and will leverage tech capabilities to build data-driven and innovative ways to manage asset quality. Also, the Bank will continue to provide assistance to customers during the pandemic.
- 4. Growth opportunities:** The Bank will grow the business both organically by optimizing existing businesses and inorganically by acquiring new capabilities.

**4.1 Growth from inorganic approaches:** With its strong capital base and liquidity, the Bank will explore and capture inorganic growth and partnership opportunities to bring in new capabilities and create sustainable growth and returns for stakeholders. This approach, which encompasses domestic adjacent business and/or regional acquisitions or partnership, aims to enhance growth capabilities within the business framework of SCB Financial Group, to optimize capital allocation, and to maximize returns for stakeholders.

#### **4.2 Growth from wealth management business:**

The wealth management business in Thailand has grown steadily in recent years. SCB Group, led by SCB Asset Management Co., Ltd. and SCB Securities Co., Ltd., aims to enhance wealth management capabilities and customer experiences to

capture this opportunity by offering a comprehensive and convenient investment and wealth advisory platform. The Bank will leverage advanced technologies, e.g., artificial intelligence and robo-advisor service, to deliver personalized offerings and solutions. In addition, SCB Julius Baer was founded to better serve the Bank’s high-net-worth customers.

#### **4.3 Growth from bancassurance partnership:**

Thailand’s life insurance market has a low penetration rate, with promising short-term and long-term growth potential. The Bank plans to unlock this potential with a three-prong approach. First, the Bank will improve its insurance distribution channels under the new business model. Second, the Bank will leverage the enhanced product capability from the bancassurance partnership with FWD to offer a wide range of insurance products to customers. Lastly, the Bank started to operate life and non-life insurance brokerage through a new subsidiary, SCB Protect, to manage the insurance business with the expectation that specialists will help spur growth.

#### **4.4 Disruptive business model for exponential growth:**

**Being faced with continual digital disruption from myriad sources, the Bank needs to constantly update and upgrade its own digital capabilities. To stay ahead of abrupt market changes and ever evolving customer behavior, the Bank will leverage its current data to gain insights on customer needs and deepen customer engagement. Another priority of the Bank is to further invest for the future and foster digital innovations under a disruptive business model by partnering with leading companies and start-ups while also creating internal capabilities through SCB 10X, the Bank’s tech-focused subsidiary. With its emphasis on realigning the organizational culture for the digital age, the Bank will be able to attract talents and cultivate a risk-taking mindset to initiate new business innovations that will produce positive outcomes for the Bank.**

**45 Growth from lending business:** Based on an expectation of a gradual economic recovery, loan growth will likely remain subdued. As such, the Bank will continue to focus on risk-return optimization. With the commitment to prudent and responsible banking, the Bank will implement responsible lending policies in line with international standards and integrate environmental, social and governance (ESG) considerations into the business practice. In addition, the Bank's progress in digital lending will help improve financial inclusiveness across all customer segments, including retail customers, SME customers and customers without collateral. The Bank will utilize artificial intelligence and machine learning to analyze customer data, identify high-quality borrowers, and provide personalized loan offers, which should also reduce the Bank's cost to serve.

In addition to the above strategies, the Bank will continue to invest in people and culture while practicing prudent risk management, all of which are critical to the success of the "Going Upside Down" strategy. When it comes to people and culture, the Bank's key focus is agility. To develop an agile workforce, the Bank creates teams with diverse expertise, cultivates a customer-centric mindset, and encourages innovation to increase the organization's capabilities.

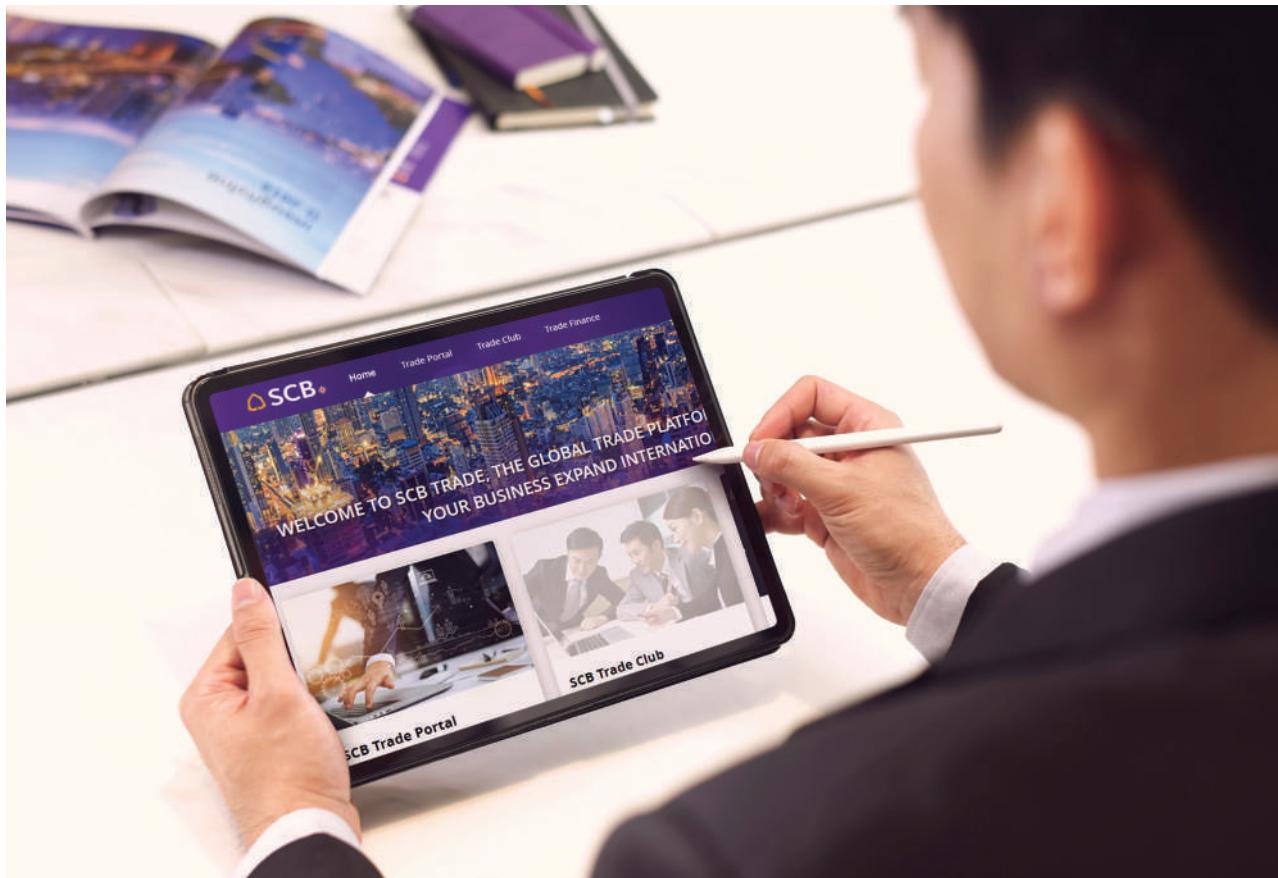
## Outlook and Key Performance Targets for 2021

Considering the current economic uncertainty, the Bank's approach will be to focus on quality growth with a 3-5% loan growth target in 2021. Because of multiple rate cuts in 2020, a flight to quality, excess liquidity, and low yield on soft loans granted to SME customers, net interest margin will continue to be under pressure and is expected to be in the range of 3.0-3.2%.

With a number of non-recurring items booked in 2020, non-interest income is expected to remain flat although recurring items will likely see a mid-to-high single digit growth rate. The Bank will continue to focus on bancassurance and wealth management with the expectation that these two sectors will show positive growth, albeit slow due to the second wave of COVID-19. With income being under pressure, the Bank will exercise strict discipline in cost management and bring cost-to-income down to low-to-mid 40%. The Bank's cost control approach, however, will not be at the expense of new investment and capability enhancements.

Regarding asset quality, given the Bank's prudent NPL recognition and management coupled with its value preservation strategy, NPLs are expected to rise to 4.0-4.5% in 2021. Thus, provisions may remain elevated but should not be more than 200 bps throughout 2021. Although actual provisions required will ultimately be dictated by the pace of the economic recovery, the Bank expects provisions to have already peaked in 2020 given the current trajectory. Finally, coverage ratio will be kept above 130% to protect the Bank against risks from the pandemic and expiry of the relief program.

## CORPORATE SEGMENT



In 2021, the Corporate Segment will continue to focus on sustainable growth, with a strong emphasis on monitoring asset quality through credit management. At the same time, the Bank will deepen strategic partnership with corporate customers and maintain its position as a lead lender in major financing deals for both government and private-sector projects.

### **Key strategic initiatives are to:**

1. Focus on portfolio quality and agility while continuing to deliver growth by deploying the next level of data capability to automate and control portfolio for timely monitoring and decision-making;
2. Increase main operating accounts by creating a new customer experience in transactional services through cutting-edge technology such as blockchain;

3. Grow trade business to support corporate customers in global expansion through trade initiatives such as business matching;

4. Improve the Bank's internal processes and uplift staff capability to deliver excellent customer experience; and

5. Take part in project finance to make a contribution in enhancing the country's long-term competitiveness.

## SME SEGMENT



Due to the weak economy, the SME Segment will focus on quality growth to ensure long-term sustainability while maintaining its commitment to SME customers to help them achieve their business goals. Specifically, in 2021, the Bank plans to increase the number of quality customers based on the enhanced matrix of both risk factors and industry outlook accompanied by asset quality monitoring.

### Key strategic initiatives are to:

1. Help customers and closely monitor portfolio quality, especially for assets in sensitive industries impacted by the pandemic;

2. Continue to build a "Digital Commerce Ecosystem" to support SME customers to achieve accelerated yet sustainable growth through the Bank's digital platforms, e.g., digital payment through

SCB EASY App, SCB Business Anywhere, QR Payment as well as digital commerce consulting services;

3. Develop both secured and unsecured lending products to make funding accessible to SSME customers by leveraging new underwriting technology and enhanced collection and data capabilities;

4. Grow SSME customer base through bulk acquisition as well as leveraging data capabilities and digital platforms to achieve economy of scale, lower costs and fast turnaround time; and

5. Uplift people capability to instill thorough knowledge of products and services.

## WEALTH SEGMENT



The Wealth Segment's priority will be to increase its wealth management capabilities for all customers by offering attractive value propositions and introducing a new platform to improve investment product offerings. The Bank will harness digital technology to grow its wealth customer base, assets under management and profitability.

### Key strategic initiatives are to:

1. Provide wealth management services to ultra-high-net-worth customers through strategic partnership with Julius Baer, the leading Swiss private banking group;

2. Deliver personalized offerings such as a retirement plan; a wide range of alternatives both from SCB Financial Group and the Bank's strategic partners using an open architecture solution and platform; and life insurance products from FWD;

3. Build full advisory capability and comprehensive product solutions while implementing technology to guide investment allocation to meet specific customer needs (Personalization);

4. Enhance investment platform for the Bank's wealth customers to gain access to wider product and service offerings. Also, utilize artificial intelligence and machine-learning tools to deliver personalized service solutions to wealth customers;

5. Position SCB Investment Center as one of the key service channels for wealth customers; and

6. Uplift capabilities of wealth advisors through intensive training and coaching to gain familiarity and expertise in more sophisticated insurance and investment products and leverage digital advisory tools to offer holistic wealth management advisory services, both in-branch and out-of-branch.

## RETAIL SEGMENT



Reflecting SCB's long-term digital banking strategy, the strategic priorities of the Retail Segment are to grow the high-quality customer base, especially main operating accounts, to capture new revenue streams, and to lower cost to serve by applying cutting-edge technology.

### Key strategic initiatives are to:

1. Grow high-quality customer base and increase main operating accounts by improving digital and physical services;
2. Implement technology to analyze data and customer behavior in order to segment and offer differentiated products that meet customer needs while also creating a "Lifestyle Ecosystem" by leveraging relationships with strategic partners in areas such as lifestyle, travel, retail and healthcare;

3. Capture new revenue streams from high margin/alternative lending by using data analytics to identify customer needs, create customer engagement, and quickly offer the right products to customers under improved risk management. The Bank will also use data analytics capability to develop a new business model and deploy technology to deliver exceptional customer experiences by using insights from customer behavioral analysis to improve product offerings and services; and

4. Lower cost to serve by increasing digital acquisition and migration, optimizing service channels, revamping call service center, and experimenting with chatbot technology to effectively serve customers.

## DIGITAL BANK



The Digital Banking Group was set up to drive banking business in the digital age with a key objective of creating exceptional customer experiences throughout the journey and deepening customer engagement with SCB Financial Group.

The Bank creates differentiated value for customers by not only making continuous improvement to its existing platforms but also inventing new platforms and ecosystems. These platforms coupled with the use of technology and data analytics will enable the Bank to serve new customer segments that had been previously impenetrable by traditional banking. This technological edge will also lower the cost to serve and increase service efficiency for existing customers, yielding higher returns for shareholders.

To operate within the above strategic framework requires building technology capability in four following areas:

1. Engagement layer: to give customers exceptional usage experience with data transparency and flexible services as if hyper-personalized;

2. Product: to deliver differentiated value to individual customers by offering products, which may or may not be related to financial services, that are needed for daily life, at an almost instantaneous speed;

3. Capacity: to accommodate high volume of transactions and customers at the level that exceeds the current capacity by many folds; and

4. Personal assistance: to provide real-time response and advice on every aspect of daily life just like a personal assistant who makes life easier so that customers can achieve their goals.

## SCB ASSET MANAGEMENT CO., LTD. (SCBAM)

The Bank provides asset management services by offering products in the form of mutual funds, provident funds and private funds through its wholly owned subsidiary, SCB Asset Management Co., Ltd. As of December 31, 2020, SCBAM remained the largest asset management company in Thailand in terms of assets under management (AUM), with total AUM of Baht 1.61 trillion (including mutual funds for resolving financial institution problems). However, AUM at the end of 2020 was 2.8% lower than the prior year, reflecting the impact of COVID-19 on worldwide economies, asset prices and most businesses, including SCBAM.

For the mutual fund business, solid investment performance and effective distribution through the Bank have enabled SCBAM to gain 18.7% market share, which amounts to Baht 942 billion in AUM. This total AUM, which represents a 7.8% decline from the prior year, includes Baht 188 billion of property funds (Type I) and infrastructure funds, as well as Baht 53 billion of real estate investment trusts (REITs) in net asset value under SCBAM trusteeship.

THE  
LARGEST

Asset management company  
in Thailand  
in terms of  
assets under management  
(AUM)



For the private fund business, the company's AUM reached Baht 507 billion at the end of 2020, or an annual growth rate of 3.7%, while AUM for the provident fund business grew 11.1% annually to Baht 164 billion at the end of 2020.

In 2020, SCBAM won several awards from leading Thai and international publications and institutions which include Morningstar Awards 2020 in the equity large-cap category for the SCB Dividend Stock Open End Fund (Dividend) from Morningstar Research (Thailand) Limited; Best Asset Manager (Money Market & Balanced Funds) and Best Asset Manager (Fixed Income Funds) from Alpha Southeast Asia (HK); Best Mutual Fund (Equity Large) for the SCB Dividend Stock Open End Fund (SCBDV); Best Mutual Fund (LTF) for the SCB Stock Plus Long Term Equity Fund (SCBLT2); and Best Mutual Fund (Global Asset Allocation) for the SCB World Income Fund Accumulation (SCBWINA) from Money & Banking magazine.

## SCB SECURITIES CO., LTD. (SCBS)

Established in 1995, SCB Securities Co., Ltd. is a wholly owned subsidiary of the Bank that serves as the brokerage arm. It operates a securities business and offers equity products and services to institutional and retail investors. SCBS has won the trust of investors to become one of Thailand's leading securities companies, with its head office located at SCB Park Plaza and five branches, complemented by digital channels that include SCBS EASY INVEST App and the Company's website ([www.scbsonline.com](http://www.scbsonline.com)).

In 2020, the average daily equity trading volume (excluding proprietary trading) on the Stock Exchange of Thailand (SET) was Baht 61 billion, a 33% increase from Baht 46 billion in 2019. Trading volume rose across the board for retail investors, foreign investors and local institutions but disproportionately more so for retail investors, whose trading volume went up 67% from 2019.

Amid fierce competition especially from online trading and foreign-affiliated brokerage companies that drove down commissions, SCBS held a 3.50% market share in 2020, a slight increase from 3.42% in 2019, which put SCBS at No. 12 out of 39 brokers in Thailand, the same ranking as the prior year.

During 2020, SCBS stayed firmly committed to the goal of being Thailand's "Most Admired Investment Broker" by continually improving customer service and satisfaction. At every channel, the company strives to provide the ultimate customer experience with maximum convenience under the concept "Easy & Smart." As an example, SCBS standard brokerage account has been upgraded to "SCBS Investment Account" with greater versatility and variety of product and service offerings. For added convenience, customers can access the new digital onboarding platform on SCB EASY App and SCBS EASY INVEST App to open an account online instantly or, alternatively, visit any SCB branch for a convenient account opening service assisted by the "iOnboard" platform. In 2020, SCBS continued the process of upskilling account officers and transforming their roles into financial



advisors who can better serve high-net-worth customers. SCBS also utilizes artificial intelligence technology to improve services to retail investors by, for example, providing next best offers to customers based on behavioral analysis and personalized investment advice tailored to customer preference.

SCBS continues to develop and deliver new digital investing capabilities for customers. The SCBS EASY INVEST App, for example, is a multi-trading platform that offers a discretionary automated mandate service, such as algorithmic trading of Thai stocks, as well as Robo Advisor for local mutual funds. This strategic App provides added convenience and a wider range of services for SCBS customers.

In 2020, SCBS won the "Outstanding Securities Company Award – Retail Investors" from the SET Awards 2020 competition. This recognition is a strong testament to the Company's commitment to providing outstanding customer service.

## INDUSTRY AND COMPETITION REVIEW

The Thai economy and banking sector have been severely affected by the COVID-19 pandemic with long-lasting implications from scarring effects. Recovery has been gradual as the country is still grappling with increasing business closures, a weak labor market and high debt burden among both households and businesses. Furthermore, Thai banks continue to face many challenges; chief among them are intense competition from digital banking and a multitude of regulatory changes, including measures to facilitate economic recovery. Despite the severe impact, the Thai banking sector has built a strong capital buffer and will remain a key pillar to support the country's economic recovery. At the end of 2020, Thailand had 19 banks of which 14 were commercial banks, 1 was a retail bank and 4 were foreign subsidiaries.

**The Thai banking sector has built a strong capital buffer and will remain a key pillar to support the country's economic recovery**

**Comparison of SCB's Performance with Thai Commercial Banking Sector\***  
as at December 31, 2020

Unit: Baht billion

Consolidated	Thai commercial banking sector*		Change % yoy	SCB 2020	SCB's market share (%)
	2020	2019			
Assets	19,787	17,946	10.3	3,278	16.6
Gross loans	13,298	12,353	7.7	2,255	17.0
Deposits	14,079	12,475	12.9	2,420	17.2
Net profit	138	209	-33.8	27	19.7

\* Thai commercial banking sector as defined here consists of 11 commercial banks listed on the Stock Exchange of Thailand.

In 2020, the aggregate net profit of the Thai banking industry declined significantly by 34% yoy due mainly to higher provisions which reflected sector-wide expectation of the pandemic impact on loan quality. Operating profits fell 9% following a sharp drop in non-interest income caused by 1) a substantial decline in investment gains, 2) accounting differences introduced by TFRS9 adoption, which requires loan-related fees (i.e. front-end fees and commitment fees) to be amortized over the life of underlying loans, and 3) reduced economic activity during the pandemic. Net interest income also came under pressure following a series of interest rate cuts, with the Bank of Thailand lowering its policy rate three times in 2020 to a record low of 50 bps currently. To counter the effect of revenue shortfall, banks have resorted to cost control measures, which resulted in lower yoy operating expenses for most banks.

Total loan volume of the Thai commercial banking sector grew by 8% in 2020, primarily driven by lower repayment from customers under the relief programs as well as higher loan demand from corporate and retail segments. Given the economic uncertainty and deterioration in loan quality, banks have been more cautious in lending and opted for customers with better risk profiles. At the same time, corporates and individuals have been conserving cash, resulting in a flood of liquidity in the banking sector, as shown by a 13% yoy surge in deposits, particularly from current and savings deposits. As of December 31, 2020, SCB's market shares in loans and deposits were relatively steady yoy.

The Thai commercial banking sector demonstrated a strong capital position, with an 18.6% capital adequacy ratio (CAR) on a bank-only basis in 2020, significantly higher than the minimum capital required under the Basel III rules.

Despite a sharp contraction in GDP, the non-performing loan ratio of Thai commercial banks increased only 20 bps to 3.45%. However, this low NPL ratio may not fully reflect current economic conditions since the Bank of Thailand relaxed the rules on loan classification. Because banks have significantly increased their loan loss provisions, coverage ratio for the sector remained high at 148% in 2020.

Given the current economic uncertainty and on-going disruptions, Thai commercial banks are likely to remain vigilant and maintain a high level of capital to accommodate future regulatory changes and uncertainties. In addition, Thai banks must continue to innovate and adapt to today's fast-changing world.

Total loan volume of  
the Thai commercial banking  
sector grew by

8% in 2020

The Thai commercial banking sector  
demonstrated a strong capital  
position with an

18.6%  
capital adequacy ratio (CAR)

# AWARDS AND PRIDE IN 2020



## BEST BANK IN THAILAND AWARDS

- Euromoney (UK) (12<sup>th</sup> year)
- The Asset (HK) (12<sup>th</sup> year)
- FinanceAsia (HK) (10<sup>th</sup> year)
- Asiamoney (HK) (6<sup>th</sup> year)
- Alpha SEA (HK) (3<sup>rd</sup> year)

## DOW JONES SUSTAINABILITY INDICES

SCB was selected as a member of the Dow Jones Sustainability Indices 2020 (DJSI 2020) in the Financial category of the World Index and Emerging Markets Index group for the third consecutive year from among 253 institutions in the world.

## THAILAND CORPORATE EXCELLENCE 2020 (DISTINGUISHED) FROM THAILAND MANAGEMENT ASSOCIATION (TMA)

- Human Resource Management
- Financial Management
- Innovation
- Product and Service
- Marketing

## AWARDS WON BY BUSINESS GROUPS

### Wholesale Banking Group

#### From The Asset (HK)

- Best in Treasury and Working Capital – LLCs (2<sup>nd</sup> year)
- Best Service Provider Trade Finance (3<sup>rd</sup> year)
- Best Sell-Side Firm in Thailand
- Best Power Deal of the Year
- Best Power M&A Deal of the Year
- Best Retail Bond Thailand
- Best Local Currency Green Bond – Regional
- Best Corporate and Institutional Advisor – Thailand

#### From Asiamoney (HK)

- Best Local Bank in the Region for BRI in Southeast Asia (4<sup>th</sup> consecutive year)
- Best Cash Management Poll – Market Leader in Thailand
- Best Cash Management Poll – Market Leader in Thailand (Asian Banks)
- Best Cash Management Poll – Best Services in Thailand (Asian Banks)

#### From Corporate Treasurer (HK)

- Best Cash Management House
- Best Trade and Supply Chain House (2<sup>nd</sup> consecutive year)
- Best FX House
- Best Transaction Bank

#### From Alpha SEA (HK)

- Best Cash Management Bank in Thailand
- Best Foreign Exchange for Corporate & Financial Institutes
- Best Foreign Exchange for Structured Hedging Solutions and Proprietary Trading Ideas

- Best Local Currency Bond Deal of the Year, Thailand
- Best Bond Deal for Retail Investors in Southeast Asia
- Best IPO for Retail Investors – Thailand
- Best ESG Green Financing in Southeast Asia-Thailand
- Best ESG Green Financing in Southeast Asia-Vietnam

#### **From Global Finance (US)**

- Best Equity Bank in Asia-Pacific (2<sup>nd</sup> consecutive year)
- Best Investment Bank in Thailand

#### **From Asian Banking and Finance (SG)**

- Corporate & Investment Bank of the Year (3<sup>rd</sup> consecutive year)
- Green Deal of the Year

#### **From Global Banking and Finance (UK)**

- Deal of the Year Award -Thailand

#### **From International Financing Review (US)**

- Loan, Thailand Capital Markets Deal

#### **Business Banking Group**

- Best SME Bank in Thailand from Alpha SEA (HK)
- Best SME Bank in Thailand from Brand Age magazine

#### **Retail Banking Group**

- Best Private Bank in Thailand from Global Finance (US) (4<sup>th</sup> consecutive year)
- Best for Investment Research in Thailand from Asiamoney (HK)
- Best Private Bank – Highly commended from The Asset (HK)
- Highly Commended Achievement – Outstanding Private Bank, Southeast Asia from Private Banker International (UK)
- Best for Private Banking Services Overall from Euromoney (UK)
- Best for Private Banking Net Worth: Mega High

Net Worth Clients (US\$250m+) from Euromoney (UK)

- Best for Private Banking Services: ESG/Impact Investing from Euromoney (UK)
- Best for Private Banking Services: Investment Management from Euromoney (UK)
- Best for Private Banking Services: Philanthropic Advice from Euromoney (UK)
- Best for Private Banking Technology: Innovative or Emerging Technology Adoption from Euromoney (UK)
- Best Domestic Retail Bank of the Year from Asian Banking & Finance (SG)
- Best Debit Card Initiative of the Year from Asian Banking & Finance (SG)
- Best Service Innovation of the Year from Asian Banking & Finance (SG)
- Best Debit Card of the Year from The Digital Banker (UK)
- Best Financial Inclusion Initiative from The Digital Banker (UK)
- Best Payments Innovation from The Digital Banker (UK)
- Best Private Bank – Thailand from The Digital Banker (UK)
- Best Bank Mobile Website from The Web Marketing Association (WMA)

## **AFFILIATED CORPORATIONS**

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- Best Asset Manager (Money Market & Balance Funds) from Alpha SEA (HK)
- Best Asset Manager (Fixed Income Funds) from Alpha SEA (HK)
- Top 50 of Global Corporate Venturing 2021 Emerging Leaders from Global Corporate Venturing (UK)

# PRODUCT AND SERVICE OFFERING

## Funding Policy

The Bank has a policy of maintaining growth balanced between the sources and uses of funds by taking into account costs, income and maturity of both the sources and uses of funds. The aim is to be in line with market circumstances without relying exclusively on any specific source of funds. Deposits are the Bank's main funding source, and the Bank has adopted a policy to maintain a solid deposit base under all market situations.

## Lending Activities

SCB has established a clear set of credit policies, strategies and lending targets with an aim to maintain a balance of credit quality and market opportunities. These credit-related goals and strategies are determined jointly by the business units and the Risk Management Group and are subject to regular reviews. The Bank's lending policy upholds good environmental, social and governance practices by adhering to regulatory requirements while considering overall economic growth and specific business trends. Another objective of the Bank's lending policy is for the Bank to be adaptive to changes under various other risk considerations in order to maintain public confidence in the Bank as part of sustainable development.

The Bank defines its Credit Policy Guide (CPG) as the overall lending policy framework and sets underwriting standards to guide its business strategies for existing and new clients based on target groups, strategies for each target group, minimum underwriting standards and other related criteria.

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

Business units are responsible for managing relationships, acquiring new clients, creating new markets and originating loans. These business units are organized based on the nature of each business to best serve different clients, which are categorized into Corporate and SME segments.

Credit approval units under the Credit Risk Management Division provide independent advice and recommendations in accordance with the Credit Policy Guide to support authorized approvers in making credit decisions.

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

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

## Lending Policy

The Bank's lending policy covers a wide range of business segments, including retail, SSME, SME and corporate customers. For business lending, the Bank targets high-potential, high-growth businesses among both existing and new clients. The Bank makes credit decisions based primarily on a client's cash flow and repayment ability while also considering collateral quality in terms of both valuation and liquidity, so as to mitigate potential losses.

## Credit Underwriting and Approval Process

The Bank strives to achieve appropriate risk diversification and reasonable risk-adjusted returns in its credit underwriting process. Each employee involved in the credit process, regardless of his or her level of credit approval authority, is expected to use professional judgement, avoid any conflict of interest, and comply with the Bank's Credit Policy Guide and underwriting standards.

The Bank's credit approval authority is given at both employee and committee levels. Employees with credit approval authority are: 1) the chief executive officer, 2) the presidents, 3) the chief risk officer, 4) the head of credit risk management function, 5) credit risk management senior managers, 6) senior credit officers and 7) credit officers, including authorized employees

in retail and SSME lending. Employees having the same or similar job titles or level of position may or may not be granted similar credit approval authority, which depends on the individual's experience and expertise considered on a case-by-case basis.

Committees with credit approval authority are as follows:

1. The Board of Directors has the authority to consider, review and approve loans within the scope set forth by SCB's rules on credit approval authority. Any lending to SCB-related business entities, SCB major shareholders or their related parties falls within the approval authority of the Board of Directors.

2. The Executive Committee has the authority to consider, review and approve loans within the scope set forth by SCB's rules on credit approval authority and to make recommendations to the Board of Directors on cases that require the Board's approval.

3. The Credit Committee, Retail Credit Committee, Wealth Credit Committee and Special Assets Committee are responsible for approving loans under their areas of authority and for making recommendations to the Executive Committee or the Board of Directors on cases beyond their scope of authority.

### Credit Quality Control and Review

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

Each relationship manager and special business officer is responsible for conducting customer reviews when warranted by events that have material impact on customers or by routine customer reviews within a specified timeframe at least once a year. Reports on customer reviews shall be prepared according to a specified format and submitted for approval.

For retail customers and SSMEs, the Bank reviews customer risk ratings to gain insight on customer behavior and formulate an appropriate strategy for portfolio management, such as creating an early warning system. The review is conducted at least once a year, or more frequently if warranted by material change in customers' risk ratings.

For retail customers and SSMEs with overdue payments, the Bank will pursue different collection strategies depending on a borrower's risk rating, which will enable the Collection Unit and the Special Business Unit to monitor and arrive at appropriate resolutions on a timely basis.

For Corporate and SME customers, the Bank has a policy to enhance monitoring efficiency and asset quality assessment to ensure quick, thorough and accurate identification of problem loans. The Special Business Unit works closely with the business units to oversee and manage customers to prevent the occurrence of NPLs by approaching customers to understand their problems and challenges in order to remedy and prevent loans from turning into NPLs. Moreover, there is qualitative loan classification that reflects customer quality to ensure that adequate provision is set aside for potential losses.

However, once a loan is classified as non-performing, collection responsibility shall be transferred to the Special Business Unit within one month from the date of the NPL classification, for further action by work-out specialists. In order for any business unit to take responsibility for an NPL itself, instead of transferring the NPL to the Special Business Unit, the business unit must seek approval from the Credit Committee or Retail Credit Committee.

## BUSINESS ASSETS

### Main Fixed Assets for Business Operations

#### Premises and equipment, net

As at December 31, 2020 and 2019, the net premises and equipment were as follows:

(in million Baht)

(Consolidated)	2020	2019
Land	17,714	18,368
Premises and building improvements	28,800	29,181
Equipment	18,889	19,205
Others	530	782
Right-of-use assets	6,055	-
<b>Total</b>	<b>71,988</b>	<b>67,536</b>
Less Accumulated depreciation	(31,192)	(26,473)
Allowance for impairment	(487)	(286)
<b>Premises and equipment, net</b>	<b>40,309</b>	<b>40,777</b>

#### Right-of-use assets

The Bank and its subsidiaries lease a number of branch offices, foreign exchange booths, ATM locations, cars with an option to renew after maturity date.

In 2020, the Bank and its subsidiaries record such lease as a right-of-use assets under TFRS 16.

#### Investment Policy

The Bank's investments in subsidiaries, affiliates, and other companies as of December 31, 2020 follow two distinct investment management approaches.

#### Investment in SCB Financial Group

The Bank set up the SCB Financial Group to facilitate its long-term investments in both financial businesses as well as auxiliary businesses to support its banking operation. Furthermore, to increase long-term competitiveness for SCB Financial Group, SCB 10X was founded with an investment mandate to build new digital capabilities with applicability to the banking business. The strength of SCB 10X combined with other subsidiary companies will drive the SCB Financial Group toward sustainable growth and to accomplish its vision of being "the Most Admired Bank."

#### Investment in Other Businesses

For investments outside of the SCB Financial Group, the Bank's objectives are to generate investment returns in the form of dividends and capital gains within an appropriate timeframe and/or to build long-term relationship with business partners and customers. Furthermore, the Bank has a policy to invest in fintech businesses to enhance its competitiveness and to meet customer needs.

#### Investment Oversight and Risk Management

The Bank's investment oversight covers policy formulation, business operations and risk management for both the overall group and individual business entities by regularly monitoring performance and assessing risk. Moreover, for all companies within the SCB Financial Group and for some companies outside the SCB Financial Group, the Bank also has its executives serve as board members to ensure that these businesses are operated in a way that meets the Bank's expectations.

# CAPITAL STRUCTURE

## Securities

Registered capital, as of December 31, 2020, stood at Baht 70,000 million and comprised:

3,417,274,103 ordinary shares with a par value of 10 Baht  
3,582,725,897 preferred shares with a par value of 10 Baht

Paid-up capital, as of December 31, 2020, stood at Baht 33,992 million and comprised:  
3,395,590,658 ordinary shares with a par value of 10 Baht and one voting right per share  
3,601,540 preferred shares with a par value of 10 Baht and one voting right per share

## Details of Securities

SCB's securities listed on the Stock Exchange of Thailand (SET) are as follows:

1. Ordinary shares
2. Preferred shares

### 1. Ordinary shares

Amount	3,395,590,658 shares as of December 31, 2020
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Company Limited
Trading	Traded on both main board and foreign board: - Using the symbol SCB on the main board - Using the symbol SCB-F on the foreign board

## 2. Preferred shares

Amount 3,601,540 shares as of December 31, 2020

Issuer The Siam Commercial Bank Public Company Limited

Registrar Thailand Securities Depository Company Limited

Trading Traded on both main board and foreign board:

- Using the symbol SCB-P on the main board
- Using the symbol SCB-Q on the foreign board

Preferred share features Preferential rights conferred to preferred shares have a 10-year validity from the date of the initial payment by the Ministry of Finance, which reached the expiration date on May 10, 2009. Therefore, the rights of preferred shareholders are now the same as those of ordinary shareholders. Preferred shares can be converted to ordinary shares in accordance with the conversion schedule and procedure specified by the Bank.

Conversion rate Preferred shares can be converted to ordinary shares at the ratio of 1:1.  
None

Conversion price Conversion schedule Every quarter on March 31, June 30, September 30 and December 31 of each year.

- For conversion on March 31, requests must be submitted during March 16-30.
- For conversion on June 30, requests must be submitted during June 15-29.
- For conversion on September 30, requests must be submitted during September 15-29.
- For conversion on December 31, requests must be submitted during December 16-30.

If a conversion date falls on a bank holiday, conversion shall be made on the last business day prior to the bank holiday.

Conversion procedure	<p>(1) Conversion request forms can be obtained at the Thailand Securities Depository Company Limited or at any securities brokerage.</p> <p>(2) Conversion request forms can be submitted to the Thailand Securities Depository Company Limited or at any securities brokerage during business hours.</p> <p>(3) Documents required for conversion are:</p> <ol style="list-style-type: none"> <li>1. The Bank's conversion request form;</li> <li>2. Preferred share certificates or any permissible substitute (specified by the SET);</li> <li>3. <b>For an individual</b>, a certified copy of a valid national identity card, foreigner identity card or passport (whichever is applicable);  <b>For a juristic person</b>, a copy of a juristic person certificate issued by the Ministry of Commerce within 1 year of the request submission date, together with a certified copy of a valid national identity card of a director with signing authority.</li> </ol>
Place for requesting conversion	<p>(1) Thailand Securities Depository Co., Ltd. or</p> <p>(2) Brokerage</p>

### Future Share Issuance Obligation

The Bank has no future share issuance obligation.

### Shareholding through Thai NVDR Co., Ltd. (NVDR)

As of December 30, 2020, the Bank had 3,399,192,198 registered and paid-up shares outstanding, of which 358,930,445 shares (or 10.56% of total shares) were held through NVDR. Total shares in NVDR can be divided into 358,929,345 ordinary shares (representing 10.57% of total ordinary shares) and 1,100 preferred shares (representing 0.03% of total preferred shares). NVDR has announced that it will abstain from attending and voting at shareholder meetings, except for cases that involve stock delisting from the SET. Investors can obtain the number of the Bank's shares held through NVDR directly from the Stock Exchange of Thailand at [www.set.or.th/nvdr](http://www.set.or.th/nvdr).

**Note:** Thai NVDR Co., Ltd. (NVDR) is a juristic person holding shares on behalf of foreign investors by issuing and selling non-voting depositary receipts, also known as "NVDR instruments," to interested foreign investors. The main purpose of NVDR instruments is to stimulate trading activity and liquidity in the Thai stock market. This mechanism allows foreign investors to invest in Thai securities without foreign limit restriction under applicable laws in Thailand.

### Policy on Rights Issuance

The Bank has no plan to issue new shares to existing shareholders.

## Shareholders

Principal shareholders (as of December 30, 2020)

No.	NAME	Ordinary shares	Preferred shares	Total shares	Percentage of shares
1	HIS MAJESTY KING MAHA VAJIRALONGKORN PHRA VAJIRAKLAOCHAOYUHUA	793,832,359	-	793,832,359	23.35
2	VAYUPAK MUTUAL FUND 1	785,298,200	-	785,298,200	23.10
3	THAI NVDR COMPANY LIMITED	358,929,345	1,100	358,930,445	10.56
4	SOCIAL SECURITY OFFICE	115,334,200	-	115,334,200	3.39
5	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	91,334,545	-	91,334,545	2.69
6	STATE STREET EUROPE LIMITED	59,925,008	-	59,925,008	1.76
7	THE BANK OF NEW YORK MELLON	49,897,424	-	49,897,424	1.47
8	NORTRUST NOMINEES LTD-CL AC	44,213,993	-	44,213,993	1.30
9	NORTRUST NOMINEES LIMITED-NTO SEC LENDING THAILAND CL AC	23,554,173	-	23,554,173	0.69
10	BUALUANG LONG-TERM EQUITY FUND	22,748,000	-	22,748,000	0.67
11	OTHERS	1,050,523,411	3,600,440	1,054,123,851	31.01
<b>TOTAL ISSUED AND PAID-UP SHARES</b>		<b>3,395,590,658</b>	<b>3,601,540</b>	<b>3,399,192,198</b>	<b>100.00</b>
THAI SHAREHOLDERS		2,884,832,939	3,420,783	2,888,253,722	84.97
FOREIGN SHAREHOLDERS		510,757,719	180,757	510,938,476	15.03

Remark: Based on issued and paid-up shares (common shares and preferred shares).

# DIVIDEND POLICY

## SCB's Dividend Policy

In 2020, the Bank paid a dividend at Baht 5.50 per share (excluding special dividend) to ordinary and preferred shareholders totaling Baht 18,696 million, or 46.2%, of the Bank's 2019 consolidated net profit. In addition, the Bank paid a special dividend at Baht 0.75 per share to ordinary and preferred shareholders totaling Baht 2,549 million, resulting in a total dividend payment of Baht 6.25 per share for the year 2019, which was equivalent to Baht 21,245 million in total, representing 52.5% of the Bank's 2019 consolidated net profit. The dividend payment from the Bank's 2020 operational results will be proposed for approval at the Annual General Meeting of Shareholders in April 2021.

The Bank has a policy to pay dividends at the rate of not less than 30 percent of its net profit based on the consolidated financial statements, which are payable in any year of positive profits net of all legal reserves and other reserve requirements, provided that there is no accumulated loss and the Bank maintains sufficient capital to meet legal requirements. It should be noted that on June 18, 2020, the Bank of Thailand (BOT) issued a circular letter on the enhancement of capital funds, including the suspension of interim dividends by commercial banks, to cope with

risks from the coronavirus pandemic (COVID-19). Upon seeing a satisfactory assessment of banks' capital plans and stress test results amid various uncertainties lying ahead, the BOT issued a circular letter on November 12, 2020 that banks would be allowed to pay dividends for the operational results of the year 2020, provided that the dividend payout ratio shall not exceed that of 2019 and shall not exceed 50 percent of 2020 net profit. The dividend payout ratio under the BOT circular letter is calculated based on banks' net profit under the unconsolidated (bank only) financial statements.

## Dividend Policies of Subsidiaries

For a subsidiary over which the Bank has full control and which is not listed on the Stock Exchange of Thailand (SET), dividends shall be paid at the maximum amount of net profits after appropriation for legal reserves or at an appropriate level given the subsidiary's business requirements.

In the case of a subsidiary being a SET-listed company or a company over which the Bank does not have full control, dividend payment will depend on the individual company's dividend policy and shall comply with applicable laws, rules and regulations.

## Debt Securities

At the end of 2020, outstanding significant debt securities issued by the Bank were as follows:

	Amount	Interest rate	Maturity date
USD Senior Unsecured Notes	USD 400 million	3.20%	July 2022
USD Senior Unsecured Notes	USD 500 million	2.75%	May 2023
USD Senior Unsecured Notes	USD 500 million	3.90%	February 2024
USD Senior Unsecured Notes	USD 500 million	4.40%	February 2029

## INVESTMENTS OF SIAM COMMERCIAL BANK PCL IN OTHER COMPANIES

As of December 31, 2020 the Bank owned 10% or more of the issued shares of the following companies.

No.	Company name and address	Type of business	Type of shares	Issued and paid-up capital (Baht)	Paid-up shares	Number of shares	Percentage of ownership*	Amount* (Baht)
1	THE SIAM COMMERCIAL BANK MYANMAR LTD. Sule Square Office Tower, 221 Sule Pagoda Rd., Unit No.18-06/07, Kyauktada Township, Yangon, Myanmar Tel: (95)-9-7745-55559	Banking	Ordinary	USD 150,000,000	1,500,000	1,500,000	100.00%	4,513,500,000
2	CAMBODIAN COMMERCIAL BANK LTD. 26 Monivong Rd., Sangkat Phsar Thmei 2, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia Tel: 001-855 (23) 426-145, 213-601-2 Fax: 001-855 (23) 426-116	Banking	Ordinary	USD 75,000,000	750,000	750,000	100.00%	2,687,888,635
3	RUTCHAYOTHIN ASSETS MANAGEMENT CO., LTD. 9 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2795-4131	Asset management	Ordinary	25,000,000	2,500,000	2,500,000	100.00%	25,000,000
4	SCB PROTECT CO., LTD. G Tower Grand Rama 9, 20 <sup>th</sup> Floor, 9 Rama 9 Rd., Huai Khwang, Huai Khwang, Bangkok 10310 Tel: 0-2037-7899	Insurance broker	Ordinary	183,000,000	30,300,000	30,299,997	100.00%	182,999,970
5	SCB 10X CO., LTD. One FYI Center Tower, 3 <sup>rd</sup> Floor, Unit 1/301-305, 2525 Rama 4 Rd., Khlong Toei, Bangkok 10110 Tel: 0-2795-7828	Holding company	Ordinary	13,300,000,000	133,000,000	132,999,997	100.00%	13,299,999,700
6	DIGITAL VENTURES CO., LTD. <sup>(1)</sup> Rutchadaphisek Corner Property Bldg. (RCP), 2 <sup>nd</sup> Floor, 101 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2061-6166	Financial technology and venture capital	Ordinary	103,750,000	1,037,500	1,037,500	100.00%	103,750,000
7	PURPLE VENTURES CO., LTD. <sup>(1)</sup> SCB Park Plaza Bldg., Tower 3, 22 <sup>nd</sup> Floor, 19 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2795-1114	E-commerce and digital services	Ordinary	150,000,000	3,000,000	3,000,000	100.00%	150,000,000
8	SCB ABACUS CO., LTD. <sup>(1)</sup> SCB Park Plaza Bldg., Tower 3, 22 <sup>nd</sup> Floor, 19 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2544-6566	Data analytics and digital lending	Ordinary	350,000,000	35,000,000	35,000,000	100.00%	351,660,979

No.	Company name and address	Type of business	Type of shares	Issued and paid-up capital (Baht)	Paid-up shares	Number of shares	Percentage of ownership*	Amount* (Baht)
9	SCB SECURITIES CO., LTD. SCB Park Plaza Bldg., Tower 3, 2 <sup>nd</sup> , 20 <sup>th</sup> -21 <sup>st</sup> Floor, 19 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2949-1000 Fax: 0-2949-1001	Securities	Ordinary	2,100,000,000	240,000,000	240,000,000	100.00%	2,207,396,410
10	SCB ASSET MANAGEMENT CO., LTD. SCB Park Plaza Bldg., Tower 1, 7 <sup>th</sup> -8 <sup>th</sup> Floor, 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2949-1500 Fax: 0-2949-1501	Asset management	Ordinary	100,000,000	20,000,000	20,000,000	100.00%	221,573,983
11	MONIX CO., LTD. Training Center Tower, 2 <sup>nd</sup> Floor, 9 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2098-9507	Digital lending	Ordinary	330,000,000	6,600,000	3,959,999	60.00%	197,999,950
12	SCB-JULIUS BAER SECURITIES CO., LTD. 801 Sukumvit Rd., North Klongton, Wattana, Bangkok 10110 Tel: 0-2098-9999	Securities	Ordinary	1,800,000,000	180,000,000	107,999,999	60.00%	1,079,999,990
13	SCB-JULIUS BAER (SINGAPORE) PTE. LTD. <sup>(1)</sup> 9 Straits View, #08-10A, Marina One West Tower, Singapore 018937 Tel: (65) 6973-2020	Securities	Ordinary	SGD 13,700,000	13,700,000	13,700,000	100.00%	317,966,000
14	SCB PLUS CO., LTD. G Tower Grand Rama 9, 12 <sup>th</sup> and 14 <sup>th</sup> Floor, 9 Rama 9 Rd., Huai Khwang, Huai Khwang, Bangkok 10310 Tel: 0-2792-3900 Fax: 0-2128-4711	Collection	Ordinary	1,000,000	100,000	100,000	100.00%	1,000,000
15	SCB TRAINING CENTRE CO., LTD. 9 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 081-847-9297	Training center	Ordinary	549,000,000	5,490,000	5,490,000	100.00%	389,504,400
16	MAHISORN CO., LTD. <sup>(2)</sup> SCB Park Plaza, 18-19 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2937-5400 Fax: 0-2937-5438	Property management	Ordinary	66,949,000	669,490	669,490	100.00%	88,168,273
17	SIAM SAT NETWORK CO., LTD. <sup>(1) (3)</sup> SCB Park Plaza Bldg., Tower 2 West, 21 <sup>st</sup> Floor, 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900	Sattelite service	Ordinary	112,500,000	11,250,000	9,182,012	81.62%	-
18	SIAM TECHNOLOGY SERVICE CO., LTD. <sup>(2) (3)</sup> SCB Park Plaza Bldg., Tower 1 West, 11 <sup>th</sup> Floor, Room 111B 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900	Consultant	Ordinary	30,000,000	3,000,000	2,249,993	75.00%	-

No.	Company name and address	Type of business	Type of shares	Issued and paid-up capital (Baht)	Paid-up shares	Number of shares	Percentage of ownership*	Amount* (Baht)
19	SAHAVIRIYA STEEL INDUSTRIES PCL <sup>(4)</sup> Prapawit Bldg., 2nd-3rd Floor, 28/1 Surasak Rd., Silom, Bangrak, Bangkok 10500 Tel: 0-2238-3063-82 Fax: 0-2236-8890	Steel industry	Ordinary	11,113,018,280	11,113,018,280	4,469,534,816	40.22%	1
20	SIAM MEDIA AND COMMUNICATION CO., LTD. <sup>(3)</sup> SCB Park Plaza Bldg., Tower 2 West, 17 <sup>th</sup> -22 <sup>nd</sup> Floor, 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900	Holding company	Ordinary	700,000,000	7,000,000	2,333,800	33.34%	-
21	BLOCKCHAIN COMMUNITY INITIATIVE (THAILAND) CO., LTD. 5/13 Moo 3, 4 <sup>th</sup> Floor, Chaengwattana Rd., Khlongkluea, Pakkret, Nonthaburi 11120 Tel: 088-597-4790	Blockchain platform	Ordinary	530,000,000	53,000,000	11,750,000	22.17%	117,500,000
22	SYNQA PTE. LTD. <sup>(1)</sup> 6 Battery Rd., #38-04 Singapore 049909	Online payment services	Preferred	3,074,619,333	4,933,851	1,022,964	20.73%	1,493,368,900
23	NATIONAL ITMX CO., LTD. 5/13 Moo 3, Chaengwattana Rd., Khlongkluea, Pakkret, Nonthaburi 11120 Tel: 0-2558-7555 Fax: 0-2558-7566	Payment system service provider	Ordinary	50,000,000	500,000	95,137	19.03%	361,727,999
24	SUPERNAP (THAILAND) CO., LTD. Sindhorn Tower 3 Bldg. 18 <sup>th</sup> Floor, 130-132 Wireless Rd., Lumpini, Pathumwan, Bangkok 10330 Tel: 033-125-100	Data center	Ordinary	2,000,000,000	200,000,000	20,000,000	10.00%	88,000,000
25	THAI U.S. LEATHER CO., LTD. <sup>(3)</sup> 39/98 Rama 2 Rd., Bangkrachao, Muang, Samutsakhon 74000 Tel: 034-490-082-7	Industry	Ordinary	193,750,000	25,000,000	2,500,000	10.00%	-
26	NAVUTI CO., LTD. 920/4 Moo7, Mae Fah Luang, Mae Fah Luang, Chiang Rai 57110 Tel: 053-767-015 Fax: 053-767-077	Agribusiness	Ordinary	60,000,000	600,000	60,000	10.00%	-
27	THAI OBAYASHI CORP., LTD. Nantawan Bldg., 11 <sup>th</sup> Floor, 161 Soi Mahadlek Luang 3 Ratchadamri Rd. Lumpini, Pathum Wan, Bangkok 10330 Tel: 0-2252-5200 Fax: 0-2252-5381	Construction	Ordinary	10,000,000	20,000	2,000	10.00%	1,439,349,900

**Remarks**

- \* In case of indirect investment by bank affiliates, in which the Bank holds more than 30% of their shares, the figures will depict the total percentage of shareholding and investment value of the Bank and its affiliates. (under Section 258 of Securities and Exchange Act.)
- (1) Company held by a Bank affiliate in which the Bank holds more than 30% of shares.
- (2) Company held jointly by the Bank and a Bank affiliate in which the Bank holds more than 30% of shares.
- (3) Discontinued operations, or in process of dissolution or liquidation.
- (4) Debt restructuring investment.

# RISK MANAGEMENT AND RISK FACTORS

## RISK MANAGEMENT

SCB's strong performance in the past ten years has been accompanied by significant expansion in its assets and customer base. As the Bank's operations grow in complexity and size, the Bank must shift its priority toward sustainability. Moreover, the Bank's past successes have also raised the expectations of customers, shareholders and other stakeholders. Against this backdrop, the Bank believes that effective risk management will continue to be the key to sustainable growth and profitability.

Risk management aims to create long-term stability for the business to achieve its goals within its risk appetite. It also mitigates risks in critical or uncontrollable situations. SCB is committed to continuously develop and strengthen its entire risk management system including risk identification, risk assessment and measurement, risk control and mitigation, and risk monitoring to be prepared for ongoing and future challenges.

The backbone of SCB's risk management consists of the policy formulation process, implementation framework and audit process, in tandem with building a strong risk management culture by empowering our people with knowledge and accountability so that they can all participate in this crucial discipline.

SCB's overall risk management structure, policy and system comprise the following:

## RISK MANAGEMENT SYSTEM

SCB's risk management system has four major components:

### 1. Risk identification

Major risks of the Bank include transactions and activities involving customers and counterparties. These risks are strategic risk; credit risk; market risk; interest rate risk in the banking book; liquidity risk; and operational risk, which entails model risk, reputational risk, people risk and technology risk. These risk categories are discussed in detail below in the "Key Risk Factors for the Banking Business" section.

### 2. Risk assessment and measurement

To assess and measure each type of risk, the Bank employs a wide range of quantitative and qualitative methods based on internal ratings-based approaches and/or other appropriate internal models:

- **For strategic risk**, the Bank relies on and develops an assessment using primarily qualitative risk factors and quantitative economic indicators.
- **For credit risk**, measures include borrower risk ratings to gauge the probability of default (PD). The Bank applies credit scoring, such as application scores, and behavioral scores to assess risk profiles of retail clients and small SMEs. In addition, the Bank has developed risk models to estimate loss given default (LGD) and exposure at default (EAD). For derivative products, the Bank relies upon the potential future exposure (PFE) methodology to measure credit risk exposure.
- **For market risk**, measurements include both statistical tools, such as value at risk (VaR), and non-statistical methods, including risk-factor sensitivity analysis, position measures and stress testing for trading book exposures.
- **For interest rate risk in the banking book (IRRBB)**, the Bank assesses the risk by measuring the impact of interest rate fluctuation on net interest income and economic value of equity (EVE) using interest rate volatility assumption under stress scenarios.
- **For liquidity risk**, the measures cover balance-sheet structure, cash flows of assets and liabilities, and off-balance-sheet items. The liquidity risk measurements include liquidity coverage ratio (LCR), net stable

funding ratio (NSFR), liquidity ratio and maximum cumulative outflow (MCO).

- **For operational risk measurement,** the Bank uses end-to-end value chain risk and control self-assessment (RCSA) approaches as well as loss incident data to determine operational risk and internal control effectiveness for each function. Moreover, as part of its risk mitigation process, the Bank has established a business continuity management plan (BCM) to ensure continuity of key activities during any crisis events that may cause business disruptions. The Bank's operational risk management approach requires all new products and any material changes to existing products to undergo a risk profile review. This approach ensures that operational risk remains within the Bank's risk appetite to reduce the impact from potential operational risk events.
- **For model risk,** the performance of a model is measured by using statistical quantitative factors including key performance indicators and other quantitative indicators to validate that the employed model is suitable. Qualitative analysis and measurement are also conducted to validate risks arising from usage of a model.
- **For reputational risk,** technology risk and people risk, the Bank mainly applies risk analysis, including quantitative and qualitative risk management.

To implement forward-looking risk management, the Bank also performs stress tests in addition to other risk measurement tools, particularly for market risk, credit risk and liquidity risk.

### **3. Risk control and mitigation**

The Bank establishes a risk appetite statement (RAS) that is aligned with the SCB Financial Group long-term goals to guide its overall risk considerations and controls. The Bank regularly reviews its capital adequacy, monitors and controls risk by establishing key risk indicators and risk limits for the exposure faced by the Bank at different levels: organization-wide,

customer, product, transaction and others. The Bank has an internal control process to manage risks in accordance with the Bank's policies and procedures.

### **4. Risk monitoring**

Risks in all categories are monitored and reported promptly and accurately to relevant functions and management on a regular basis to ensure effective risk management and control. Risk monitoring reports are created at the product level, the function level and for the overall risk of the Bank.

## **Risk Governance Structure**

The risk governance structure comprises five key components:

### **1. Policies**

The Board of Directors has the responsibility to review and approve the Bank's major risk management policies, such as the Risk Management Policy of SCB Financial Group, Intra-SCB Financial Group Transaction Policy, Credit Policy Guide, Internal Capital Adequacy Assessment Process Policy (ICAAP Policy), Recovery Plan Policy, Stress Testing Policy, Market Risk Policy, Trading Book Policy, Interest Rate Risk in the Banking Book Management Policy, Liquidity Risk Management Policy, Operational Risk Policy, Business Continuity Management Policy and Strategic Risk Management Policy.

In addition, the Board of Directors approves the other key related guidelines, i.e., Reputational Risk Management Guidelines, People Risk Management Guidelines, Technology Risk Management Policy and Model Risk Management Policy.

### **2. Authority**

The Board of Directors has the responsibility to delegate approval authority to management and other committees. The authority includes credit approvals and decisions to underwrite different types of risks based on the underlying risk level (risk-based authority).

### **3. Committees with significant roles in risk management**

Committees with significant roles in risk management have been categorized into two levels as specified below:

### **3.1 Sub-Board Committees**

The Board of Directors has delegated its risk management duties to the management and other committees. The following committees have been appointed to oversee the Bank's risk management implementation:

- 3.1.1 The Executive Committee is responsible for considering and approving matters related to the business of the Bank according to the Bank's regulations – such as for credit, debt restructuring and investments – and to administer related functions as assigned by the Board of Directors.
- 3.1.2 The Risk Oversight Committee is responsible for reviewing the adequacy and efficiency of overall risk management policy, strategies and risk tolerance to ensure that they are effective and efficient, as mandated by the Board of Directors.
- 3.1.3 The Audit Committee comprises independent directors who are responsible for reviewing the adequacy of the Bank's internal control as well as the effectiveness of the Bank and SCB Group's risk management implementation.
- 3.1.4 The Technology Committee is responsible for providing support to the Board of Directors to forecast long-term technology trends and develop corresponding strategies, address the integrity of technology services and manage technology risk.

### **3.2 Management Committees Involved in Risk Management of the Bank**

In addition to the above-mentioned sub-board committees, the following management committees have also been set up to oversee the Bank's risk management processes:

- 3.2.1 The Risk Management Committee is responsible for reviewing and making recommendations on risk management policies and frameworks for risk management and control to the Risk Oversight Committee and the Board of Directors for approval. The Committee also manages the overall risk of the Bank.
- 3.2.2 The Assets and Liabilities Management Committee is responsible for managing liquidity risk and interest rate risk in the banking book.
- 3.2.3 The Equity Investment Management Committee is responsible for managing risk in the Bank's equity investment portfolio.
- 3.2.4 The Credit Committee, Retail Credit Committee, Wealth Credit Committee and Special Assets Committee are responsible for approving loans within their approval authority. Any loan exceeding a committee's authority level requires approval from the Executive Committee and the Board of Directors as set forth in the Rules on Credit Approval Authority and the Rules on NPL and NPA Approval Authority. However, any loan involving Bank-related businesses, major shareholders or related persons must be approved by the Board of Directors. Loans viewed by the Executive Committee as contentious and having potential reputational risk may be referred to the Board for approval as deemed appropriate.

With regard to the consideration of non-performing assets (NPAs), the Management Committee is responsible for approving NPAs within its approval authority. Any NPA having a fair market value exceeding a committee's authority level requires approval

from the Executive Committee and the Board of Directors as set forth in the Rules on NPL and NPA Approval Authority.

- 3.2.5 The Underwriting Risk Committee is responsible for reviewing and approving underwriting limits based on market risk considerations. The Committee makes recommendations to the Executive Committee or the Board of Directors for approval in any case of a high-risk transaction or when an underwriting limit exceeds its approval authority.
- 3.2.6 The Model Risk Management Committee is responsible for validating and overseeing all internal risk models employed by the Bank to ensure that model risk management frameworks perform as expected. The Committee is also responsible for approving models as well as validation of results.
- 3.2.7 Other committees, such as the Investment Committee.

## 4. Risk Governance

### 4.1 Credit risk governance

The Bank has long emphasized the importance of proper checks and balances in its organizational structure by separating business functions and credit approval functions for effective internal control. Credit approval authority is determined in accordance with risk level or expected loss, which will depend on credit line, borrower risk rating and severity class. For non-retail credit, the Bank assigns approval authority to both credit committees and individuals. For retail credit, the Bank monitors and controls retail lending by means of the established Credit Policy Guide and approval authority as well as underwriting criteria approved by the Executive Committee or the Retail Credit Committee. In addition, the Bank assesses and measures credit risk by products and customer segments.

### 4.2 Market risk governance

The Bank sets a variety of market risk limits for its trading portfolios and banking portfolio, and these limits have been approved by the Risk Oversight Committee and the Board of Directors. For the Bank's key market risks, which are interest rate risk, foreign exchange risk and investment risk in the banking book, the Committee sets risk limits for trading positions and banking book position based on information from a number of risk monitoring and assessment tools such as value at risk (VaR), risk sensitivity measures (basis point value), position measures and stress testing. In addition, trading portfolio performance is monitored and controlled by using management action triggers (MATs).

### 4.3 Interest rate risk in the banking book (IRRBB) governance

The Bank sets risk limits for IRRBB by measuring the impact of interest rate fluctuation on net interest income and economic value of equity (EVE) using interest rate volatility assumptions under stress scenarios. To monitor IRRBB, the Bank produces repricing gap reports for risk analysis and risk assessment. The analysis, assessment and risk management strategies are then reported to the Assets and Liabilities Management Committee (ALCO) for further action.

### 4.4 Liquidity risk governance

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

### 4.5 Operational risk governance

The Bank has adopted the "Three Lines of Defense" model as a core principle in its risk management practices. Front-line business functions constitute the first line of defense by applying the risk management and control principles to their day-to-day operations (i.e., continuous monitoring of key activities such as suspicious access to customer data). The second line

of defense is made up of the oversight functions (e.g., Risk Management Function, Compliance Function, etc.) to ensure that all business functions have effective risk management practices.

The third line of defense comprises independent assurance providers (e.g., internal audit and other independent assurance providers), who provide independent review and objective assurance on the effectiveness of the Bank's internal control system.

Additionally, the Risk Management Function holds regular meetings with business-level committees to discuss operational risk issues and provides risk management information to management across key functions to facilitate their business decision-making.

#### **4.6 People risk governance**

The Bank applies the Three Lines of Defense model to manage people risk in the same manner as for operational risk. The first line of defense involves the People Function, business functions and relevant support functions. The second line of defense involves a shared service group, which is responsible for providing recommendations, support, alerts and testing for approaches adopted by the People Function to manage people risks. The shared service group comprises Operational Risk Management, Compliance & Operational Control, Technology Security & Risk, Fraud Control and others. Lastly, the third line of defense is carried out by independent units, which conduct tests on processes and procedures set out by the People Function (including the people risk management process). The last line of defense, which is under the responsibility of the Audit Division, provides assurance to the Audit Committee and the Board of Directors that the Bank and SCB Group companies have effective control measures for people risk.

#### **4.7 Model risk management governance**

The Bank has established a unit responsible for model risk management to have a balance of authority and work independently to validate models and to increase the effectiveness of model usage as the second line of defense and serve to offer consultation, support and validation to the first line of defense. Model risk management oversight covers the validation of models using both quantitative and qualitative approaches to ensure that the usage of models achieves the expected target and controls have been put in place according to model governance to prevent any misuse of models and minimize model risks.

Regarding risk management of SCB Financial Group, the Bank as the parent company has an oversight responsibility for the risk management of subsidiary companies. The Bank's subsidiaries are responsible for establishing risk and internal control policies and practices to ensure effective risk management at a level equivalent to that of the Bank and consistent with the Bank of Thailand's guidelines on consolidated supervision. The Board of Directors has approved the Risk Management Policy of SCB Financial Group, which requires each subsidiary to: formulate a risk management policy, set up an appropriate organizational structure, set risk tolerance limits, establish risk management approaches, and prepare risk reports as specified by the Bank's risk management guidelines, which depend on the nature of the subsidiary's business.

For the Intra-SCB Financial Group Transaction Policy, the Bank follows the principle of good governance by requiring that these transactions be conducted under no special terms and conditions. Any company that is wholly owned or substantially owned by the Bank, which is considered equivalent to a business unit of the Bank, can use the Bank's shared services/resources or provide services to the Bank at market price or with conditions stipulated on an arm's length basis.

#### **5. Chief Risk Office**

The Chief Risk Office, under the Chief Risk Officer (CRO) who reports directly to the Chief Executive Officer and the Chairman of the Executive Committee, is responsible for setting the risk management framework, making risk policy recommendations, as well as reporting and monitoring major types of risk. The Chief Risk Office is responsible for bringing the Bank's risk management policies and practices up to global standards and for ensuring that the Bank and its subsidiaries have a comprehensive and integrated risk management framework. Moreover, other relevant functions are responsible for specific risks. For example, the Chief Financial Office is responsible for liquidity risk and interest rate risk in the banking book (IRRBB); the Chief People Office is in charge of people risk; the Chief Strategy Office handles strategic risk; and Chief Marketing Office is responsible for reputational risk.

## KEY RISK FACTORS FOR THE BANKING BUSINESS

### Risks from Economic Uncertainties

In 2020, Thailand's economy was hit hard by the COVID-19 pandemic, causing it to contract by 6.1%. The outbreak had a direct and massive impact on the nation's pivotal tourism sector, after foreign tourist arrivals ceased from the year's second quarter onward. Abroad, the strict lockdown measures in most countries nearly halted economic activity, severely disrupting supply chains. This caused Thailand's exports to shrink by 17.7% in the second quarter. Thailand too had a strict lockdown during the second quarter, which weakened service sectors because people avoided face-to-face activities. The lockdown also generated uncertainty that reduced private consumption. These factors caused Thailand's GDP to contract by a severe 12.1% in the second quarter. In the year's second half, the Thai economy showed signs of bottoming out, thanks in part to domestic tourism and government stimulus measures. But the economic recovery was gradual and limited due to ongoing scarring effects, including a wave of business closures, weak labor markets and high levels of debt among both households and businesses.

As for 2021, SCB projects that the Thai economy will gradually recover, attaining a growth rate of 2.2%. We expect the number of foreign tourist arrivals to reach 3.7 million. The key factors in the pace of a tourism recovery will be progress in vaccinations and the policy of nations around the world in allowing citizens to travel abroad again. In the advanced economies, populations are expected to be broadly vaccinated and attain herd immunity during the second or third quarter. These countries will then allow vaccinated people to travel abroad. Among Asian developing countries, which are the source of most tourists travelling to Thailand, vaccine programs are likely to be completed somewhat later. In the case of Thailand, mass vaccination will be initiated from mid-year onward, but herd immunity might not occur until the first half of 2022. Thus, SCB expects Thailand will only gradually open its borders to welcome vaccinated tourists starting in the second half of 2021. The pace of a recovery in tourism will be slow this year but will accelerate in 2022.

The second wave of COVID-19 spreading in Thailand and other countries in early 2021 could delay economic recovery. The resurgence will likely slow global economic activity, which will directly affect Thai exports. Moreover, the recent partial lockdown measures will adversely impact private consumption. In our baseline scenario, SCB expects the new wave of COVID-19 to be contained during the first two months of 2021. The economic impact from this lockdown is expected to be smaller than the previous national lockdown in 2020 because the new measures are more narrowly targeted in terms of both geographic area and business sector. Moreover, the manufacturing sector is not likely to be interrupted as much from the second outbreak because companies are better prepared to deal with pandemic conditions. Lastly, the many e-commerce and delivery services that expanded during the first outbreak will help reduce the lockdown impact by facilitating more purchases by consumers and businesses via online channels.

The second outbreak could exacerbate the many economic wounds left unhealed from 2020. The resurgence could worsen such ongoing economic difficulties as 1) fragile labor markets amid elevated unemployment, rising underemployment and falling incomes, 2) closures of businesses, especially small and medium-size enterprises and 3) a rising ratio of household debt to income, which will require balance sheet restoration. These lingering problems are likely to impede a rebound of consumption and investment going forward. On the bright side, the government stands ready to shore up the economic recovery with regular spending from the budget as well as additional measures under the Baht 1 trillion relief program, such as income subsidies and co-pay measures.

Regarding monetary policy, SCB expects that the Bank of Thailand will keep its policy rate at 0.5% throughout 2021 while standing ready to use other measures to accommodate the economic recovery. In our baseline scenario whereby the new wave of COVID will be contained during the first two months of 2021, SCB believes that the BOT is likely to hold

the policy rate at 0.5% throughout 2021. Furthermore, the BOT is prepared to implement additional measures to support economic recovery and address financial stability. These could include soft loans for SMEs and measures to aid debt restructuring and efficient management of non-performing loans.

**Key macro risks in 2021 include** 1) possible delays in distribution of vaccines in Thailand, 2) rising NPLs that will impact stability of the financial system, 3) potential instability of domestic politics, which could impact investor confidence, 4) severe drought due to low levels of water in major dams and 5) a stronger Thai baht impacting recovery of external demand from key trade partners.

As for the Bank's management of risk in the face of uncertain economic conditions, SCB robustly monitors the credit quality of its borrowers on a regular basis in order to ensure sufficient allowance for doubtful accounts. Similarly, the Bank closely monitors its portfolios in terms of the concentration of credit loans in order to react promptly in the face of an economic shock. In addition, SCB conducts stress tests in order to appraise the adequacy of funds. This process is part of the internal capital adequacy assessment process (ICAAP) that the Bank of Thailand requires of all commercial banks.

## 1. Credit Risk

### 1.1 Concentration risk

Concentration risk relates to any single exposure or group of exposures in an entity or a business sector with a potential to produce large losses for the Bank if problems arise in that entity or sector.

The Bank manages credit concentration risk by setting concentration limits based on loss potential for each borrower group. Specifically, the Bank controls and monitors lending ratios under the following guidelines:

- Lending, investment, contingent liabilities or lending-like transactions with any major borrower and related parties or project must not exceed, without regulatory approval, 25% of Consolidated Group's capital.
- The sum of lending, investment, contingent liabilities or lending-like transactions with all major borrowers and related parties, of which total debts exceed 10% of the Bank's total

capital, must not exceed three times the Bank's total capital.

Additionally, the Bank requires that lending not be concentrated in any one specific industry. This is determined from industry trends, business opportunity, probability of loss and probability of default. The Bank has applied statistical tools to determine industry limits, such as the Herfindahl-Hirschman Index (HHI), which is an index adopted for measuring industry concentration.

The spread of COVID-19 is expected to have its largest economic impact on tourism-related industries and the real estate business, each of which contributed around 6% of total loans at the end of 2020. These industries are likely to require a longer period of time to recover and will need continuous assistance from the Bank. However, collateral value is high in proportion to loans outstanding, which will help mitigate potential losses to the Bank.

### 1.2 Counterparty risk

Counterparty risk is the risk of losses from counterparties violating contract agreements, particularly for derivatives contracts, such as interest-rate swaps, currency swaps, equity instruments and forward rate agreements. Generally, the Bank enters into derivative contracts with customers that need to square their positions and minimize their risk exposure. To keep market risk exposure under the limit, the Bank may hedge its risk exposure in part or in whole by entering into off-setting agreements (back-to-back) with foreign banks in the OTC derivatives markets, which creates counterparty risk with these banks.

The Bank sets a risk limit for each counterparty based on the same underwriting process as for credit customers. To determine counterparty limits, specifically for financial institutions (FIs), the Bank takes into consideration the counterparty's credit ratings and level of Tier 1 capital. The Bank also establishes a country limit for each country. For risk monitoring, the Bank closely monitors counterparties' credit conditions based on aggregate exposure, credit default swap (CDS) spread, changes in credit ratings and changes in equity prices. This information is reported to senior management on a daily basis as input to assist with keeping the risk level within the Bank's risk appetite during normal and stress situations.

To mitigate counterparty risk, the Bank signs ISDA credit support annexes (CSAs) with its major counterparties, which require posting collateral in the form of cash or highly liquid securities when a contract's fair market value changes more than the threshold.

The effects of the COVID-19 pandemic do have an impact on counterparty credit risk for some specific counterparties in certain industries, which is reflected in a slightly higher credit valuation adjustment (CVA). But the impact of this credit valuation adjustment on the overall portfolio is not material, and the Bank has closely measured, monitored and controlled such associated risk.

### **13. Country risk**

When the Bank engages in international lending or a cross-border transaction, it undertakes not only customer credit risk but also country risk arising from the economic, social and political conditions of the country. The Bank sets out a risk management framework to ensure that adequate policies and processes are in place to identify, measure, evaluate, monitor, report and control or mitigate country risk, both direct and indirect, on a timely basis.

The Bank manages country risk by setting a maximum exposure limit and a country limit for each country, based on a sovereign scorecard model and external credit ratings and the Bank's level of Tier 1 capital.

The COVID-19 pandemic's effect on country risk resulted in downgrades for some countries. The Bank has suspended country limits for such countries and has closely measured, monitored and controlled such associated risk and has also reported this to the appropriate Bank committees.

### **14. Non-performing loan (NPL) risk (bank basis)**

NPLs arise when borrowers fail to repay debts according to schedule, which may cause the Bank to lose not only interest income, but sometimes part or all of the principal, with an impact on the Bank's profitability and capital adequacy.

In response to the outbreak of COVID-19, the Bank of Thailand has provided a relief program to assist retail borrowers as well as non-retail debtors, under which SCB has established such measures as installment reductions, postponement of principal repayment, ceiling rate cuts, among others. As of December 31, 2020, SCB's outstanding loans to customers under the relief program are 18% of the Bank's total loans. (For non-retail customers, the amount is measured at the customer level. This includes some accounts that are not under the relief program.)

COVID-related restrictions imposed by the government and international travel restriction have resulted in stagnation of both the business sector and households, exposing the Bank to a higher risk of loan defaults compared to normal circumstances. The relief measures by the BOT as well as by SCB itself helped slow rate of defaults. SCB does, however, face the so-called "cliff-effect" risk when the eventual end of relief measures will lead to a rise in loan defaults. In addition, the Bank is exposed to risks resulting from the deteriorating financial position and financial ratio of debtors, whereby there is 1) a higher tendency to breach covenants, which the Bank may be forced to relax, 2) an increasing proportion of stage 2 loans, especially after the Bank of Thailand announcement dated February 28, 2020 ends at the end of 2021, 3) a higher required provisioning if debtors credit ratings and forward-looking scenarios worsen. The Bank will closely monitor and review loan quality and credit concentration to ensure that the Bank has set aside provision that are adequate to mitigate the impact from portfolio deterioration.

At the end of 2020, NPLs stood at Baht 101,462 million, or 3.7%, up from Baht 85,212 million, or 3.4%, in 2019. (Further explanation regarding NPLs is provided in the Management Discussion and Analysis section of this Annual Report.)

The Bank manages its NPL risk by setting aside adequate loan loss provisions for expected losses. At the end of 2020, the Bank had total loan loss provisions of Baht 142,813 million, covering 140.8% of NPLs.

### **1.5. Off-balance sheet risk**

To adhere to the Generally Accepted Accounting Principles, some of the Bank's obligations with customers and counterparties are classified as off-balance-sheet items, which have underlying credit risk from the potential of failure to comply with contract terms.

At the end of 2020, the Bank's obligations from aval and guarantees, liabilities under yet-to-mature import bills, letters of credit and other off-balance sheet with credit risk amounted to Baht 465,222 million, up by 4.9% from the year before.

To manage this off-balance-sheet exposure, the Bank treats such obligations as a form of loan, and business units are required to follow the normal credit approval process. The Bank controls this risk by setting a counterparty risk limit for each customer along with country risk limit. Monitoring is also done by keeping abreast of the current situation and related information.

For the credit risk of a derivative transaction, unlike general credit risk in which losses are often one-sided, both sides of a contract can face losses as a result of change in the contract's value from market movements. To quantify the credit equivalent amount of a derivative transaction, the Bank uses the Monte Carlo simulation and current exposure method, depending on product type, to determine the credit exposure of a derivative transaction with a counterparty.

Derivative transactions introduce additional market risk arising from change in a contract's value. The Bank controls its derivatives risk exposure to market volatility by setting limits using a variety of risk indicators, such as VaR, risk sensitivities including option greeks, loss action triggers and stress testing.

### **1.6. Risk from impairment in value of real estate collateral**

Because most collateral is in the form of real estate, a sluggish property market and lower house prices will negatively affect the value of the Bank's collateral, which may result in higher losses from NPLs. The Bank has established the Collateral and Non-Performing Assets Appraisal Policy as part of the Credit Risk Management Policy to ensure that collateral and NPA values reflect fair market values, especially for setting loan loss provision and capital calculation as

well as for consideration in credit approval and debt restructuring.

The Bank has managed impairment risk through the Collateral and Non-Performing Assets Appraisal Policy as mentioned above, which requires collateral for credit lines exceeding Baht 20 million to be reassessed every five years. Collateral for non-performing loans (NPLs) is reassessed every three years unless any decision needs to be made that depends on collateral value, such as restructuring of a problem loan. In that case, collateral value must be reassessed within one year to reflect fair market value. For non-performing assets, collateral is re-appraised every year per BOT's requirement.

For the choice of appraiser, the Bank is authorized by the BOT to use its internal appraiser for loans of any size. According to the policy of the Bank, either an internal appraiser or an external appraiser may be an appropriate choice. The Bank has established a list of qualified criteria for use in selecting any external appraiser in order to be confident that it conforms to professional standards and ethics.

The criteria must be approved by the Risk Management Committee and reviewed annually so that the Acceptance Valuation Assessment Committee (AVA Committee) can use them as a guideline for selecting external valuation companies. The criteria are reviewed every six months.

To ensure transparency and prevent conflicts of interest, the Bank's internal appraisal process is independent from the credit approval function. The Bank's internal appraiser together with the AVA Committee are responsible for monitoring and updating property price movements in the market and reporting them to the Credit Committee annually.

The COVID-19 pandemic may have caused collateral value to depreciate as a result of the economic downturn, which will cause the Bank face to higher losses by exacerbating NPL problems. To address this risk, the Bank takes into account a borrower's delinquency probability and collateral depreciation in formulating a resolution strategy to mitigate losses for the Bank. The Bank's debt

management approach may involve debt restructuring, debt consolidation, NPL sales or legal action.

## 2. Market Risk and Interest Rate Risk in the Banking Book (IRRBB)

### 2.1. Foreign exchange risk

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

The Bank controls foreign exchange risk by setting risk limits on foreign exchange risk exposure both in terms of statistical limits, such as VaR, and monetary limits, such as net open position, open position by currency, management action triggers, etc.

As at December 31, 2020, the Bank's foreign currency position was net open position of \$ -14.1 million (USD equivalent), with VaR of foreign exchange rate portfolio of Baht 9.1 million.

### 2.2. Interest rate risk

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

- Repricing risk is the risk from maturity/timing mismatches of the Bank's assets and liabilities, which cause interest rates at maturity or reset date to differ due to yield curve movements. For example, assuming all other factors are constant, if the Bank's assets can be repriced faster than liabilities (a positive gap), interest margin increases when interest rates rise. On the other hand, if the Bank's ability to reprice assets is slower than liabilities (a negative gap), then interest

margin narrows when interest rates rise.

- Yield curve risk arises from interest rates at different maturities changing differently.
- Basis risk occurs when the Bank's assets and liabilities are based on different reference interest rates, e.g., fixed-deposit rates, interbank lending rates, THBFIIX interest rates, etc. Therefore, any change in reference rates will affect interest rates tied with assets and liabilities differently.
- Options risk arises from implicit and explicit options in the Bank's assets and liabilities and off-balance-sheet items, where exercising these options might affect the Bank's revenue and costs. For example, an option on a three-month deposit that allows early withdrawal before maturity will, if exercised, cause the Bank's costs to rise sooner than expected.

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

As of December 31, 2020, VaR of interest rate risk exposure in the trading book was Baht 83 million. For the banking book, a 1% increase in interest rates for a period of one year would decrease net interest income by Baht 2.35 billion.

The COVID-19 outbreak has significantly dampened investor confidence, causing the whole financial sector and global investment flows to be extremely volatile, as each country has tried to maintain its own financial stability. Consequently, the Bank is more exposed than before to risks from foreign exchange and interest rate volatility. However, all the risks have been closely monitored, assessed and controlled.

### 3. Liquidity risk

Liquidity risk is the risk that the Bank may not be able to meet its obligations as they fall due, because of an inability to realize assets or to cover funding

requirements at an appropriate price, thus resulting in losses to the Bank.

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

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

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

The Bank's average of month-end liquidity coverage ratio (LCR) for the fourth quarter of 2020 was 188%, which shows that the Bank has ample liquidity. In addition, the Bank has a policy to maintain its daily liquidity ratio at 20% or higher, measured as total liquid assets to total deposits. At the end of December 2020, the Bank's liquid assets represented 33% of total deposits, which ensures that there will be adequate liquidity under both normal and crisis situations.

Regarding the consequences of COVID-19, the Bank has assessed and prepared to manage this impact, which might affect the Bank's liquidity positions in several ways, such as reducing inflows of cash from the loan portfolio due to the government's relief scheme and debt restructuring; increasing cash outflows from higher debtor draw-downs on credit limits for liquidity purposes; rising individual depositor

withdrawals for spending, etc. However, there are several factors that might increase the Bank's liquidity, such as fund flow movements from investments to deposits, or regulatory rule changes, e.g., a mandate to suspend interim dividend payments.

To monitor and control the Bank's liquidity risk at the appropriate level, the Bank has controlled the drawdown of undrawn credit, such as by assessing liquidity in the banking system and using this assessment in Bank's contingency funding plan.

#### **4. Strategic risk**

Strategic risk refers to the risk of a current and/or prospective impact on the Bank and its Financial Group's earnings, capital, reputation or standing arising from factors such as changes in the environment the Bank operates in, adverse strategic decisions, improper implementation of major strategies, or lack of responsiveness to industry, economic and technological changes. The Board of Directors has adopted a Strategic Risk Management Policy as a framework to formalize and provide a structured approach in managing strategic risk. Strategic risk is managed throughout the strategy setting process itself and through the assessment of strategic risk. The strategy process — including strategic planning, alignment and change management, implementation and monitoring, and performance evaluation and feedback — is designed to ensure the sufficiency of information taken into consideration in formulating and implementing strategy. The risk assessment, which is a part of the Bank's risk materiality assessment framework, is performed to monitor potential strategic risk arising from both external and internal factors.

The Strategy Group is currently the strategy process owner responsible for supporting the Board and senior management to formulate and review strategy as well as recommend remedial action (if required). Also, the Strategy Group is responsible for conducting the strategic risk assessment on a regular basis.

The Bank recognizes that, in 2020, economic uncertainty triggered by the COVID-19 pandemic, as well as the government's measures, has considerable impact to the Bank's operations. The Bank has a process to regularly monitor and assess strategic risk, and

when necessary, modifies the strategy in response to changes in the economy, industry and technology to enable the Bank to achieve its business objectives.

## 5. Operational risk

The Bank defines operational risk, based on Basel II's definition, as the risk of losses resulting from inadequacy or failure of internal processes, people or systems or from external events, which also includes legal risk, and the impact on reputation from operational risk, but excluding strategic risk. (Details regarding reputational risk are discussed in item No. 6 below.) Operational risk factors can arise from both internal and external environments, such as changes in key personnel, organizational structure, processes, systems, products, natural disasters, riots, etc.

The Bank realizes that the business must face operational risk and therefore places great emphasis on operational risk management and has continually improved this crucial process over time.

Business and support functions within the Bank are responsible for managing their operational risk by applying the methodologies and approaches that the Bank has adopted. Each function performs a risk and control self-assessment (RCSA), which entails identifying key risks, evaluating the effectiveness of controls, and establishing action plans to mitigate or prevent these risks to limit them to within the level of risk appetite appropriate for each function. The Bank has reviewed the previous RCSAs and identified key risks at the Bank level for which senior management must establish mitigation and prevention measures to control such risks to be within the stated risk appetite. Each function must specify key risk indicators (KRIs) for certain important risks that require monitoring to ensure that these key risks are within the risk appetite and managed in a timely fashion. In any case of loss, the Bank not only has a process to rectify the issue systematically, but also capitalizes on lessons learned by collecting the information to guide future prevention and mitigation plans.

The Bank's risk assessment and control process undergoes periodic reviews to identify new emerging risks and detect ineffective controls that worsen existing risks. The results are reported to relevant

committees and senior management for approval and to determine action plans to reduce or eliminate such risks.

Throughout 2019 and 2020, SCB formed a multidisciplinary taskforce to execute a privacy program to comply with the spirit of the Thai government's Personal Data Protection Act (PDPA). The PDPA was published in the Government Gazette in May 2019 with the intended effective date then set as one year afterward (May 2020). SCB has been working toward PDPA readiness, such as by adopting many privacy-by-design techniques in enhancing the client's privacy journey. The government later postponed the date of effect to June 1, 2021, so the Bank has been using this additional time to further strengthen our privacy protection and upgrade existing controls to embrace global best practices. SCB has completed such privacy protection enhancements as follows:

- Updated our Data Privacy and Protection Policy and upgraded numerous internal procedures and standards to comply with PDPA
- Rolled out internal training on online privacy and role-based privacy training
- Published our Privacy Notice
- Developed consent messages and enhanced our consent management system
- Performed third party and cross-border data transfer assessments
- Developed a data subject rights handling process and exercised privacy breach management handling

Risk pertaining to changes in statutory policies, laws, rules and regulations is part of operational risk. Besides the operational risks already mentioned, the Bank, as a financial institution, has a duty to comply with laws, statutory rules, and regulations of several regulatory agencies, such as the Bank of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand, the Anti-Money Laundering Office and others. The Bank's Compliance and Operational Control Function is responsible for providing regulatory advice, clarifications and recommendations to other related functions to ensure that the Bank and SCB Group comply with laws, regulations and internal rules. The Compliance Function reports any

material regulatory risks to senior management and related committees to ensure effective regulatory risk management.

Furthermore, the Bank has prepared to handle crises by putting in place business continuity management, which is ready to be used when needed. SCB promptly activated its business continuity plan after COVID-19 emerged and the government issued measures to contain the outbreak. The pandemic has forced the Bank to change its internal work processes to accommodate these containment measures and social distancing requirements, such as screening customers on entry to branches, altering the provision of service to branch customers and assigning most employees to work from home. During the pandemic, the Bank must manage operational risks around providing service to borrowers who may require more servicing time. Yet SCB must simultaneously ensure customer satisfaction.

## 6. Reputational risk

Maintaining an organization's reputation is a critical part of running a business, especially for any financial business, and the Bank's reputation results from the confidence and trust that have been built up over many years. Reputation is not easy to build, but is easy to lose.

Recognizing the importance of reputational risk, SCB has developed a Reputational Risk Management Guideline and Process, which is applied to the Bank and SCB Financial Group companies. Each business is required to take necessary preventive measures against potential reputational risk from both internal operations and external factors, regardless whether its operations are income generating.

Application of the Reputational Risk Management Guideline depends on the nature of the business in terms of reputational risk exposure. Financial companies that are highly exposed to reputational risk must implement a reputation risk management policy with a clear reputational risk management process, whereas companies with non-material reputational risks are required to report any reputational risk incidents to senior management.

Any transaction that could negatively affect the Bank's reputation requires prior approval by the

Executive Committee and may be reported to the Board of Directors if deemed appropriate by the Chairman of the Executive Committee.

The Marketing Function is responsible for working closely with other internal functions and SCB Group companies to determine reputational risk factors as well as for assessing and reporting reputational risk issues to the senior management and related committees.

## 7. People Risk

People risk refers to an organization's exposure to risk from people's actions or negligence and, vice versa, risks to people from an organization's actions or negligence. As people are the most important assets of an organization, people risk can influence other risk types, i.e., credit risk, market risk, liquidity risk, reputational risk, operational risk and strategic risk.

SCB recognizes the importance of people risk in the business and has made serious efforts to address this risk. The Board of Directors has set an effective framework for people risk management as well as for conducting overall risk review. Senior management oversees people risk management and control within their functions and coordinate with the People Function and other relevant functions.

The People Function, together with business functions and relevant support functions, is responsible for identifying people risks based on appropriate analysis given the business complexity of each function, as well as for assessing, controlling, monitoring and reporting risks to the Bank's management, with periodic reviews and updates regarding potential risks.

The people risk management framework involves three major considerations:

**1. People capability and capacity:** SCB's business approach is based on transforming employees and equipping them with the right skills and capabilities for future banking, as well as engaging them with the work and performance of the functions. The Bank expands the scope of employees' decision-making authority, increases their capabilities, and provides learning opportunities and a conducive working environment to enable them to reach their fullest potential.

**2. People conduct:** SCB's business approach is based on all employees adhering to the highest levels of integrity and promoting risk ownership, defining accountabilities and collaboration among business units for a positive work culture.

**3. People health and safety:** SCB's business approach is based on a strong commitment to creating a safe working environment for people with due consideration to both physical and emotional health.

Failure to put any of the above considerations into practice may lead to varying degrees of people risk depending on the situation. Therefore, it is critical to assess, control and mitigate people risks to within the Bank's risk appetite.

People are vital resources in the banking business. Not only must the Bank provide suitable products and services that meet customer needs, but there are also rules and regulations on customer protection with which the Bank and its staff must comply to avoid market misconduct. Therefore, the Bank needs people capacity and capability to help achieve its business goals in a sustainable manner. SCB duly recognizes the importance of human resources, which have been subject to significant and constant challenges in today's environment. A key challenge is the advent of new technologies, which may replace existing service delivery platforms and put pressure on an organization to reform or transform itself. Such broad-scale organizational change increases the demands on human resources in terms of both quality and quantity. Specifically, an organization requires knowledgeable, well-rounded and adaptable people to drive change within the organization. SCB has taken measures to mitigate such risks by building a risk culture whereby risk awareness and ownership are the norm, and risk mitigation and prevention are the responsibilities of all staff. Moreover, the Bank set up SCB Academy to build additional skills and knowledge for its people, such as product knowledge and data analytics skills related to business analysis and planning. The Bank also changed its organizational structure by separating its sales and services functions as well as putting an emphasis on helping people build their career paths to ensure business success and sustainable growth. The Bank places importance on providing a safe and conducive work environment to foster employee engagement.

For people risk management, the Bank and SCB Group also apply the "Three Lines of Defense" principle used in operational risk management to ensure effectiveness in people risk management and internal control.

### 8. Technology risk

Today's technology is changing rapidly. If the Bank cannot adapt or come up with a long-term plan to accommodate such change, the Bank's business may not be sustainable. Specifically, the Bank may not be able to serve customers effectively in terms of meeting their product or pricing needs. Moreover, technology risk may also cause business and service disruptions, which may lead to lower profitability and market share for the Bank.

Because of these wide-ranging and interrelated impacts, managing technology risk is the Bank's priority. SCB has adopted a comprehensive technology risk management framework with the following key components: 1) risk identification, 2) risk assessment, 3) risk response, and 4) monitoring and reporting. Furthermore, the Bank emphasizes, and has taken steps to build and enhance, the organization's risk culture, particularly for technology risk, by educating and training people; managing knowledge platforms on technology risk to be accurate and up-to-date; applying risk management tools that meet international standards; along with continually improving its risk management framework to be in line with global practices.

The technology risk management process enables the Bank to adequately manage technology risk at both the strategic and operational levels. At the strategic level, the Bank aims to build a modern, flexible and secure IT architecture to support omnichannel service delivery for customers, along with providing data management capabilities for marketing and credit management analysis. At the operational level, the Bank takes into consideration the IT organizational structure; system procurement and development; system accuracy and security; and critical data management, such as customer data; system capacity to support transaction workloads, including service continuity in case of any emergency or critical situation; IT third party management; and other factors, which help increase its competitiveness and profitability.

During the COVID-19 pandemic, the Bank may face higher cybersecurity risk as a result of many employees working from home and requiring remote access to the Bank's IT system that could open up an opportunity for data theft or cyber-attack. At the same time, the pandemic has caused the use of mobile banking applications to grow exponentially. The Bank must therefore make sure that its mobile app system can accommodate a high volume of transactions and, upon encountering problems, can be restored within the fastest possible recovery time to ensure that the Bank can provide continuous service to customers.

### **Emerging Risks**

#### **Climate Related Risks Affecting Credit Quality in the Bank's Portfolio and Loan Growth to Support Customer's Business**

Impacts from climate change risks resulted in subsequent physical risk, affecting economy, whether in terms of gradual downturn, interruptions of business, damage to assets as well as a decline in quality and quantity of natural resources, agricultural outputs and commodity. In addition, an emerging transition risk resulted from policy, regulatory and technology to address climate change issue in Thailand is a transition to a low-carbon economy and adoption of environmental-friendly technology. Accordingly, the Thai government is in the process of drafting a Climate Change Act which will serve as key economic mechanism in driving the private sector to adopt long-term climate change implementations. Directed by this law, private and public companies are required to maintain and disclose greenhouse gas emission inventory and report reductions while integrating climate change risks as part of corporate planning or initiatives, consequently impacting change in asset value in certain industry such as fossil business, carbon-intensive industry.

Climate change poses credit risk and financial risk to SCB through portfolio exposures to business that experiences acute and chronic natural phenomena caused by climate change. Such phenomena cause business interruptions e.g. in the production line, logistics or supply chain. This harms business clients productivity and performance, affecting their ability to meet the financial obligation to the Bank. To tackle the environmental problems, regulatory changes will also be enforced to reshape the way companies conduct business at a national level. During

a transition towards low-carbon economy, carbon-intensive industry will lose their competitiveness as a result of governments' measures or large corporates' initiative leading to limited opportunities for the Bank to provide financial product to support the client's business growth. In addition, clients in carbon-intensive sectors will be required to invest in new tools or technologies or bear additional costs of the transition, thereby distressing their financial performance and credit quality. Nevertheless, this also presents a business opportunity should the Bank maintain continuous dialogue with clients on environmental issues and management.

To effectively manage climate risks and protect the Bank from these potential impact, the Bank has integrated climate risk into its risk management frameworks. Climate risk has been embedded in the credit underwriting by considering climate-related uncertainties to ensure that the credit decision is forward-looking. As a financial institution, the Bank has provided lending to businesses and projects/activities that help reduce greenhouse gas emissions, improve energy efficiency, and continuously seeking opportunity to develop green investment product. The credit portfolio is also monitored to ensure that exposure to climate-related risks are regularly assessed.

#### **Cybersecurity Risk from Increased Reliance on Digital Technology**

An increased reliance and adoption of digital technology causes cybersecurity risks to evolve and become increasingly sophisticated. Cybersecurity risk will result in a business interruption or a shutdown of critical infrastructure and essential services, security breaches and identity theft.

COVID-19 pandemic has exacerbated cybersecurity risk for the Bank as SCB has adopted the Work from Anywhere policy, shifting employees from working at office to working remotely from anywhere. This change accordingly increases vulnerability of the Bank's IT system. Moreover, within 5 years, digital technology will be highly integrated into the Bank's business operations including data storage and management as the Bank moves towards creating digitized platforms with more digital business partners. In addition, a majority of SCB customers has shifted their behavior to mobile banking with 70% of transactions being made digitally. This consequently

increases opportunity for hackers and cyberattacks. Breach of cybersecurity leads to a loss of customer trust, damaging the Bank's reputation, possibly triggers liquidity crisis.

To develop a secured digital platform, the Bank has continually invested in IT infrastructure and strengthened risk management based on the three lines of defense framework. In addition, the Bank also uplifts employee capabilities while deeply cultivating risk culture at the corporate level.

### Risks Associated with Artificial Intelligence and Big Data in Financial Industry

The Bank has increasingly relied on the use of Artificial Intelligence (AI). AI technologies enable the Bank to ensure more efficient operations, improve products and services and deliver better customer experience. The complex nature of AI solutions may, however, increase certain types of risk to the Bank, such as those related to data privacy, misuse of data, model risk which could have impact on the Bank's reputation and trust.

Within 5 years, the Bank is heading towards becoming a Tech Bank or a tech company that offers financial services by working with more business partners to deliver the best solution for customers. Accordingly, accessing and utilizing significant amounts of data by AI and machine learning raises concerns for stakeholders in terms of data collection, data processing, data privacy and security. As AI and machine learning are increasingly deployed for credit decision, there is a potential for algorithms to create bias and discrimination, which may cause reputation risk. At SCB, AI and machine learning are applied to the credit assessment process which could lead to risks in 'algorithm fairness' as the accuracy and efficiency of the developed algorithm relies heavily on quality of input data, both in terms of structure and correctness. Without depth understanding and mitigation approach in place, the use of imprecise or partial algorithm would result in discrimination to certain segments of customers, affecting the Bank's ability in supporting financial accessibility to all groups of customer, specifically, the vulnerable groups, who are in the most need for financial support.

SCB acknowledges and prepares for the challenges regarding innovation and development in the digital transformation era. The Bank is strengthening its data architecture and infrastructure to ensure security of Personally Identifiable Information (PII) and improving governance and control on having the right to access, use and transfer personal data to comply with the new Thai Personal Data Protection Act 2562 (2019). In addition, the Bank continues to enhance risk management frameworks such as model risk management framework, information security, data privacy and data protection, and recruit more talents to ensure that AI and Big Data are used in a meaningful and transparent manner within the Bank's operation as well as in the activities with business partners.

### Geopolitical Risk

Geopolitical risk is a risk arising from tension between nations due to political situation, conflicts, scramble for natural resources, terrorism, threat from weapon of mass destruction, which could be escalated to regional and global level. Geopolitical risk can transmit to economic sectors through investors' confidence and sentiment, and economic activity. In the time of geopolitical stress, the tension affects overall confidence and results in investment volatility, slowdown or stagnant economic activity or an acceleration toward economic recession. Geopolitical instability has been heightened in the past several years and expected to be more complex due to COVID-19 pandemic.

The Bank is aware of geopolitical risk and potential impact associated to credit risk. As Thailand heavily relies on import of raw material and intermediate goods and export products to foreign countries, and with a significant number of customers in the Bank's portfolio operate in import/export sector, manufacturing, transportation, and supply chain. Political tension in one country or between nations could negatively impacts cash flow and performance deterioration of businesses, and their ability to meet financial obligation while demands for financial products for import/export business decline. If the situation become more severe or prolonged, it could accelerate the economic crisis and unemployment. These affect creditworthiness of business and retail customers of the Bank.

Recognizant of impacts resulted from geopolitical risk, the Bank establishes effective and proactive risk management process to ensure that the risk is appropriately assessed and monitored by embedding geopolitical risks in the credit decision process and credit review to ensure that credit decision is forward-looking. In addition, the Bank controls country risk by setting limits on lending, investment, and contingent liabilities for each country. SCB's Country Risk Management Policy requires both direct and indirect country-specific exposure to be included when calculating the country-risk limits. When situation arises or become intensified, the Bank promptly assesses the impact to the portfolio and conduct stress test to ensure that the Bank has sufficient provision and capital to mitigate potential losses.

### **Risk Associated with Pandemic and Infectious Disease**

Although the impact of COVID-19 pandemic is likely to lessen due to vaccine development, it will not definitely be the last pandemic. As illustrated during the COVID-19 outbreak, the pandemic and infectious disease rarely happen, but it significantly damages global economy within a short period of time. Efforts to contain the spread of the disease results in an interruption in economic activities. Businesses and individuals have concern over the uncertainties they might face. The lockdown measures forced temporary business closure and affected their revenue, liquidity, and financial position. Labors lose their income or employment immediately. This leads to number of families struggling to meet their financial obligations. In addition, if the outbreak is not contained and prolonged, it could trigger global recession.

The pandemic and infectious disease affects the Bank in many ways. The lockdown restriction forced the Bank to change its business strategy and operation in timely manner. To serve our customer, the Bank needs to prepare necessary gears for branch staff and strictly follow the measures imposed by the government to ensure customer safety and confidence. At the same time, it drives demand for online transaction via mobile application. Subsequently, cyberattacks, aiming to steal customer personal information and identity have simultaneously increased due to an increased use of digital banking and the

adoption of the Work from Anywhere policy. Regarding credit quality, which is the Bank's largest assets, it could be deteriorated in some sectors or geographies due to worsening performance of business and rising unemployment of retail customers. In addition, the Bank faces a challenge from potential permanent changes in customer behaviors to choose products and services or undertake financial transaction. This may undermine the effectiveness of the existing models as they cannot measure risk appropriately under these circumstances.

In response to pandemic and infectious disease risk which may occur again in the future, the Bank has Business Continuity Plan in place to ensure readiness and continuity of services operation. To cope with increasing cybersecurity risk, the Bank continues to strengthen its IT security and promotes awareness of cybersecurity threats to employees and customers. The Bank places importance on credit risk management, whereby the portfolio must be actively reassessed to identify affected customer. Credit risk control, monitoring and reporting to the management are increasingly intensified compared to normal situation. Provisions will be set aside as a cushion for tail risk. In addition, the risk model is regularly validated to ensure that they remain effective under special circumstances.

### **Risk from Asset Bubble Burst in Emerging Markets**

The COVID-19 outbreak results in global economic contraction. The developing countries, especially those heavily rely on trading with developed economies such as US and China, tend to suffer more. Government in each country create debt to support domestic economy and restore their healthcare system in order to survive. Despite deteriorating economic fundamentals, which take time to recover, capital has not flown out from emerging market to safer assets in developed economies as before because of the record-low interest rates. This has induced investors to search for yield by taking on more risk, especially in the emerging markets, and causes asset bubble as assets price surge does not align with their intrinsic value.

When these bubbles inevitably burst, it could create shockwaves to the global level. Market risk is escalated by fluctuation in money market and

exchange rates driven by forced sales by investors. In addition, credit risk is heightened by businesses' weakening financial position from impaired assets or investment losses. The performance of business could be aggravated by domestic currency depreciation as investors quickly liquidate and relocate funds to safer assets. Businesses become more vulnerable to collapse. It also leads to a surge in unemployment rate and affect retail lending.

Preparing for the impact, the Bank has developed market risk management framework to mitigate volatility from exchange rate and interest rate. To manage exchange rate risk and interest rate risk, the Bank sets risk limits in accordance with Risk Appetite Statement. For credit portfolio, the Bank proactively reassess the credit quality and perform customer review to identify affected customer. Anomaly in credit portfolio will be escalated to the management. In addition, stress test is conducted to ensure that the Bank has adequate provision and capital to withstand potential losses.

### Capital Adequacy

In response to the global financial crisis in 2008, the Basel Committee on Banking Supervision announced in December 2010 a new set of regulatory guidelines, known as Basel III, for assessing capital adequacy and liquidity risk. The new guidelines aim to strengthen each bank's capital position and set a new standard for liquidity risk management. The Bank of Thailand (BOT) has adopted this framework with minor modifications to lift the standards of Thai commercial banks to the global level.

In September 2017, SCB was designated as one of the Domestic Systemically Important Banks (D-SIBs) by the BOT, which resulted in a requirement to maintain an additional minimum common equity Tier 1 capital as a capital buffer of 0.5% in 2019, increasing to 1.0% in 2020. This D-SIB buffer is added on top of the capital conservation buffer of 2.50%.

The minimum regulatory capital requirements, which include a capital conservation buffer and the D-SIB buffer are shown in the table below.

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

Moreover, the Bank of Thailand is currently deliberating a countercyclical capital buffer (CCyB) of no more than 2.5%, although this additional capital buffer is for now anticipated to be 0%, given the coronavirus pandemic's impact on GDP, lending growth and provision management. The CCyB will be part of the BOT's macroprudential instruments used to enhance the resilience of the banking sector during periods of stress when losses appear. It is designed to counter pro-cyclicality in the financial system by increasing capital buffer requirements when cyclical systemic risk is judged to be rising. This will help maintain the supply of credit, reduce the downswing of the financial cycle and dampen excessive credit growth during the upswing of the financial cycle.

Banks that cannot meet this minimum requirement may be subject to earnings-distribution restrictions, e.g., limits on dividend payouts, discretionary bonus payments, share buybacks, etc.

The Bank and its Financial Group has adopted the Basel III guidelines since January 1, 2013 and continues to apply the standardized approach to assess regulatory capital adequacy for credit risk, market risk in the trading book and operational risk. Also, the Bank continues to manage, monitor, and report its capital adequacy position through the internal capital adequacy assessment process (ICAAP), which includes developing estimates for future capital requirements and stress testing. The Bank sets target capital ratios in the ICAAP report to reflect the Bank's capital targets vis-à-vis its overall risk appetite. Moreover, the BOT also required all Thai commercial banks to develop their own recovery plan to ensure that the banks are well-prepared to respond effectively to risk events and shocks that may undermine the financial soundness of each bank individually, as well as the whole financial sector. The Bank submits the ICAAP documents and the recovery plan to the BOT on an annual basis by the end of June. Furthermore, in order to encourage market discipline, the BOT requires commercial banks to disclose key information on capital structure and adequacy, risk exposure, as well as risk assessment and management, on a semi-annual basis. This information appears on SCB's website under the heading "Pillar III Disclosure."

At the end of December 2020, under the Basel III framework, the Bank had total capital of Baht 400 billion (18.1% of risk-weighted assets), of which Baht 375 billion was classified as CET1/Tier 1 capital (17.0% of risk-weighted assets) and Baht 24 billion (1.1% of risk-weighted assets) was classified as Tier 2 capital. For the SCB Financial Group, the total capital stood at Baht 401 billion (18.2% of risk-weighted assets), of which Baht 377 billion was classified as CET1/Tier 1 capital (17.1% of risk-weighted assets), and Baht 24 billion (1.1% of risk-weighted assets) was classified as Tier 2 capital.

Note that if the Bank's net profit for the second half of 2020 were to be included in the capital adequacy calculation, CET1/Tier 1 capital would be 17.5% on a bank-only basis and 17.6% on a consolidated basis.

SCB believes that its strong capital position, which is currently well above the minimum regulatory requirement, under both current regulations and future requirements, together with high loan loss provisions, will enable the Bank to withstand the impact of adverse shocks on the Bank or on the Thai economy. Moreover, its solid capital position will also enable the Bank to pursue any future growth opportunities.

### Risks to Shareholders

Shareholders are subject to the risk that expected returns from their investments, whether in the form of dividend income or capital gains, might not materialize. Dividend income is directly linked to the Bank's profits. Shareholders should expect to receive dividend income at a rate of not less than 30% of the Bank's consolidated annual net profit. This is a new dividend policy per the resolution of the Board of Directors' meeting on January 17, 2020.

However, the Bank needs to abide by the rules and regulations of related authorities. Hence, the Bank refrained from paying an interim dividend following the circular of the Bank of Thailand (BOT) dated June 18, 2020 "Re: The strengthening of banks' capital funds to accommodate risks arising from coronavirus pandemic." In addition, the dividend payout ratio on 2020 operations must follow the BOT's circular dated November 12, 2020 "Re: Dividend distribution policies to strengthen

capital during the coronavirus pandemic," which stipulates that the dividend payout rate for the year 2020 shall not exceed that of 2019 and 50% of 2020 net profit. Under the BOT's guidelines, the dividend payout is calculated based on net profit on a bank-only basis.

Capital gains are determined solely by SCB's share price, which is influenced by a variety of factors, such as the Bank's performance, domestic and global economic trends, domestic political stability, and foreign fund inflows and outflows as well as natural disasters and epidemics, most of which are beyond the Bank's control.

The Bank's performance is the only factor under the Bank's control. At the beginning of each year, the Bank provides broad guidance on its financial targets, and shareholders face the risk that these financial targets might not be met in a particular year. Another potential risk is new or revised regulation from the Bank's regulator, which would affect both dividend and share price. SCB mitigates these risks by having

a clear business policy with appropriate short-term and medium-term strategies, along with clear annual financial targets. In addition, the Bank has consistently delivered a level of net profit that ranks among the highest of all Thai financial institutions in an environment of intense competition. Although past performance does not guarantee future results, it demonstrates the Bank's competitiveness, its strategic effectiveness in terms of both direction and implementation, and the quality of its management team, which help put the Bank in a better position than industry peers to face any adverse shocks.

In addition, since the proportion of shares held by the Bank's two largest shareholders is quite large, shareholders face the risk that major shareholders might materially reduce their position, which could significantly depress the share price. In such an event, SCB would nevertheless expect the effect to be short-term, given the Bank's high market capitalization and inclusion in the SET50 index, making the stock highly liquid, with a high trading volume.

# REPORT OF THE RISK OVERSIGHT COMMITTEE (ROC)

## 1. Introduction

The Risk Oversight Committee is a board sub-committee appointed by the Board of Directors to oversee risk management. The committee comprises six members, whereby three members are independent directors and three are executive members. The three independent directors were Mr. Krirk Vanikkul, Mr. Chaovalit Ekabut, and Dr. Pasu Decharin. The executive members were Mr. Arthid Nanthawithaya (CEO and Chairman of Executive Committee), Ms. Apiphan Charoenanusorn (President), and Mr. Sarut Ruttanaporn (President), with Mr. Krirk Vanikkul, an independent director, serving as chairman. On Friday September 25, 2020, the Board of Director passed a resolution to appoint Mr. Prapas Kong-led to replace Mr. Chaovalit Ekabut, who was appointed a member of the Audit Committee. Mr. Prapas Kong-led was a member of Risk Oversight Committee during the period October 1, 2020 to February 1, 2021. On February 18, 2021, the Board of Director appointed Ms. Chunhachit Sungmai to replace Mr. Prapas Kong-led.

## 2. Duties

The Risk Oversight Committee (ROC) has the following duties:

2.1 Overseeing the risk management system, including considering issues raised by the Risk Management Committee (RMC), making recommendations, and proposing matters to the Board of Directors.

2.2 Ensuring that the Bank has an appropriate conceptual framework for risk identification, measurement, control and mitigation, and monitoring to manage different types of risk. The framework shall be concise, easy to understand, and have clear accountability.

2.3 Promoting a risk culture throughout the organization to an adequate level, without sacrificing operational efficiency.

## 3. Performance (January 1, 2020 – December 31, 2020)

In 2020, the Thai financial system faced a crisis following the outbreak of COVID-19. The pandemic adversely impacted businesses and individuals, both

directly and indirectly, consequently reducing debtors' ability to pay. The ROC held 13 meetings, with a focus on crisis relief measures in addition to the issues raised by the RMC. The key topics covered in the meetings were as follows:

### 3.1 Impact from the COVID-19 pandemic

The widespread outbreak of COVID-19 affected five of the Bank's categories of risk. The ROC requested that management assess and report the pandemic's impact on each risk type, relief measures offered to debtors in accordance with the Bank of Thailand's guideline, and liquidity assistance offered to debtors. The ROC provided recommendations to management regarding risk measurement and monitoring, which might differ from normal circumstances, and reviewed the Bank's business plan. Management regularly updated the ROC on the relief program, whereby debtors are triaged into borrowers whose ability to pay remains intact, borrowers whose ability to pay is temporarily affected thereby requiring continuous assistance to recover, and borrowers whose ability to pay has significantly deteriorated. Such information will be useful for undertaking qualitative assessment and estimating additional provisions to mitigate potential future losses. The ROC regularly monitors the status of each risk type via a risk dashboard on a monthly basis.

In 2020, the ROC was of the view that the Bank was required to place a top priority on supporting our debtors, especially small and medium enterprises (SMEs) and retail customers. Corporate customers are generally least affected as their lifelines are longer than other groups and therefore require less support. Credit risk significantly increased, and in assisting debtors the Bank was not able to provide additional loans at high interest rates due to their already deteriorated situation. The Bank was therefore compelled to set a record high provision for bad debts and doubtful accounts, prompting a significant decrease in profit, which will be discussed in another section. With more focus being placed on taking care of debtors, the Bank was not able to concentrate much on investment. Market risk remained at the same level as last year and was not of any concern. As for liquidity risk, when the economy was locked down demand for

goods and services decreased, prompting a decline in investment. The excess liquidity available in the Bank rose dramatically and the issue of liquidity risk therefore did not exist. Lastly, regarding operational risk, several previous issues have taught the Bank to be more prudent. However, by increasingly embracing technology as a means to do business at present and in the future, technology risk, as part of operational risk, became inherently more and more important and the Bank could not afford to overlook such risk. This issue will be reported separately in another section.

### **3.2. Provision**

During a period in which the economy faces negative external risk factors that affect customers' repayment ability, the ROC has a key duty to ensure the Bank's financial strength and soundness while striking a balance and sustaining shareholders' returns. The Committee reviewed the framework for setting provisions to absorb potential future credit portfolio losses from the pandemic and its impact on the economy based on the principle of forward-looking assessment of expected credit cost under TFRS9, which became effective on January 1, 2020. In 2020, the ROC carried on monitoring and reviewing the provision framework and provided guidance to management to perform stress testing under various COVID-19 scenarios. The stress test results were used for determining the provision level, which was appropriate to the risk level. In 2020, the Bank set aside a record high provision for bad debts and doubtful accounts in a total amount of Baht 46.6 billion, which was considered appropriate and sufficient for this year.

### **3.3 Technology Risk Report**

Apart from credit risk, the ROC also reviewed risks related to technology, which is one of the engines driving the digital banking strategy. As the most knowledgeable expert in this area, the Technology Committee has the responsibility for directly supervising technology risk under the oversight of the Risk Oversight Committee. Accordingly, the ROC and the Technology Committee held joint meetings to discuss issues and build a dashboard to monitor risks in order to strengthen the three lines of defense and enhance efficiency.

### **3.4 Risk Culture**

Building a robust risk culture in the organization is a high priority for the ROC. The ROC has started revamping credit processes to strengthen the

risk culture foundation at the individual level. The Committee also assigned risk management units to consistently raise risk awareness by collecting data on seven types of operational risk, based on incidents reported by employees. In 2020, the tasks of building a risk culture primarily revolved around a "Tone from the Top" theme, whereby committee chairs and Bank executives involved in the three lines of defense provide guidelines to build a risk culture from various perspectives. In addition, the Risk Function recognized the accomplishments of teams that have inspired risk management change throughout the organization and have driven excellence, leadership, and firm-wide risk management innovation.

### **4. Roadmap for 2021**

The ROC will continue to embrace a conceptual frame work for the five areas of risk, in line with that of the Bank of Thailand, by focusing on the following areas:

1. Continuing to manage and monitor the crisis relief program, and fine-tuning and customizing the relief framework based on industry, severity level, recovery period, adaptation of debtors, and collateral types. This will enable the Bank to accurately classify debtors based on the appropriate risk level. Such information will assist the Bank in setting loan staging, provisioning, and management overlays to cover potential losses.
2. Continuing to use credit risk reports and underwriting criteria to monitor SME and Retail portfolios.
3. Strengthening market risk management supervision in response to risks arising from the Bank's inorganic growth from investment plan, which will be the Bank's source of return.

As an implementation framework, the Committee will focus on strengthening the risk management process of the Bank and its subsidiaries to create long-term benefits for shareholders, customers, and depositors.

**Mr. Krirk Vanikkul**

Chairman of the Risk Oversight Committee

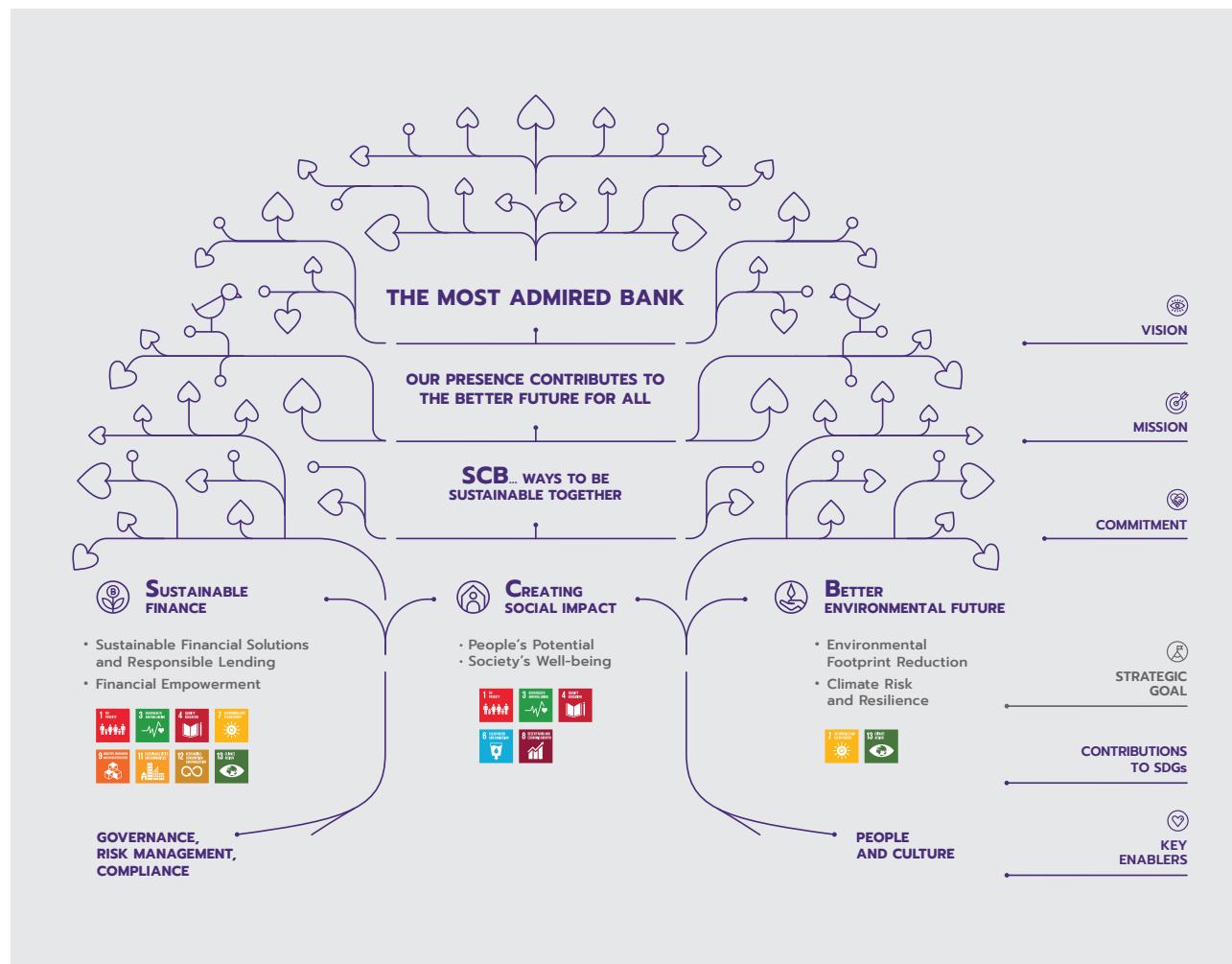
# SCB WAY TO SUSTAINABILITY

The Bank recognizes that long-term solid growth must go hand in hand with customer success and stakeholders' well-being on the foundation of good governance and social and environmental responsibilities. Accordingly, the Bank has integrated sustainability into its business strategy.

## Sustainability Policy and Goals

Adhering to its commitments in strengthening the financial and banking system, helping drive the nation's economy to stability while improving social

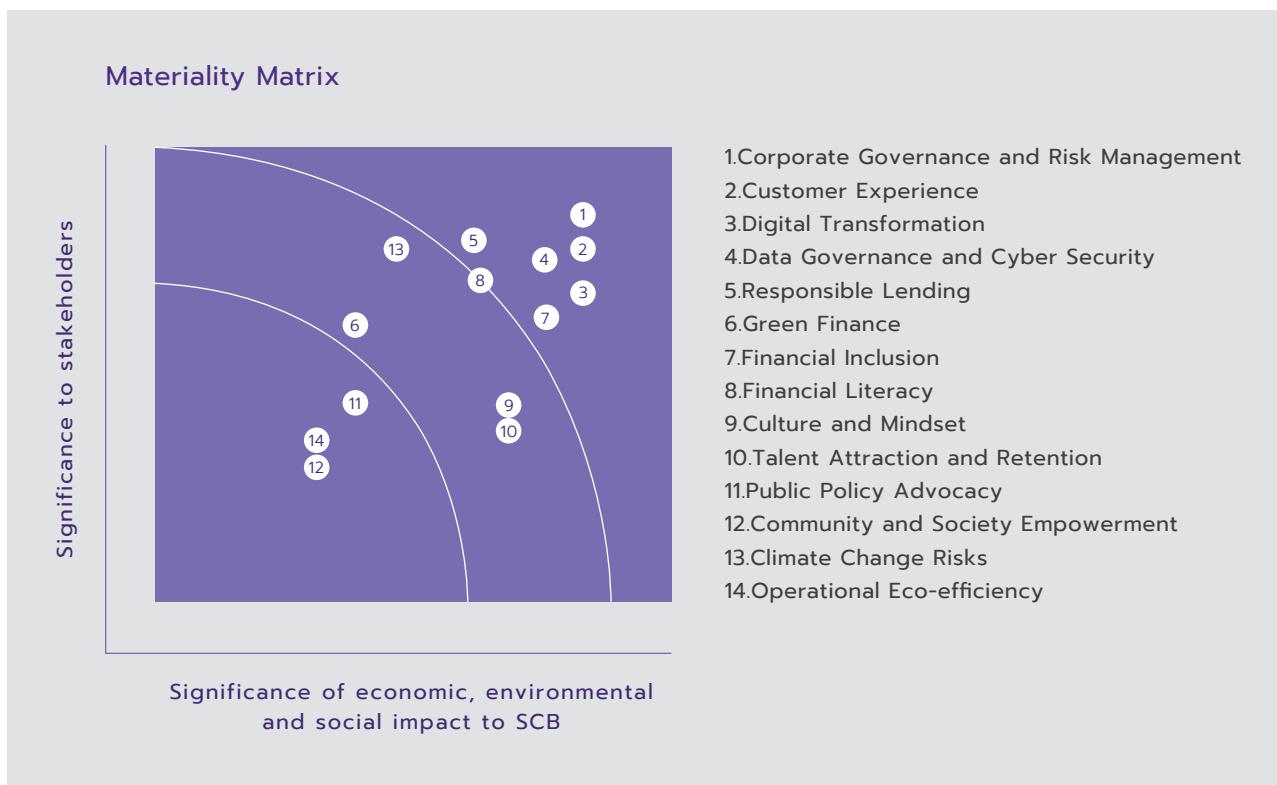
well-being and conserving the environment, in 2020 the Bank reflected on its past performance and looked ahead to the future with a commitment to sustainable banking which led to a policy and strategic framework founded upon the three pillars of "Sustainable Finance, Creating Social Impact, and Better Environmental Future" under the mission "Our Presence Contributes to a Better Future for All." These three pillars will guide the Bank on its sustainability journey. At the same time, the Bank also places importance on ensuring inclusive growth as well as to help support the United Nations Sustainable Development Goals (SDGs).



## Management of Impacts Upon Stakeholders Throughout Value Chain

The Bank encourages every unit to build continuous engagement with stakeholders which includes customers, employees, shareholders, society, and environment and regulators throughout the value chain. Stakeholders' opinions and feedbacks are analyzed and taken into account during an annual

review of material sustainability topics, leading to continuous improvements on management approach towards stakeholders and the Bank's operations. The Bank reviews material sustainability topics covering both opportunities and risks in economic, social, and environmental dimensions based on four key principals of the Global Reporting Initiative (GRI) Standards: stakeholder inclusiveness, sustainability context, materiality and completeness.



## Sustainability Management in Economic, Social and Environmental Dimensions

The Bank's approach to sustainability is guided by three key pillars: Sustainable Finance, Creating Social Impact, and a Better Environmental Future. These pillars consider key sustainability issues that emerged throughout the value chain. For 2020, the management's approach and performance can be summarized as follows:

### Sustainable Finance

Resource degradation and social inequality remain a challenge at both national and global levels and are partly caused by economic expansion, increasing demand for natural resources, and lack of resource accessibility to sustain decent livelihood.

The above challenges have led to a push for "sustainable development" in economies around the world. Since the transition to a sustainable economy requires capital and time, the finance and banking sector which acts as an intermediary for capital mobilization and resource allocation serves an important function of driving sustainability for the business and supporting financial health for the individual.

Siam Commercial Bank recognizes and fulfills its role in promoting sustainable finance by incorporating Environmental, Social, and Governance (ESG) criteria into its lending and investment advisory decisions. The Bank is also committed to developing/delivering social and eco-friendly financial products and services in parallel with continuous promotion of financial accessibility and literacy among customers and people in the general public.

To ensure that the Bank's sustainable finance commitment is carried out systematically and with continuity, the Sustainable Finance Taskforce was set up in 2020 to establish management frameworks, targets, and long-term plans.

- **Sustainable Financial Solution and Responsible Lending/Investment**

In 2020, the Bank continued to adhere to the "Sustainable Banking Guidelines – Responsible Lending" initiative which is a collaborative effort by the Bank of Thailand, the Thai Bankers' Association and commercial banks to establish guidelines for both retail and business lending. In addition, the Bank also offers products and services to address environmental and social problems for all groups of customers, including corporate, SMEs, retail and wealth segments.

## Performance Highlights



**100%** Of project finance passed the ESG risk assessment



Provide green finance/lending in the amount of

**14,000**  
Million Baht



Establish Responsible Investment Advisory Policy to ensure that the Bank's wealth management business can offer investment advisory that yields attractive and sustainable returns for customers

### • **Financial Empowerment**

The Bank focuses its efforts on promoting inclusive financial accessibility as well as cultivating financial literacy for customers and the general public, especially among the vulnerable population. In addition, the Bank also forms partnerships to build a financial ecosystem that facilitates sustainable development to narrow economic inequality, raise standard of living for people in the society, and foster inclusive growth. In 2020, the Bank provided more than 82,600 SME customers access to digital lending as well as built financial knowledge and skills among more than 10,400 customers, students, and the general public.

## Creating Social Impact

Technological advancement has transformed the way businesses operate and the way people live. This has raised concern over unemployment as human jobs are being displaced by automation and internet technology, escalating the problem of rising income inequality. The World Economic Forum (WEF) forecasted that by 2025, 85 million jobs will be displaced by machines while 97 million new jobs and opportunities are expected to be created. To address the problem of widening skills gap, it is essential to provide support for reskilling and upskilling.

At the same time, poverty and social inequality which have frustrated growth and sustainable development efforts, remain important agendas for Thailand. A report by the National Economic and Social Development Council showed that the poverty rate in 2019 was at 6.24% or approximately 4.3 million people while the Equitable Education Fund (EEF) reported that more than 5 million children in Thailand were forced to leave school because of poverty and another 2 million children were likely to quit.

The Bank understands these challenges and recognizes the value and potential in people, which led to "Creating Social Impact" pillars aimed at building essential 21st century skills to carry on basic day-to-day tasks, to overcome challenges, and to adapt to change. In addition, the Bank also focuses on promoting wellbeing as part of its sustainable development approach to leverage business and social development with an emphasis on creating inclusive growth and lowering inequality without leaving anyone behind.

- **People's Potential**

The Bank focuses on equipping its workforce with digital capabilities, reskilling and upskilling abilities, flexibility and resilience, as well as creativity and a habit of life-long learning. To achieve this goal, the Bank ensures that employees have access to a wide range of knowledge through new ways of working and learning to prepare employees for new opportunities and career advancement as well as empowering the workforce to create value for the business and for all stakeholders.

In 2020, the Bank set up the Center of Excellence (COE) under SCB Academy to uplift essential skills for working in the digital age with a focus on four areas: data analytics, customer centricity, lean and agile, and digital transformation on the basis on leadership development which are crucial skills for any profession. Moreover, the Bank also extends its expertise outward by forming partnerships with different organizations to develop 21st century skills and building an online learning community to create professional opportunities for Thai people in the future.

## Performance Highlights

Provided basic and intermediate digital skills for more than

**5,500** employees



Together with creating Business Data Analytics Champions, Design Thinkers, Leaners, Digital Learners and SCB Future Leaders in every line of business to join force in leading change and bringing innovation

The Bank joined a network of

**28** Partners



to develop 21<sup>st</sup> century skills for a better career future for more than

**9,000** Thais

- **Society's Well-being**

The Bank pursues a holistic approach to community and social development through its collaboration with an array of organizations and network of partners upon the foundation of community and employee engagement to create social impact that leads to sustainability. In 2020, the Bank continued to work toward building a foundation for social wellbeing by expanding educational opportunities, improving people's quality of life, providing immediate relief measures, and protecting the environment as well as fostering a volunteer culture for its employees. The Bank has more than 75 CSR initiatives with a social investment budget of Baht 520 million for which 6,500 employees have volunteered, or approximately 22,000 hours.

## Better Environmental Future

Environmental issues, particularly climate change, are of significant global concern because these problems have become intensified with inevitable consequences on the economy, human wellbeing, ecosystem and biodiversity. The National Aeronautics and space administration (NASA) reported global temperatures in 2020 marked the warmest year on the record in the 140 years since the first statistical data was collected.

Therefore, the Bank has endeavored to leverage its ability in organizing environmental initiatives and its operational capabilities throughout the value chain to mitigate the environmental impact from its business operations.

- **Risk management and climate resilience**

To manage risks and opportunities that arise from climate change as well as facilitate a transition to a low-carbon society, the Climate Change Taskforce was set up in 2020 to study and assess climate change risk in corporate loan portfolio. In addition, climate change risk management has been incorporated into the Bank's stress testing which is in line with the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). At the same time, the Bank continues to develop and offer financial products and services that contribute to climate change mitigation and adaptation.

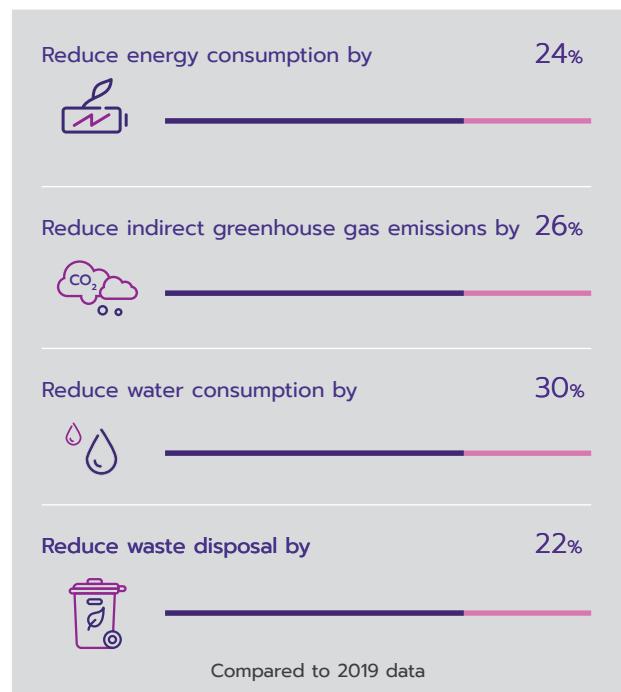
- **Reducing Environmental Footprints**

To optimize its energy consumption, natural resource, and waste management, the Bank adopts the 3R principle – Reduce, Reuse, and Recycle – as well as identifies ways to reduce energy consumption and pollution from logistics and transportation. At the same time, the Bank has been working with suppliers to achieve better environmental performance and promote green procurement.

In 2020, the Bank prepared to apply for the ISO 14001 certification for environmental management system by incorporating

environmental considerations into risk assessment, providing environmental management training to all employees, encouraging employee to recycle, providing separate recycling bins at the head office building and main buildings, and running the campaign "Joining SCB to Conserve Energy: Turn off, Adjust, Unplug, Switch". Moreover, the Bank also requires vendors who organize events on SCB's premises to use eco-friendly materials and packaging, assesses new suppliers on environmental criteria, and has all suppliers acknowledge the SCB Supplier Code of Conduct before start working with the Bank.

## Performance Highlights



**Remark:** A complete report and disclosure on SCB sustainability management is published in a 2020 Sustainability Report, which can be accessed at <https://www.scb.co.th/th/about-us/sustainability.html>

# REPORT OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE 2020

## Introduction

The Chairman of the Board of Directors appoints members of the Corporate Social Responsibility Committee, which comprises no fewer than three members, whose terms are equal to their tenure on the Board. As of December 31, 2020, the CSR Committee comprised five members, of whom four members were non-executive directors, and one member an executive officer, namely Mr. Vichit Suraphongchai (Chairman of the CSR Committee), Air Chief Marshal Satitpong Sukvimal (Director), Police Colonel Thumnithi Wanichthanom (Director), Miss Jareeporn Jarukornsakul (Director), and Mrs. Apiphan Charoenanusorn (President). In 2020, the CSR Committee held six meetings, and its main accomplishments are described below.

## Mission

SCB undertakes social responsibility as part of its daily business operations, carrying out activities that benefit society and the environment according to a CSR policy framework and core CSR strategic thrusts set forth by the Committee that reflect the Bank's convictions, vision and business direction. The Committee is responsible for laying out the general CSR policies and governance as well as overseeing specific CSR activities focused on benefiting the nation's economy, youth development, society and environment. In these and other ways, SCB drives its social responsibility policy in tandem with business operations, aspiring for sustainable growth by creating shared value for all Bank stakeholders according to three major corporate social responsibility goals:

Three major corporate social responsibility goals:

1. Youth development and learning enhancement



2. Quality of life and community development



3. Promoting volunteerism among staff members and the public



1. Youth development and learning enhancement
2. Quality of life and community development
3. Promoting volunteerism among staff members and the public

## Achievements (January 1-December 31, 2020)

### 1. Youth development and learning enhancement

SCB continued to make youth development and learning enhancement a priority in 2020. Results gained from each project have strengthened fundamentals for educators, educational institutions, parents and youngsters. In addition, the Bank supported both schools and teachers in disseminating knowledge that will benefit youth directly, as seen in the following projects:



1. **SCB Challenge:** Continuing for 15 years in a row, the SCB Challenge is a competition program that lets SCB take part in developing the potential of youths, promoting learning and instilling three important skills critical for young people in the 21<sup>st</sup> century: critical thinking, communication and collaboration. The competition, which is designed to attract participation from students nationwide, is divided into a primary school level for art projects and a secondary school level for community projects.
2. **CONNECT ED Education Reform:** The Bank applied lessons learned from successful cases in the first and second phases of this program for use in online learning, allowing teachers nationwide to take part in learning communities

and active learning processes. With this approach, teachers are able to design practical, student-centered learning processes.

### **3. Scholarships for organizations, institutions and young people**

SCB supports science and technology education through the Vidyasirimedthi Institute of Science and Technology (VISTEC); helps foster scientific and technological knowledge development through the Junior Science Talent Program (JSTP); and encourages Thai youths to demonstrate their potential on the global stage through the Young Scientist Competition (YSC). In addition, the Bank collaborates with academic institutions and organizations to offer over 500 scholarships for young people, most of whom come from disadvantaged backgrounds.



#### 4. "Say No to Plastic" Educational Media

In 2020, SCB presented 1,050 sets of educational media to 990 schools nationwide to help promote learning about environmental protection under the "Say No to Plastic" campaign, a major program initiated by the government and retailers.

#### 2. Quality of life and community development

SCB has initiated a policy to help alleviate the many hardships caused by natural disasters, such as damage to property and crops. We are committed to assisting affected people and communities to resume their normal lives as quickly as possible. This means we place priority on delivering relief to those in need at every stage, from urgent aid helping victims overcome acute crises to long-term assistance that restores and sustains better living conditions.

##### 1. Urgent assistance

Collaborating with the Royal Thai Armed Forces Headquarters and the Royal Thai Air Force under **the SCB Disaster Relief Project**, SCB delivered 4,000 survival packages containing items necessary for daily life to families affected

by floods in Sukhothai and Nakhon Ratchasima provinces. In addition, 4,500 blankets were provided to communities hit by cold weather.

#### 2. Long-term assistance to revive quality of life

SCB collaborated with the Siam Commercial Foundation and partners comprising the Ministry of Social Development and Human Security, the Royal Thai Armed Forces Headquarters, the Royal Thai Air Force, King Power Duty Free Co., Ltd., WHA Corporation PCL, and Dohome PCL to organize a "**Northeastern Region Support Project**" to help repair and rebuild homes damaged by the Tropical Storm Podul and Tropical Depression Kajiki in late August 2019. The project helped repair and build a total of 144 homes for vulnerable groups having special needs, such as families with senior members, disabled people, children and other less privileged groups. In addition, the project helped revive livelihoods by providing 1,760 sacks of paddy rice seed to 370 affected farmers. After these tropical storms damaged household electrical appliances necessary for daily life, SCB worked with the Royal Thai Armed Forces to provide 525 rice cookers to affected families, as well as books and equipment to 312 affected schools in the provinces of Ubon Ratchathani and Roi Et, to help rehabilitate their libraries.

The SCB Disaster Relief Project	Northeastern Region Support Project
Delivered	Repaired and built
4,000	144 homes
survival packages	Provided paddy rice seed
4,500	1,760 sacks
blankets	Provided
	525 rice cookers



- **Support the Fight Against COVID-19**

SCB has continuously conveyed moral support and encouragement to healthcare professionals performing their duties on the frontlines throughout the COVID-19 outbreak. Realizing their needs for additional medical supplies and equipment for the treatment of COVID-19 patients, the Bank made donations to 11 hospitals and joined with the Thai Bankers Association to donate to the Government in a total amount of Baht 16 million. Moreover, the Bank presented Baht 1 million to the Vidyasirimedhi Institute of Science and Technology (VISTEC) in support for their development of a COVID-19 diagnostic kit which will allow quicker detection of the disease.

In addition, the Bank provided total of 57,000 surgical masks to the medical team at Siriraj and Ramathibodi hospitals and to China through a network of Chinese entrepreneurs in Thailand, and to Myanmar through the Myanmar embassy in Thailand.

#### Support the Fight Against COVID-19

##### Support

**11** hospitals

**16** million Baht

##### Facemask

**57,000** pieces



**To help mitigate water management problems and assist development of water resources for agriculture and household consumption, the Bank worked with various partners in the following projects:**

- **Water Supplies for a Sustainable Quality of Life**

SCB collaborated with the Royal Thai Air Force's Disaster Relief Center to initiate a "Water Supplies for Sustainable Quality of Life" project to help relieve the hardships of people living in areas where clean water is scarce. Under the project, SCB installed water tanks with support structures and filtration systems, and built plumbing systems for communities. In 2020, the project was carried out in five provinces, supporting over 6,000 students, school employees and community members. In addition, the project allowed more than 5,000 people in nearby communities to take advantage of these plumbing systems. By doing so, schools were able to save an average of Baht 3,000 each, and households Baht 240 each, in monthly spending on drinking water. Communities each saved about Baht 2,000 per month on costs for electricity to pump water.

- **Water Resource Development in collaboration with the Utokapat Foundation under Royal Patronage of His Majesty the King**

Since 2008, SCB has worked closely on community water management projects with the Utokapat Foundation under the Royal Patronage of His Majesty the King following H.M. the King's initiatives. In 2020, SCB supported water resource development projects in Chaiyaphum's Ban Tat Ton and Ban Non Tae communities. With carefully laid out action plans, the project yielded outstanding achievements for each community as follows:

- At Ban Tat Ton: Using water resources that originate from Khlong Lum Pa Tao, the project involved constructing a sediment trap, rehabilitating a 1,040-meter waterway, dredging the Lum Huay Khi Lek stream and widening the Huay La Ko stream. This increased the water supply by 56,600 cubic meters, benefiting 172 households and expanding agricultural areas by 2,520 rai.
- At Ban Non Tae: Using water from the Chi River, the project installed a reverse osmosis (RO) filter with a production capacity of 6,000 liters per day, offering clean water for consumption while reducing expenses by Baht 1.35 million per year, benefiting 1,200 people. In addition, SCB supported dredging a canal connecting Lam Na Sang and Nong Nam Khun, benefiting some 1,200 rai of agricultural land and capable of managing a 150,000-cubic meter water supply in the area.

### **3. Promoting volunteerism among staff members and the public**

SCB encourages employees to dedicate their time to public service by initiating their own activities or participating in social responsibility projects organized by the Bank, such as beach cleaning projects or volunteering at charitable foundations. Major activities held in 2020 include:

## 1. Volunteer activities under the OUR Khung Bang Kachao Project

Throughout the past three years, SCB took part in the OUR Khung Bang Kachao Project with the aim of developing green areas in Bangkok where nature and people can live together on the basis of a strong and sustainable community economy, ready to become a role model in development of green urban areas nationwide. In 2020, the Bank organized a range of "SCB, Let's Do Good" activities in close collaboration with the OUR Khung Bang Kachao's Youth Development Task Force, Garbage Management Task Force and Green Area Development Task Force, as follows:

- An "SCB, Let's Do Good: Teaching Kids How to Save Money and the Earth" activity for children at the Wat Bang Nam Pueng Nok, Wat Bang Nam Phueng Nai, Wat Bang Ko Bua and Samran Wittaya schools encouraged young people in Bangkok's Khung Bang Kachao area to understand the waste disposal problem and learn about environmental protection through games.

- A "Let's Ride and Plant with SCB" activity was joined by over fifty SCB volunteers together with local communities and representatives from the project's Green Area Development Task Force. Volunteers rode their bicycles to deliver more than 200 seedlings provided by the Royal Forest Department to plant at allocated areas cared for by SCB and the Bang Ko Bua community.
- "**Ride and Plant for Happiness**" at Khung Bang Kachao in Bangkok, enlisted the participation of SCB staff and representatives from dealers of pre-owned cars to join in cycling, tree planting and tie-dye craft making activities.

## 2. Volunteer project in collaboration with the Friend in Need (of "Pa") Foundation under the Thai Red Cross Society

SCB staff members under the SCB, Let's Do Good project volunteered to help pack survival packages sponsored by the Friend in Need (of "Pa") Foundation under the Thai Red Cross Society for delivery to distraught families affected by floods. The packing activities took



place regularly in Bangkok at the 11th Infantry Regiment of the Royal Guards. Volunteers also joined the “**Community Rehabilitation, Disaster Relief Efforts, Sustainability Project**” in Hua Thale Subdistrict, Mueang District, Nakhon Ratchasima Province. Volunteer employees in Nakhon Ratchasima also participated in cleaning up buildings, houses and roads that were damaged by floods.

### **3. Blood donation campaign with the Thai Red Cross Society**

In recent decades, SCB has presented more than 560 million cc of blood to the Thai Red Cross Society as part of its ongoing efforts to support the Society's blood donation campaigns, which have continued for 24 years in a row and saved the lives of 3.8 million patients. Taking advantage of its close relationship with the

government and the private sector, the Bank has been successful in collecting and delivering to the Red Cross the largest amount of blood of any financial institution, helping to save many lives. In 2020, SCB presented 54.6 million cc of blood to the Thai Red Cross Society from 136,490 donors, helping to save the lives of 409,470 patients. SCB organized blood donation campaigns with the National Blood Center through 10 mobile blood donation vehicles presented by the Bank to the Thai Red Cross Society; through activities on World Blood Donor Day; and through other activities in various provinces.

**Dr. Vichit Suraphongchai**

Chairman of the Corporate Social Responsibility Committee



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3 YEAR FINANCIAL STATEMENTS AND RATIO

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)  
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

(in thousand Baht)

Assets	2020		2019		2018	
Cash	51,528,618	1.57%	47,450,329	1.61%	46,443,366	1.62%
Interbank and money market items, net	539,107,537	16.43%	427,250,921	14.47%	362,033,032	12.66%
Financial assets measured at fair value through profit or loss	23,106,838	0.70%	-	0.00%	-	0.00%
Derivative assets	87,095,023	2.65%	63,283,308	2.14%	41,533,759	1.45%
Investments, net	312,059,270	9.51%	310,504,994	10.52%	272,994,919	9.54%
Investments in subsidiaries and associate, net	24,659,612	0.75%	6,727,117	0.23%	18,988,748	0.66%
Loans to customers and accrued interest receivables, net	2,125,942,032	64.81%	1,998,168,736	67.68%	2,025,305,924	70.81%
Properties for sale, net	15,917,594	0.49%	16,393,154	0.56%	13,445,838	0.47%
Investment properties, net	287,464	0.01%	-	0.00%	-	0.00%
Premises and equipment, net	38,642,255	1.18%	39,910,623	1.35%	41,707,339	1.46%
Goodwill and other intangible assets, net	17,678,858	0.54%	18,450,769	0.62%	15,697,382	0.55%
Deferred tax assets	4,239,543	0.13%	1,809,077	0.06%	106,779	0.00%
Other assets, net	40,177,545	1.22%	22,498,024	0.76%	21,869,956	0.76%
<b>Total assets</b>	<b>3,280,442,189</b>	<b>100.00%</b>	<b>2,952,447,052</b>	<b>100.00%</b>	<b>2,860,127,042</b>	<b>100.00%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)  
 STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

(in thousand Baht)

Liabilities and shareholders' equity	2020		2019		2018	
<b>Liabilities</b>						
Deposits	2,429,779,524	74.07%	2,156,488,855	73.04%	2,156,936,065	75.41%
Interbank and money market items	198,359,503	6.05%	145,870,962	4.94%	145,599,164	5.09%
Liabilities payable on demand	10,266,680	0.31%	11,794,548	0.40%	13,942,883	0.49%
Derivative liabilities	79,775,566	2.43%	61,987,555	2.10%	36,798,917	1.29%
Debt issued and borrowings	66,800,699	2.04%	76,355,562	2.59%	106,065,393	3.71%
Provisions	17,330,929	0.53%	10,997,107	0.37%	8,922,840	0.31%
Other liabilities	68,385,233	2.08%	91,008,290	3.08%	50,675,900	1.71%
<b>Total liabilities</b>	<b>2,870,698,134</b>	<b>87.51%</b>	<b>2,554,502,879</b>	<b>86.52%</b>	<b>2,518,941,162</b>	<b>88.07%</b>
<b>Shareholders' equity</b>						
Share capital						
Authorised share capital						
3,582,725,897 preferred shares						
of Baht 10 each	35,827,259	1.09%	35,827,351	1.21%	35,828,427	1.25%
3,417,274,103 common shares						
of Baht 10 each	34,172,741	1.04%	34,172,649	1.16%	34,171,573	1.19%
Issued and paid-up share capital						
3,601,540 preferred shares						
of Baht 10 each	36,015	0.00%	36,107	0.00%	37,183	0.00%
3,395,590,658 common shares						
of Baht 10 each	33,955,907	1.04%	33,955,815	1.15%	33,954,739	1.19%
Premium on share capital						
Premium on preferred shares	14,085	0.00%	14,121	0.00%	14,541	0.00%
Premium on common shares	11,110,106	0.34%	11,110,070	0.38%	11,109,650	0.39%
Other reserves	16,919,044	0.52%	16,135,730	0.55%	16,535,798	0.58%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.21%	7,000,000	0.24%	7,000,000	0.24%
Unappropriated	340,708,898	10.39%	329,692,330	11.17%	272,533,969	9.53%
<b>Total owners of the company</b>	<b>409,744,055</b>	<b>12.49%</b>	<b>397,944,173</b>	<b>13.48%</b>	<b>341,185,880</b>	<b>11.93%</b>
<b>Total shareholders' equity</b>	<b>409,744,055</b>	<b>12.49%</b>	<b>397,944,173</b>	<b>13.48%</b>	<b>341,185,880</b>	<b>11.93%</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,280,442,189</b>	<b>100.00%</b>	<b>2,952,447,052</b>	<b>100.00%</b>	<b>2,860,127,042</b>	<b>100.00%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31

(in thousand Baht)

	2020		2019		2018	
Interest income	117,954,045	82.61%	126,170,944	63.95%	118,470,269	93.02%
Interest expenses	21,364,318	14.96%	35,537,905	18.01%	32,701,604	25.68%
Net interest income	96,589,727	67.64%	90,633,039	45.94%	85,768,665	67.34%
Fee and service income	41,021,214	28.73%	39,174,566	19.86%	36,681,937	28.80%
Fee and service expenses	7,991,446	5.60%	8,327,557	4.22%	7,354,816	5.77%
Net fee and service income	33,029,768	23.13%	30,847,009	15.64%	29,327,121	23.03%
Net gain on financial instruments measured at fair value through profit or loss	7,357,978	5.15%	-	0.00%	-	0.00%
Net gain on trading and foreign exchange transactions	-	0.00%	6,579,982	3.34%	7,764,554	6.10%
Net gain on investments	1,735,906	1.22%	4,741,734	2.40%	2,705,633	2.12%
Net gain on sale of investment in subsidiary	-	0.00%	61,899,788	31.37%	-	0.00%
Dividend income	2,352,087	1.65%	2,217,863	1.12%	1,509,738	1.19%
Other operating income	1,725,760	1.21%	373,031	0.19%	282,587	0.22%
<b>Total operating income</b>	<b>142,791,226</b>	<b>100.00%</b>	<b>197,292,446</b>	<b>100.00%</b>	<b>127,358,298</b>	<b>100.00%</b>
Other operating expenses						
Employee expenses	28,223,115	19.77%	29,803,086	15.11%	25,969,307	20.39%
Directors' remuneration	100,240	0.07%	89,680	0.05%	89,238	0.07%
Premises and equipment expenses	12,199,754	8.54%	12,902,297	6.54%	12,318,209	9.67%
Taxes and duties	3,833,395	2.68%	4,362,186	2.21%	4,138,577	3.25%
Other expenses	18,203,982	12.75%	20,656,435	10.47%	19,812,844	15.56%
Total operating expenses	62,560,486	43.81%	67,813,684	34.37%	62,328,175	48.94%
Expected credit loss	46,299,044	32.42%	-	0.00%	-	0.00%
Impairment loss on loans and debt securities	-	0.00%	36,236,999	18.37%	24,001,551	18.85%
Profit from operations before income tax expenses	33,931,696	23.76%	93,241,763	47.26%	41,028,572	32.22%
Income tax expenses	6,156,341	4.31%	17,792,258	9.02%	7,553,082	5.93%
<b>Net profit</b>	<b>27,775,355</b>	<b>19.45%</b>	<b>75,449,505</b>	<b>38.24%</b>	<b>33,475,490</b>	<b>26.28%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31 (continued)

(in thousand Baht)

	2020		2019		2018	
Other comprehensive income (loss)						
Items that will be reclassified subsequently to profit or loss						
Losses on investments in debt instruments at fair value through other comprehensive income	(423,251)	-0.30%	-	0.00%	-	0.00%
Gains (losses) on remeasuring available-for-sale investments	-	0.00%	5,432	0.00%	(2,308,856)	-1.81%
Gains (losses) arising from translating the financial statements of foreign operations	17,937	0.01%	-	0.00%	-	0.00%
Change in hedge reserve	-	0.00%	-	0.00%	1	0.00%
Income tax relating to components of other comprehensive income (loss) will be reclassified subsequently to profit or loss	84,650	0.06%	(1,087)	0.00%	461,771	0.36%
	<u>(320,664)</u>	<u>-0.22%</u>	<u>4,345</u>	<u>0.00%</u>	<u>(1,847,084)</u>	<u>-1.45%</u>
Items that will not be reclassified subsequently to profit or loss						
Gains on investments designated at fair value through other comprehensive income	178,859	0.13%	-	0.00%	-	0.00%
Actuarial gains (losses) on defined benefit plans	(1,731,587)	-1.21%	-	0.00%	(893,131)	-0.70%
Income tax relating to components of other comprehensive income (loss) will not be reclassified subsequently to profit or loss	310,546	0.22%	-	0.00%	178,626	0.14%
	<u>(1,242,182)</u>	<u>-0.87%</u>	<u>-</u>	<u>0.00%</u>	<u>(714,505)</u>	<u>-0.56%</u>
Total other comprehensive (loss) income, net of income tax	(1,562,846)	-1.09%	4,345	0.00%	(2,561,589)	-2.01%
<b>Total comprehensive income</b>	<b>26,212,509</b>	<b>18.36%</b>	<b>75,453,850</b>	<b>38.24%</b>	<b>30,913,901</b>	<b>24.27%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in thousand Baht)

	2020	2019	2018
<b>Cash flows from operating activities</b>			
Profit from operating before income tax expense	33,931,696	93,241,763	41,028,572
Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities			
Depreciation and amortisation	9,707,606	5,756,554	4,539,874
Expected credit loss	49,555,821	-	-
Impairment loss on loans and debt securities	-	39,492,005	27,114,229
Impairment loss on properties for sale	1,566,315	146,326	113,740
Impairment loss on premises and equipment	241,220	-	-
Provisions expense	3,536,049	1,775,749	1,332,451
(Gain) loss on sale of premises and equipment	(6,547)	(11,735)	47,016
Loss from write-off of premises and equipment	215,789	79,334	-
(Gain) loss from sale of properties for sale	(1,013,599)	797,232	594,641
Net unrealised gain on financial instruments	(11,140,091)	-	-
Net loss (gain) on trading and foreign exchange transaction	-	20,283,328	(3,270,367)
Net gain on investments	(1,735,906)	(4,741,734)	(2,705,633)
Net gain on sale of investment in subsidiary	-	(61,899,788)	-
Share of loss (profit) from investment in associate	-	-	-
	84,858,353	94,919,034	68,794,523
Net interest income	(96,589,727)	(90,633,039)	(85,768,665)
Dividend income	(2,352,087)	(2,217,863)	(1,509,738)
Proceeds from interest	106,763,134	125,714,196	117,763,427
Interest paid	(26,660,329)	(34,054,968)	(31,978,303)
Proceeds from dividend	2,352,012	2,474,282	1,341,219
Income tax paid	(20,015,139)	(8,500,374)	(8,299,732)
Profit from operating before changes in operating assets and liabilities	48,356,217	87,701,268	60,342,731
(Increase) decrease in operating assets			
Interbank and money market items	(111,827,788)	(65,105,374)	(58,544,492)
Derivative assets	(18,531,538)	(46,213,750)	7,477,509
Investment in short-term securities	20,934,013	(14,022,028)	(2,282,221)
Loans to customers	(166,892,133)	(26,570,890)	(128,223,088)
Properties for sale	7,226,425	10,159,119	7,813,688
Other assets	(18,141,553)	(2,386,526)	(980,456)

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)  
 STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

(in thousand Baht)

Asset	2020	2019	2018
<b>Increase (decrease) in operating liabilities</b>			
Deposits	273,290,669	(447,210)	69,045,776
Interbank and money market items	52,488,541	271,798	34,687,204
Liability payable on demand	(1,527,868)	(2,148,335)	(9,727,347)
Derivative liabilities	17,632,046	25,586,308	(7,943,116)
Short-term debt issued and borrowings	(11,490,646)	(34,564,020)	28,809,454
Other liabilities	(13,087,494)	29,926,870	3,873,109
<b>Net cash from (used in) operating activities</b>	<b>78,428,891</b>	<b>(37,812,770)</b>	<b>4,348,751</b>
<b>Cash flows from investing activities</b>			
Acquisition of instruments measured at fair value through other comprehensive income	(424,560,152)	-	-
Acquisition of available-for-sale securities	-	(289,452,773)	(253,321,752)
Proceeds from sale of instruments measured at fair value through other comprehensive income	393,056,095	-	-
Proceeds from sale of available-for-sale securities	-	270,714,376	281,317,455
Acquisition of instruments at amortised cost	(545,178)	-	-
Acquisition of held-to-maturity securities	-	(593,002)	(607,321)
Proceeds from redemption of instruments at amortised cost	1,053,903	-	-
Proceeds from redemption of held-to-maturity securities	-	3,112,997	1,544,398
Acquisition of general securities	-	(2,318,648)	(1,060,894)
Proceeds from sale of general investments	-	54,939	1,330,155
Acquisition of investments in subsidiaries	(18,292,500)	(348,000)	(972,049)
Proceeds from disposal of subsidiaries	351,665	74,440,000	-
Proceeds from liquidation of subsidiaries	28,612	77,319	-
Acquisition of premises and equipment	(756,952)	(1,330,329)	(1,990,002)
Proceeds from sale of premises and equipment	39,105	10,070	177,435
Acquisition of intangible assets	(2,793,392)	(5,510,971)	(8,464,665)
Proceeds from sale of intangible assets	-	56,899	-
<b>Net cash (used in) from investing activities</b>	<b>(52,418,794)</b>	<b>48,912,877</b>	<b>17,952,760</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt issued	192,025	32,459,840	2,168,000
Repayment of long-term debt issued	(3,051,982)	(23,872,875)	-

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)  
 STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

(in thousand Baht)

	2020	2019	2018
Proceeds from long-term borrowings	7,270	116,203	138,213
Repayment of long-term borrowings	(89,864)	(80,755)	(59,838)
Repayment of long-term debenture	-	(20,000)	-
Payment of lease liabilities	(2,861,031)	-	-
Dividend paid to equity holders of the Bank	(16,146,163)	(18,695,557)	(18,695,557)
<b>Net cash used in financing activities</b>	<b>(21,949,745)</b>	<b>(10,093,144)</b>	<b>(16,449,182)</b>
Losses (gains) arising from translating the financial statements of foreign operations	17,937	-	-
<b>Net increase in cash</b>	<b>4,078,289</b>	<b>1,006,963</b>	<b>5,852,329</b>
<b>Cash at 1 January</b>	<b>47,450,329</b>	<b>46,443,366</b>	<b>40,591,037</b>
<b>Cash at 31 December</b>	<b>51,528,618</b>	<b>47,450,329</b>	<b>46,443,366</b>
<b>Supplementary disclosures of cash flow information</b>			
Significant non-cash items were as follows:			
Gains (losses) from foreign exchange revaluation on long-term debt issued	-	-	384,408
Gains (losses) from foreign exchange revaluation on banking book derivatives	-	-	(979,611)

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

(in thousand Baht)

Assets	2020		2019		2018	
Cash	51,631,543	1.57%	47,615,159	1.61%	47,116,872	1.48%
Interbank and money market items, net	547,504,036	16.70%	433,510,185	14.63%	377,904,575	11.86%
Financial assets measured at fair value through profit or loss	28,032,542	0.86%	-	0.00%	-	0.00%
Derivative assets	86,829,862	2.65%	63,132,091	2.13%	41,682,825	1.31%
Investments, net	311,795,715	9.51%	312,065,032	10.53%	568,853,597	17.85%
Investments in subsidiaries and associate, net	-	0.00%	78,148	0.00%	47,391	0.00%
Loans to customers and accrued interest receivables, net	2,130,308,123	64.98%	2,002,460,863	67.57%	2,040,622,176	64.02%
Properties for sale, net	16,136,334	0.49%	16,641,789	0.56%	13,449,583	0.42%
Premises and equipment, net	40,308,637	1.23%	40,776,524	1.38%	43,206,362	1.36%
Goodwill and other intangible assets, net	18,566,173	0.57%	19,186,569	0.65%	25,491,592	0.80%
Deferred tax assets	4,505,357	0.14%	2,004,629	0.07%	197,811	0.01%
Other assets, net	42,765,197	1.30%	26,275,330	0.89%	28,766,841	0.90%
<b>Total assets</b>	<b>3,278,383,519</b>	<b>100.00%</b>	<b>2,963,746,319</b>	<b>100.00%</b>	<b>3,187,339,625</b>	<b>100.00%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

(in thousand Baht)

Liabilities and shareholders' equity	2020		2019		2018	
<b>Liabilities</b>						
Deposits	2,420,455,426	73.83%	2,159,425,196	72.86%	2,159,630,551	67.76%
Interbank and money market items	198,491,004	6.05%	145,844,197	4.92%	142,528,617	4.47%
Liabilities payable on demand	10,266,910	0.31%	11,796,217	0.40%	13,944,143	0.44%
Financial liabilities measured at fair value through profit or loss	3,771	0.00%	-	0.00%	-	0.00%
Liabilities to deliver security	-	0.00%	18,335	0.00%	1,144	0.00%
Derivative liabilities	79,271,805	2.42%	61,937,343	2.09%	36,483,008	1.14%
Debt issued and borrowings	67,234,660	2.05%	77,952,008	2.63%	107,560,901	3.37%
Provisions	17,896,778	0.55%	11,409,640	0.38%	9,426,568	0.30%
Liabilities under insurance contracts	-	0.00%	-	0.00%	278,220,199	8.73%
Deferred tax liabilities	132,018	0.00%	138,921	0.00%	423,164	0.01%
Other liabilities	72,802,099	2.22%	94,377,991	3.18%	58,138,282	1.82%
<b>Total liabilities</b>	<b>2,866,554,471</b>	<b>87.44%</b>	<b>2,562,899,848</b>	<b>86.48%</b>	<b>2,806,356,577</b>	<b>88.05%</b>
<b>Shareholders' equity</b>						
Share capital						
Authorised share capital						
3,582,725,897 preferred shares						
of Baht 10 each	35,827,259	1.09%	35,827,351	1.21%	35,828,427	1.12%
3,417,274,103 common shares						
of Baht 10 each	34,172,741	1.04%	34,172,649	1.15%	34,171,573	1.07%
Issued and paid-up share capital						
3,601,540 preferred shares						
of Baht 10 each	36,015	0.00%	36,107	0.00%	37,183	0.00%
3,395,590,658 common shares						
of Baht 10 each	33,955,907	1.04%	33,955,815	1.15%	33,954,739	1.07%
Premium on share capital						
Premium on preferred shares	14,085	0.00%	14,121	0.00%	14,541	0.00%
Premium on common shares	11,110,106	0.34%	11,110,070	0.37%	11,109,650	0.35%
Other reserves	16,906,997	0.52%	16,169,935	0.55%	15,668,579	0.49%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.21%	7,000,000	0.24%	7,000,000	0.22%
Unappropriated	342,406,796	10.44%	332,071,783	11.20%	312,241,904	9.80%
<b>Total owners of the company</b>	<b>411,429,906</b>	<b>12.55%</b>	<b>400,357,831</b>	<b>13.51%</b>	<b>380,026,596</b>	<b>11.92%</b>
Non-controlling interests	399,142	0.01%	488,640	0.02%	956,452	0.03%
<b>Total shareholders' equity</b>	<b>411,829,048</b>	<b>12.56%</b>	<b>400,846,471</b>	<b>13.52%</b>	<b>380,983,048</b>	<b>11.95%</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,278,383,519</b>	<b>100.00%</b>	<b>2,963,746,319</b>	<b>100.00%</b>	<b>3,187,339,625</b>	<b>100.00%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31

(in thousand Baht)

	2020		2019		2018	
Interest income	118,370,775	81.77%	135,025,196	81.29%	129,127,210	93.42%
Interest expenses	21,471,857	14.83%	35,623,651	21.45%	32,757,797	23.70%
Net interest income	96,898,918	66.93%	99,401,545	59.85%	96,369,413	69.72%
Fee and service income	45,621,229	31.51%	39,103,281	23.54%	37,016,121	26.78%
Fee and service expenses	9,034,920	6.24%	9,433,183	5.68%	8,559,783	6.19%
Net fee and service income	36,586,309	25.27%	29,670,098	17.86%	28,456,338	20.59%
Net gain on financial instruments measured at fair value through profit or loss	7,662,075	5.29%	-	0.00%	-	0.00%
Net gain on trading and foreign exchange transactions	-	0.00%	6,816,701	4.10%	7,944,828	5.75%
Net gain on investments	1,702,713	1.18%	5,382,879	3.24%	2,930,164	2.12%
Net gain on sale of investment in subsidiary	-	0.00%	24,023,848	14.46%	-	0.00%
Share of (loss) profit from investment in associate	(78,147)	-0.05%	30,756	0.02%	47,391	0.03%
Dividend income	155,445	0.11%	627,337	0.38%	1,211,013	0.88%
Net earned insurance premiums	-	0.00%	34,950,839	21.04%	50,591,839	36.60%
Other operating income	1,840,401	1.27%	540,736	0.33%	583,655	0.42%
Total operating income	144,767,714	100.00%	201,444,739	121.28%	188,134,641	136.11%
Net insurance claims	-	0.00%	35,346,903	21.28%	49,909,813	36.11%
<b>Net operating income</b>	<b>144,767,714</b>	<b>100.00%</b>	<b>166,097,836</b>	<b>100.00%</b>	<b>138,224,828</b>	<b>100.00%</b>
Other operating expenses						
Employee expenses	31,344,248	21.65%	33,280,574	20.04%	29,347,037	21.23%
Directors' remuneration	116,654	0.08%	105,370	0.06%	100,332	0.07%
Premises and equipment expenses	12,749,328	8.81%	13,894,163	8.37%	13,263,885	9.60%
Taxes and duties	3,846,614	2.66%	4,626,728	2.79%	4,488,694	3.25%
Other expenses	16,273,381	11.24%	18,630,978	11.22%	17,438,800	12.62%
Total operating expenses	64,330,225	44.44%	70,537,813	42.47%	64,638,748	46.76%
Expected credit loss	46,649,468	32.22%	-	0.00%	-	0.00%
Impairment loss of loans and debt securities	-	0.00%	36,210,938	21.80%	24,022,741	17.38%
Profit from operations before income tax expenses	33,788,021	23.34%	59,349,085	35.73%	49,563,339	35.86%
Income tax expenses	6,794,329	4.69%	19,098,182	11.50%	9,468,272	6.85%
<b>Net profit</b>	<b>26,993,692</b>	<b>18.65%</b>	<b>40,250,903</b>	<b>24.23%</b>	<b>40,095,067</b>	<b>29.01%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEARS ENDED DECEMBER 31 (continued)

(in thousand Baht)

	2020		2019		2018	
Other comprehensive income (loss)						
Items that will be reclassified subsequently to profit or loss						
Losses on investments in debt instruments at fair value through other comprehensive income	(423,251)	-0.29%	-	0.00%	-	0.00%
Gains (losses) on remeasuring available-for-sale investments	-	0.00%	21,921,022	13.20%	(5,374,535)	-3.89%
Gains (losses) arising from translating the financial statements of foreign operations	2,993	0.00%	(187,958)	-0.11%	(15,236)	-0.01%
Change in hedge reserve	-	0.00%	3,287,789	1.98%	319,201	0.23%
Income tax relating to components of other comprehensive income (loss) will be reclassified subsequently to profit or loss	84,650	0.06%	(5,041,433)	-3.04%	1,011,067	0.73%
	<u>(335,608)</u>	<u>-0.23%</u>	<u>19,979,420</u>	<u>12.03%</u>	<u>(4,059,503)</u>	<u>-2.94%</u>
Items that will not be reclassified subsequently to profit or loss						
Gains on investments designated at fair value through other comprehensive income	178,859	0.12%	-	0.00%	-	0.00%
Changes in revaluation surplus	(29,895)	-0.02%	-	0.00%	-	0.00%
Actuarial (losses) gains on defined benefit plans	(1,779,674)	-1.23%	59,643	0.04%	(959,880)	-0.69%
Income tax relating to components of other comprehensive income (loss) will not be reclassified subsequently to profit or loss	326,142	0.23%	(11,929)	-0.01%	191,976	0.14%
	<u>(1,304,568)</u>	<u>-0.90%</u>	<u>47,714</u>	<u>0.03%</u>	<u>(767,904)</u>	<u>-0.56%</u>
Total other comprehensive (loss) income, net of income tax	(1,640,176)	-1.13%	20,027,134	12.06%	(4,827,407)	-3.49%
<b>Total comprehensive income</b>	<b>25,353,516</b>	<b>17.51%</b>	<b>60,278,037</b>	<b>36.29%</b>	<b>35,267,660</b>	<b>25.51%</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in thousand Baht)

	2020	2019	2018
<b>Cash flows from operating activities</b>			
Profit from operating before income tax expense	33,788,021	59,349,085	49,563,339
Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities			
Depreciation and amortisation	10,171,344	6,063,727	4,756,762
Expected credit loss	49,907,274	-	-
Impairment loss on loans and debt securities	-	39,465,944	27,135,420
Impairment loss on properties for sale	1,566,315	209,811	113,537
Impairment loss on premises and equipment	241,220	-	-
Provisions expense	4,035,725	1,582,425	1,408,839
(Gain) loss on sale of premises and equipment	(6,547)	(11,892)	58,172
Loss from write-off of premises and equipment	218,038	83,989	-
(Gain) loss from sale of properties for sale	(1,013,599)	797,192	594,641
Net unrealised gain on financial instruments	(11,410,464)	-	-
Net loss (gain) on trading and foreign exchange transaction	-	19,810,689	(3,611,121)
Net gain on investments	(1,702,713)	(5,382,879)	(2,930,164)
Net gain on sale of investment in subsidiary	-	(24,023,848)	-
Share of loss (profit) from investment in associate	78,147	(30,756)	(47,391)
Net interest income	85,872,761	97,913,487	77,042,034
Dividend income	(96,898,918)	(99,401,545)	(96,369,413)
Proceeds from interest	(155,445)	(627,337)	(1,211,013)
Interest paid	107,140,204	137,119,241	128,256,968
Proceeds from dividend	(26,768,443)	(34,056,597)	(32,051,579)
Income tax paid	155,693	646,024	1,206,093
Profit from operating before changes in operating assets and liabilities	(20,660,020)	(11,224,200)	(10,444,731)
(Increase) decrease in operating assets			
Interbank and money market items	48,685,832	90,369,073	66,428,359
Derivative assets	(114,012,703)	(69,058,619)	(61,042,863)
Investment in short-term securities	(18,397,660)	(47,502,011)	6,035,619
Loans to customers	18,116,200	(14,132,432)	2,561,484
Properties for sale	(167,327,124)	(26,944,943)	(130,352,187)
Other assets	7,226,425	10,009,782	7,813,688
	(16,956,312)	(5,967,349)	2,338,067

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

(in thousand Baht)

	2020	2019	2018
<b>Increase (decrease) in operating liabilities</b>			
Deposits	261,030,230	(205,355)	67,173,351
Interbank and money market items	52,646,807	3,315,580	33,955,425
Liability payable on demand	(1,529,307)	(2,147,926)	(9,726,608)
Financial liabilities measured at fair value through profit or loss	(14,564)	-	-
Liabilities to deliver security	-	17,191	(58,756)
Derivative liabilities	17,178,497	25,967,327	(8,664,851)
Short-term debt issued and borrowings	(12,653,133)	(34,490,687)	27,146,655
Liabilities under insurance contracts	-	8,367,474	29,975,665
Other liabilities	(13,041,593)	36,208,076	3,378,907
<b>Net cash from (used in) operating activities</b>	<b>60,951,595</b>	<b>(26,194,819)</b>	<b>36,961,955</b>
<b>Cash flows from investing activities</b>			
Acquisition of instruments measured at fair value through other comprehensive income	(424,564,645)	-	-
Acquisition of available-for-sale securities	-	(289,452,773)	(403,574,752)
Proceeds from sale of instruments measured at fair value through other comprehensive income	393,056,095	-	-
Proceeds from sale of available-for-sale securities	-	250,943,397	400,100,243
Acquisition of instruments at amortised cost	(554,756)	-	-
Acquisition of held-to-maturity securities	-	(593,002)	(3,940,521)
Proceeds from redemption of instruments at amortised cost	1,053,903	-	-
Proceeds from redemption of held-to-maturity securities	-	10,973,407	3,516,127
Acquisition of general securities	-	(2,323,366)	(1,068,871)
Proceeds from sale of general investments	-	54,939	1,330,155
Proceeds from disposal of subsidiaries	-	74,440,000	-
Proceeds from liquidation of subsidiaries	28,612	77,319	-
Acquisition of premises and equipment	(902,014)	(1,426,230)	(2,349,751)
Proceeds from sale of premises and equipment	59,824	169,842	194,717
Acquisition of intangible assets	(3,120,464)	(6,018,224)	(9,033,139)
Proceeds from sale of intangible assets	-	56,899	-
<b>Net cash (used in) from investing activities</b>	<b>(34,943,445)</b>	<b>36,902,208</b>	<b>(14,825,792)</b>

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

(in thousand Baht)

	2020	2019	2018
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt issued	192,025	32,459,840	2,168,000
Repayment of long-term debt issued	(3,051,982)	(23,872,875)	-
Proceeds from long-term borrowings	7,270	116,203	138,213
Repayment of long-term borrowings	(89,864)	(80,755)	(59,838)
Repayment of long-term debenture	-	(20,000)	-
Payment of lease liabilities	(3,038,045)	-	-
Dividend paid to equity holders of the Bank	(16,146,163)	(18,695,557)	(18,695,557)
Capital contribution from a non-controlling interest of a newly incorporated subsidiary	132,000	72,000	-
Acquisition of non-controlling interests with a change in control	-	-	648,000
Acquisition of non-controlling interests without a change in control	-	-	(49)
<b>Net cash used in financing activities</b>	<b>(21,994,759)</b>	<b>(10,021,144)</b>	<b>(15,801,231)</b>
Losses (gains) arising from translating the financial statements of foreign operations	2,993	(187,958)	(15,236)
<b>Net increase in cash</b>	<b>4,016,384</b>	<b>498,287</b>	<b>6,319,696</b>
<b>Cash at 1 January</b>	<b>47,615,159</b>	<b>47,116,872</b>	<b>40,797,176</b>
<b>Cash at 31 December</b>	<b>51,631,543</b>	<b>47,615,159</b>	<b>47,116,872</b>
<b>Supplementary disclosures of cash flow information</b>			
Significant non-cash items were as follows:			
Gains (losses) from foreign exchange revaluation on long-term debt issued	-	-	384,408
Gains (losses) from foreign exchange revaluation on banking book derivatives	-	-	(979,611)

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

	2020	2019	2018
<b>LIQUIDITY RATIO</b>			
Liquidity ratio <sup>(1)</sup> (Bank-only)	32.64%	31.00%	24.97%
<b>PROFITABILITY RATIO</b>			
Operating profit margin <sup>(2)</sup>	79.05%	59.33%	55.84%
Net profit margin	18.80%	24.34%	28.99%
Return on equity	6.71%	10.36%	10.78%
Yield on earning assets <sup>(3)</sup>	4.43%	5.33%	5.30%
Cost of funds <sup>(4)</sup>	0.84%	1.48%	1.39%
Spread <sup>(5)</sup>	3.58%	3.85%	3.92%
Return on investment	1.66%	9.59%	2.88%
<b>EFFICIENCY RATIO</b>			
Cost income ratio	44.44%	42.47%	46.76%
Net interest income to assets	3.10%	3.23%	3.10%
Return on assets	0.87%	1.31%	1.29%
Asset turnover ratio (times)	0.05	0.05	0.04
<b>FINANCIAL RATIO</b>			
Liability to total equity (Times)	7.05	6.56	7.54
Loan to borrowing ratio	90.28%	93.98%	93.84%
Loan to deposit ratio	93.17%	97.89%	99.12%
Deposit to liability ratio	84.44%	84.26%	76.95%
Dividend payout <sup>(6)</sup>	28.72%	52.54%	46.66%
Total capital funds	18.24%	18.08%	17.10%
<b>ASSET QUALITY RATIO</b>			
Coverage ratio <sup>(7)</sup>	140.75%	134.10%	146.72%
Allowance for doubtful account/allowance for expected credit loss of loans to loan and accrued interest receivables	6.05%	5.25%	4.64%
Credit cost <sup>(8)</sup>	2.14%	1.70%	1.15%
% Non-Performing loan to total loans <sup>(9)</sup>	3.68%	3.41%	2.85%
Accrued interest receivables to loan and accrued interest receivables	0.64%	0.14%	0.16%

Remark:

- (1) Liquidity ratio (Bank-only) = Liquid assets / total deposits
- (2) Operating profit margin = (Net interest income + net fee income + net insurance premium - tax and duties) / (Total interest income + gross fee income + gross insurance premium)
- (3) Yield on earning assets = Total interest income / (avg. loans + avg. interbank and money market assets)
- (4) Cost of funds = Total interest expense / (avg. deposits + avg. borrowings + avg. liability payable on demand + avg. interbank and money market liabilities)
- (5) Spread = Yield on earning assets - Cost of funds
- (6) Dividend payment in 2020 was Baht 2.30 per share (ordinary and preferred shares) as proposed to the Annual General Meeting of Shareholders in April 2021.
- (7) Coverage ratio = Allowance for Doubtful Account/Allowance for Expected Credit Loss / NPLs
- (8) Credit cost = Provision / avg. loans
- (9) % Non-Performing loan to total loans used the guidelines specified in the BoT's notification

## MANAGEMENT DISCUSSION AND ANALYSIS

For the full year ended December 31, 2020

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### **IMPORTANT DISCLAIMER:**

The information contained in this document has been obtained from several sources, and Siam Commercial Bank PCL (the "Bank") cannot confirm, in all cases, the accuracy and completeness of such data, particularly those sourced from outside the Bank. In addition, any forward looking statements are subject to change as market conditions and actual outcomes may differ from forecasts. The Bank makes no representation or warranty of any type whatsoever on the accuracy or completeness of the information contained herein.

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Although 2020 was full of challenges, the Bank has responded to the crisis proactively and prudently. The Bank was able to generate robust pre-provisioning operating profit by focusing on growing fee income, maintaining strict cost discipline, and pursuing a conservative balance sheet strategy. Since the beginning of the pandemic, the Bank has offered assistance to as many qualified customers as possible based on a revamped risk rating framework. The Bank's relief program has proven to be effective, as the majority of customers who requested assistance have been able to resume repayment after exiting the program. The Bank constantly reassesses and makes adjustment to the level of provision to ensure adequate protection against future shocks and uncertainties. At the same time, the Bank qualitatively recognized the most vulnerable customers as NPLs. With Thailand experiencing the second wave of COVID-19 starting in late December 2020, the Bank continues to strengthen its capital base to protect against rising macro uncertainty.

Two major digital platforms, Robinhood and SCBShopDeal.com, were developed and launched to support customers during the pandemic, which have

quickly generated additional online customers. The Bank's total number of online users rose 33% yoy to 13.7 million users. This ongoing digital migration effort is part of the Bank's aspiration to build ecosystems to foster customer engagement.

The Bank will continue to do its best not only to survive but to thrive in this crisis.

### **COVID-19**

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As a result of the global pandemic, the Thai economy contracted 12.2% yoy in 2Q20 followed by better-than-expected GDP growth of -6.5% in 3Q20 (vs. -7.8% forecast by SCB EIC). This recovery from the initial sharp contraction was driven by higher exports, private consumption and government spending, which led SCB EIC to revise the 2020 GDP forecast from -7.8% to -6.5%. However, given the second wave of the pandemic in many countries, SCB EIC has revised down the GDP growth forecast for 2021 to 2.2% from the previous forecast of 3.8% due to the slowdown in global GDP, slower export growth, lower number of tourists and softer domestic consumption following the Government measures to control the outbreak in Thailand.

## Our responses to COVID-19

### Relief program

Although COVID-19 has imparted severe damage to the Thai economy and its banking sector, relief efforts have mitigated the short-term impact and given customers a greater chance to survive the crisis. The Bank has helped over 1.1 million customers, and new enrollment in the relief programs trailed off to minimal during 4Q20. At end of 2020, relief loans stood at 18% of total loans (Baht 402 billion), declining for two consecutive quarters from 29% (Baht 636 billion) at the end of 3Q20 and from 39% (Baht 839 billion) at the end of 2Q20. For customers whose relief terms ended in 2H20, 67% were able to make loan repayment according to the agreed upon terms, while 33% resumed repayment with term modifications. For the BOT's holiday program that ended in October, 73% of SMEs under the program were able to resume repayment, while 27% required further assistance and enrolled in the Bank's relief program. We continue to assess the impact from the second wave to the remaining Baht 402 billion relief program, taking into account the prospect of new entry into the relief program, ongoing government measures, and vaccine development. The Bank's relief efforts in response to the second wave will be more targeted than the initial programs.

### Proactive risk mitigation to ensure asset quality

Given the BOT's relief measures that encourage pre-emptive debt restructuring to facilitate customers' long-term recovery, NPLs are expected to be contained during the relief period. To maintain prudent risk management, the Bank regularly conducts total portfolio review to ensure appropriate stage classification. This portfolio review helps the Bank to assess the need for qualitative NPL recognition based on internal risk ratings and customers' long-term repayment ability under the latest economic situation. As a result, around 60% of new NPLs in the 4Q20 and the 2H20 were from qualitative downgrade while the rest were from normal new NPL flows. Given the potential influx of distressed assets into the market, the Bank has adopted the long-term value preservation strategy for NPL management. Although the non-relief loan portfolio is generally stronger, the Bank continues to be vigilant to ensure optimal overall credit health.

At the end of 2020, loans under stage 3 increased to 3.7%, mainly driven by qualitative downgrades of customers across the loan book and partly from normal new NPL formation.

As for provisions, the Bank focuses on portfolio monitoring to ensure that loan classification and provisions are in line with credit risk, as well as setting aside management overlay to primarily cover macro downside risks. The Bank's provisioning level is kept at an elevated level with comfortable capital cushion and is continuously adjusted to reflect the changing environment. Given the second wave of the pandemic in Thailand, 4Q20 provisions were set at Baht 14.2 billion, or equivalent to a credit cost of 257 bps, with total provisions for 2020 at Baht 46.6 billion (214 bps). The higher provisioning also reflected weakening macroeconomic variables and asset impairment during the economic downturn as required by the new accounting standard (TFRS 9) and partly from model re-calibration.

In terms of risk management, the Bank has tightened its risk management practice while providing support to credit customers. Specifically, the Bank implemented a new risk rating framework which segments customers into risk buckets based on their behaviors and detailed profiles. As an example, retail customers are classified into ten risk buckets where the bottom three are the most vulnerable. Non-retail customers are also subdivided and monitored based on their industries in addition to individual credit rating or scoring.

### Digital initiatives

Early on in the pandemic, the Bank launched two major digital initiatives, Robinhood and [www.SCBShopDeal.com](http://www.SCBShopDeal.com), to help not only Thai SMEs but ultimately the overall economy. The food delivery platform "Robinhood" provides services without merchant GP charges and transmits payments to restaurant operators within an hour. The other initiative, SCBShopDeal, is an online marketplace created to help tourism-related SME customers promote special internet deals. These two platforms combined have registered more than 54,000 merchants and over 940,000 users at the beginning of 2021. These initiatives also serve to fulfill the Bank's aspiration to build an ecosystem to deepen customer digital engagement.

The Bank has multiple digital channels with an array of products to serve individual customer segments. The digital transformation program which started in 2016 has enabled us to effectively engage with online customers. In 2020, the number of online users on all platforms rose 33% to 13.7 million and the number of online transactions in SCB EASY increased to 77% of the Bank's total transaction volume.

#### **Cost discipline**

To mitigate the impact of COVID-19 on performance, the Bank continues to work on transformation initiatives with a cost-reduction focus, such as physical branch closures, in addition to implementing disciplined cost control measures during this difficult time. On the revenue front, the Bank focuses on increasing non-interest income, particularly from wealth management and bancassurance businesses. These efforts combined resulted in a significant reduction in the cost-to-income ratio to 44%, far exceeding expectation as indicated by the Bank's guidance of high 40s.

#### **Focusing on fee income**

While pursuing a conservative balance sheet strategy, the Bank has shifted its revenue focus to growing fee income from bancassurance and wealth products. Partnership with FWD has given the Bank an advantage to capture the underpenetrated life insurance market, especially in this low interest rate and weak consumption environment. Hence, SCB's new business premiums increased by more than 40% yoy. Together with SCB Protect, a fully owned insurance brokerage subsidiary intended for the mass market, the Bank expects to see meaningful growth contribution from the insurance business in the coming years.

The Bank's income from wealth management grew in 2020 primarily as the entire service model from customer acquisition to performance monitoring

has been transformed. Also, the relationship managers have been upskilled to professional advisors. As a result, the number of customers increased 8% and total AUM rose 5% with higher engagement level. Together with its private banking platform and SCB Julius Baer, the Bank expects wealth business to continue to be one of the key high-return growth engines over the next few years.

#### **BOT regulations on dividend**

On June 18, 2020, the BOT issued an announcement on the enhancement of capital funds including the suspension of interim dividends by commercial banks to cope with risks from coronavirus and requested that all banks conduct a supervisory stress test. Given the satisfactory assessment of banks' capital plans and stress test results, the BOT announced on November 12, 2020 that banks are allowed to pay dividends for the year 2020. The BOT's regulation stipulates that the dividend payout rate for the year 2020 shall not exceed that of 2019 or 50% of 2020 net profit. Under the BOT's definition, the dividend payout ratio is calculated based on "bank only" net profit. The final dividend is subject to approval by shareholders.

### **2020 Performance**

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Siam Commercial Bank reported (audited) consolidated net profit of Baht 27,218 million for 2020, a 32.7% yoy decrease from Baht 40,436 million in 2019. The large decline was due to the base effect resulting from one-off items related to the sale of shares in SCB Life Assurance PCL (SCB Life) recorded in 3Q19, and higher provisions reflecting the potential impact of the pandemic on overall loan quality. Excluding the one-time gain from the sale of SCB Life in 3Q19, pre-provision operating profit (PPOP) increased by 12.4% yoy due to higher net fee income, higher net gain on trading and FX transactions and effective cost control measures.

**Net Profit and Total Comprehensive Income**

Unit: Baht million

Consolidated	2020	2019	% yoy
Net interest income	96,899	99,402	-2.5%
Non-interest income	47,869	66,696	-28.2%
Total operating income	144,768	166,098	-12.8%
Operating expenses	64,330	70,538	-8.8%
<b>Pre-provision operating profit</b>	<b>80,437</b>	<b>95,560</b>	<b>-15.8%</b>
Expected credit loss/Impairment loss on loans and debt securities	46,649	36,211	28.8%
Income tax	6,794	19,098	-64.4%
Non-controlling interests	(224)	(185)	NM
<b>Net profit (attributable to shareholders of the Bank)</b>	<b>27,218</b>	<b>40,436</b>	<b>-32.7%</b>
Other comprehensive income (loss)	(1,643)	19,863	NM
<b>Total comprehensive income</b>	<b>25,575</b>	<b>60,300</b>	<b>-57.6%</b>
ROAE	6.7%	10.4%	
ROAA	0.9%	1.3%	

NM denotes "not meaningful"

**Share Information**

Unit: Baht

Consolidated	2020	2019	(% yoy)
EPS	8.01	11.90	-32.7%
BVPS	121.04	117.7	82.8%
Closing price	87.50	122.00	-28.3%
Shares outstanding* (Million shares)	3,399	3,399	0.0%
Market capitalization (Baht billion)	297.4	414.7	-28.3%

\* Include both common and preferred shares

Income statement for the year ended December 31, 2020 (Consolidated basis)

**Net interest income**

Unit: Baht

Consolidated	2020	2019	(% yoy)
<b>Interest income</b>	<b>118,371</b>	<b>135,025</b>	<b>-12.3%</b>
Loans	98,208	102,864	-4.5%
Interbank and money market	3,336	5,737	-41.9%
Interbank and money market	13,022	13,461	-3.3%
Investments	3,724	12,833	-71.0%
Others	81	130	-37.4%
<b>Interest expenses</b>	<b>21,472</b>	<b>35,624</b>	<b>-39.7%</b>
Deposits	13,708	20,062	-31.7%
Interbank and money market	926	1,601	-42.2%
Borrowings	1,342	3,625	-63.0%
Contribution to the Deposit Protection Agency & FIDF	5,470	10,116	-45.9%
Others	26	220	-87.9%
<b>Net interest income</b>	<b>96,899</b>	<b>99,402</b>	<b>-2.5%</b>

**Net interest income** in 2020 decreased by 2.5% yoy to Baht 96,899 million with two sources of interest income being under pressure: 1) the divestment of SCB Life affecting investment income, and 2) contraction in net interest margin (NIM) after

four rounds of interest rate cuts last year affected income from loans and interbank. These negative factors were partly offset by lower funding cost, a reduction in FIDF fee from 0.46% to 0.23%, and higher income recognition under TFRS 9.

## Yield and cost of funding

Unit: Percentage

Consolidated	2020	2019
Net interest margin	3.23	3.34
Yield on earning assets	3.94	4.54
Yield on loans	5.09	5.47
Yield on interbank and money market	0.68	1.41
Yield on investment	1.14	2.91
Cost of funds	0.85	1.49
Cost of deposits	0.84	1.39

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

<sup>1/</sup> Cost of funds = Interest expenses (including the contribution to DPA & FIDF) / Average interest-bearing liabilities.

<sup>2/</sup> Cost of deposits includes the contribution to the Deposit Protection Agency and FIDF fee.

SCB Interest Rates	Oct 12, 2016	May 16, 2017	Jan 4, 2019	Aug 15, 2019	Nov 8, 2019	Feb 7, 2020	Mar 24, 2020	Apr 10, 2020	May 25, 2020
<b>Lending rate (%)</b>									
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
<b>Deposit rate* (%)</b>									
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, 2014	Mar 11, 2015	Apr 29, 2015	Dec 19, 2018	Aug 7, 2019	Nov 6, 2019	Feb 5, 2020	Mar 23, 2020	May 20, 2020
Policy rate (%)	2.00	1.75	1.50	1.75	1.50	1.25	1.00	0.75	0.50

## Non-interest income

Unit: Baht million

Consolidated	2020	2019	(% yoy)
Net fee and service income	36,586	29,670	23.3%
Fee and service income	45,62	139,103	16.7%
Fee and service expenses	9,035	9,433	-4.2%
Gain on financial instruments measured at FVTPL/	7,662	6,817	12.4%
Net gain on trading and foreign exchange transactions			
Share of (loss) profit from investment in associate	(78)	31	NM
Dividend income	155	627	-75.2%
Other income	1,840	541	240.4%
<b>Non-interest income excluding net gain on investments</b>	<b>46,166</b>	<b>37,289</b>	<b>23.8%</b>
Net gain on investments	1,703	5,383	-68.4%
Net gain on investments	-	24,024	NM
<b>Total non-interest income</b>	<b>47,869</b>	<b>66,696</b>	<b>-28.2%</b>

NM denotes "not meaningful"

**Non-interest income** decreased by 28.2% yoy to Baht 47,869 million in 2020 largely due to a sharp decrease in non-recurring items related to the sale of shares in SCB Life Assurance PCL in 3Q19. Excluding these one-off items, non-interest income would have increased by 12.2% yoy from higher net fee income and higher net gain on trading and FX transactions. Recurring income grew significantly by 16.2% yoy as a result of substantial growth in bancassurance and, to a lesser degree, contribution

from wealth management business despite a yoy decline in transactional banking fees and lending-related fees. The increase in bancassurance was partly driven by a recognition of the performance-linked compensation for FY20 in the fourth quarter, following achievement of annual performance target in the fourth quarter of 2020. Note that TFRS 9 requires loan-related fees (i.e., front-end fees and commitment fees) to be amortized according to duration of underlying loans and recorded in NII.

**Non-interest income**

Unit: Baht million

Consolidated	2020	2019	(% yoy)
Transactional banking *	11,695	14,726	-20.6%
Lending related **	5,481	8,087	-32.2%
Wealth management ***	8,190	7,303	12.1%
Bancassurance	13,877	3,641	281.1%
<b>Recurring income</b>	<b>39,243</b>	<b>33,757</b>	<b>16.2%</b>
Non-recurring and others	8,626	33,335	-74.1%
<b>Total non-interest income</b>	<b>47,869</b>	<b>66,696</b>	<b>-28.2%</b>

\* Including transaction fee, trade and FX income, and others

\*\* Including loan related fee and credit cards

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

**Operating expenses**

Unit: Baht million

Consolidated	2020	2019	(% yoy)
Employee expenses	31,344	33,281	-5.8%
Premises and equipment expenses	12,749	13,894	-8.2%
Taxes and duties	3,847	4,627	-16.9%
Directors' remuneration	117	105	10.7%
Other expenses	16,273	18,631	-12.7%
<b>Total operating expenses</b>	<b>64,330</b>	<b>70,538</b>	<b>-8.8%</b>
<b>Cost to income ratio</b>	<b>44.4%</b>	<b>42.5%</b>	

**Operating expenses** fell across the board by 8.8% yoy to Baht 64,330 million in 2020 with the Bank's continued cost control effort in this challenging economic environment in addition to the effect from the divestment of SCB Life.

The Bank's cost-to-income ratio stood at 44.4% in 2020, which was better than the target of high 40s. With income under increasing pressure from low interest rates and uneven economic recovery, the Bank will continue to maintain strict cost discipline.

### ECL/Impairment loss on loans and debt securities

Unit: Baht million

Consolidated	2020	2019	(% yoy)
ECL/Impairment loss on loans and debt securities	46,649	36,211	28.8%
Credit cost (bps)	214	170	

In 2020, the Bank proactively set aside **Expected Credit Loss (ECL)** at Baht 46,649 million (214 bps of total loans) which reflected weakening macroeconomic variables and asset impairment during the economic downturn and partly from model

re-calibration. This amount took into account the pro-cyclicality of forward-looking ECL models and management overlay within a deteriorating economic environment under the TFRS 9 framework.

### Balance sheet as of December 31, 2020 (Consolidated basis)

As of December 31, 2020, the Bank's total assets increased 10.6% yoy to Baht 3,278 billion largely due to loan growth of 6.7% yoy, an increase of interbank and

money market items, and higher investments. Details on the consolidated balance sheets are provided in the following sections:

### Net loans and accrued interest receivables

Unit: Baht million

Consolidated	Dec 31, 20	Dec 31, 19
Loans to customers	2,288,307	2,146,867
Less deferred revenue	(33,065)	(33,080)
<b>Total loans</b>	<b>2,255,242</b>	<b>2,113,787</b>
Add accrued interest receivables and unearned interest income	14,508	2,946
<b>Total loans and accrued interest receivables and unearned interest income</b>	<b>2,269,750</b>	<b>2,116,733</b>
Less modification losses	(2,124)	-
Less allowance for expected credit loss/allowance for doubtful accounts	(137,318)	(111,150)
Less revaluation allowance for debt restructuring	-	(3,122)
<b>Total loans and accrued interest receivables, net</b>	<b>2,130,308</b>	<b>2,002,461</b>

## Loans

Unit: Baht million

By Segment (Consolidated)	Dec 31, 20	Dec 31, 19	(% yoy)
Corporate	844,089	755,822	11.7%
SME	368,622	350,837	5.1%
Retail	1,042,531	1,007,128	3.5%
Housing loans*	671,401	649,925	3.3%
Auto loans	229,448	219,187	4.7%
Unsecured loans	138,541	135,709	2.1%
Other loans	3,141	2,307	36.2%
<b>Total loans</b>	<b>2,255,242</b>	<b>2,113,787</b>	<b>6.7%</b>

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

Total loans (net of deferred revenue) as of December 31, 2020 increased by 6.7% yoy. The actual loan growth of 6.7% yoy was higher than the revised target of 3-5% due mainly to higher-than-expected retail loan demand. Details on changes in loan volume by customer segments are as follows:

- Corporate loans increased by 11.7% yoy mainly from top-quality corporates, given less liquidity in the bond market.
- SME loans rose 5.1% yoy from a combination of lower repayments arising from relief programs, extension of soft loans to qualified customers as well as some targeted growth at high quality existing small SMEs. Primary focus in the SME segment was the COVID-19 relief efforts where the Bank has proactively provided financial assistance in the form of relief programs and soft loans to qualified SME customers who have experienced cashflow difficulties in light of the weak economic environment.

- Retail loans increased 3.5% yoy.
  - Housing loans increased 3.3% yoy largely due to demand in high-end housing developments coupled with the effect of payment holiday under the relief program.
  - Auto loans increased 4.7% yoy from the payment holiday introduced in late March as one of the relief measures. The yoy growth arose from some pockets of demand for new cars and My Car, My Cash product.
  - Unsecured loans (personal loans and credit card receivables) increased by 2.1% yoy. The yoy growth was driven by the Bank's strategy to grow high-margin loans in target customer segments.

## Deposits

Unit: Baht million

Consolidated	Dec 31, 20	Dec 31, 19	(% yoy)
Demand	93,336	77,549	20.4%
Savings	1,758,903	1,376,942	27.7%
Fixed	568,216	704,934	-19.4%
Less than 6 months	114,006	110,568	3.1%
6 months and up to 1 year	169,547	244,694	-30.7%
Over 1 year	284,663	349,672	-18.6%
<b>Total deposits</b>	<b>2,420,455</b>	<b>2,159,425</b>	<b>12.1%</b>
CASA - Current & Savings Accounts (%)	76.5%	67.4%	
Gross loans to deposits ratio	93.2%	97.9%	
Liquidity ratio (Bank-only)	32.6%	31.0%	

As of December 31, 2020, total deposits increased by 12.1% yoy because of higher CASA. The growth in CASA, coupled with the decline in the amount of fixed deposits caused the Bank's CASA proportion to rise to 76.5%. As deposit growth was much stronger than loan growth, gross loans to deposits ratio decreased to 93.2% at the end of December 2020 from 97.9% at the end of December 2019. Given the weak and uncertain economic environment, customers are likely to be more cautious and hold higher liquid assets such as CASA deposits.

The Bank's daily liquidity ratio of 32.6%, 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 amortized cost, and fair value to other comprehensive income (FVOCI). The new standards replace the previous classification as specified by TAS 105 which categorizes investments into held-to-maturity debt securities, available-for-sale securities, trading securities and general investment. The table below presents investment classification at the end of December 2020.

Unit: Baht million

Investments (TFRS 9)	Dec 31, 20
Financial assets measured at FVTPL	28,033
Investments in debt securities measured at amortised cost	7,259
Investments in debt securities measured at FVOCI	302,378
Investments in equity securities measured at FVOCI	2,159
<b>Net investment*</b>	<b>311,796</b>
Investment in associate	-
<b>Total</b>	<b>339,828</b>

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

Investments classified under TAS 105 prior to the adoption of TFRS 9 at the end of December 2019 are as follows:

Investments	Dec 31, 19
Trading securities and securities measured at fair value through P/L	29,814
Available-for-sale securities	270,740
Held-to-maturity securities	7,830
General investments	3,681
<b>Net Investments</b>	<b>312,065</b>
Investments in associate	78
<b>Total</b>	<b>312,143</b>

## 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 was gradually phased in at the rate of 0.625% p.a. and reached the 2.5% target since January 2019.

Furthermore, the Bank has been designated by the BOT, along with four other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which resulted in a requirement to maintain

an additional Common Equity Tier 1 (CET1) of 0.5% in 2019 and 1.0% from 2020 onward. This Higher Loss Absorbency requirement (or D-SIBs buffer) is added on top of the 2.5% capital conservation buffer to provide additional stability and resilience.

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

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

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 December 2020.

	Unit: Baht million, %			
	Consolidated		Bank-only	
	Dec 31, 20	Dec 31, 19	Dec 31, 20	Dec 31, 19
<b>Statutory Capital</b>				
Common Equity Tier 1/Tier 1	377,036	352,692	375,490	317,312
Tier 2 capital	23,875	22,514	24,015	22,432
<b>Total capital</b>	<b>400,911</b>	<b>375,206</b>	<b>399,505</b>	<b>339,744</b>
Risk-weighted assets	2,197,668	2,075,492	2,201,154	2,060,169
<b>Capital Adequacy Ratio</b>	<b>18.2%</b>	<b>18.1%</b>	<b>18.1%</b>	<b>16.5%</b>
Common Equity Tier 1/Tier 1	17.1%	17.0%	17.0%	15.4%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%

At the end of December 2020, the Bank's consolidated common equity Tier 1/Tier 1 capital increased significantly yoy, mainly as a result of appropriation of net profit. This strong capital position will enable the Bank to weather the current economic downturn and continue to assist its customers.

### Asset Quality

At the end of December 2020, gross NPLs (on a consolidated basis) increased 19.1% yoy to Baht 101.5 billion. The gross NPL ratio increased to 3.68% from 3.41% at the end of December 2019. The increase in NPLs was mainly from qualitative downgrades of relief loans and partly from the normal NPL formation. The Bank also continuously and proactively manages its NPL portfolio using debt restructuring, NPL sales and write offs. Because of the BOT's relief measures, the reported numbers on gross NPLs, gross NPL ratio

and new NPLs at the end of this year may not fully reflect the current economic conditions. Further, given the weak economic environment and resulting higher volumes of impaired assets, the Bank has adopted a prudent and value preservation strategy with regard to NPL sales. As such, the volume of NPL sales over the coming quarters may be reflective of the adopted strategy.

In addition to higher provisioning required by the ECL model to match weakening macro-economic factors as discussed in the "ECL/Impairment Loss of Loans and Debt Securities" section, additional provisions may also be needed to cover an expected rise in NPLs at the end of the relief program. At the end of December 2020, the Bank's coverage ratio was 140.8%, up 6.7% from the end of 2019.

Unit: Baht million, %

Consolidated	Dec 31, 20 (TFRS 9)	Dec 31, 19
Non-Performing Loans (Gross NPLs)	101,462	85,212
Gross NPL ratio	3.68%	3.41%
<u>Gross NPL ratio by segment/product</u>		
Corporate	3.99%	3.56%
SME	11.42%	8.31%
Retail	2.47%	2.90%
Housing loans	3.25%	3.34%
Auto loans	1.49%	2.29%
Total allowance*	142,813	114,272
Total allowance to NPLs (Coverage ratio)	140.8%	134.1%
Credit cost (bps)	214	170
<b>Bank-only</b>		
Non-Performing Loans (Gross NPLs)	100,333	84,349
Gross NPL ratio	3.64%	3.38%

\* Excluding interbank and money market items. Total allowance as of Dec 31, 2020 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 three stages based on changes in credit quality since initial recognition. Loans and allowance for expected credit

losses at the end of December 2020 were classified as follows:

Unit: Baht million, %

Consolidated	Dec 31, 20 (TFRS 9)	
	Loans and interbank	ECL*
Stage 1 (Performing)	2,460,277	50,733
Stage 2 (Underperforming)	195,736	33,481
Stage 3 (Non performing)	101,462	58,598
Total	2,757,476	142,813

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

The TFRS 9 loan staging classification adopted since January 1, 2020 is not directly comparable to the

previous loan classification. The prior loan classification as at December 31, 2019 was:

Unit: Baht million

Consolidated	Dec 31, 19	
	Loan and accrued interest	Allowance for doubtful accounts
Normal	1,966,438	20,403
Special mention	64,996	4,040
Substandard	36,234	19,618
Doubtful	17,821	6,353
Doubtful loss	31,244	16,763
<b>Total</b>	<b>2,116,733</b>	<b>67,177</b>
Allowance established in excess of BOT regulations		43,973
Total allowance		111,150

### New NPLs by Segment and by Product (%)

	2020				2019				2020	2019
	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19		
Total loans	0.75%	0.73%	0.45%	0.58%	0.73%	1.02%	0.54%	0.50%	2.45%	2.80%
Corporate	0.51%	0.51%	0.14%	0.11%	0.22%	1.77%	0.25%	0.12%	1.20%	2.51%
SME	2.90%	2.46%	0.85%	1.12%	1.97%	0.90%	0.75%	0.99%	7.28%	4.58%
Housing loans <sup>1/</sup>	0.54%	0.75%	0.55%	0.78%	0.78%	0.77%	0.83%	0.76%	2.57%	3.15%
Auto loans <sup>2/</sup>	0.45%	0.10%	0.25%	1.20%	0.85%	0.72%	0.68%	0.61%	1.90%	2.85%
New NPLs (Baht billion)	20.7	19.8	11.9	15.2	18.2	26.2	13.4	12.3	67.5	70.1

<sup>1/</sup> Most new NPLs in housing loans were highly concentrated among customers who are self-employed with high leverage and loan-to-value ratios. The Bank has tightened its underwriting standards for these segments since early 2014.

<sup>2/</sup> Excluding the cases in which cars had been repossessed before the end of the month on the month that loans were classified as NPL.

New NPL formation in 2020 decreased from the previous year across almost all segments except the SME segment mainly because the BOT's relief measures may have delayed the impact of rising NPLs. In addition to the normal level of NPL increase, higher new NPLs in the SME segment were also caused by qualitative downgrades of customers in the relief programs across the loan portfolio, especially the riskiest and most vulnerable customers whose businesses have limited debt serviceability.

### Sources and Uses of Funds

As of December 31, 2020, deposits accounted for 73.8% of SCB's funding base. Other major sources of funds were: 12.6% from shareholders' equity, 6.1% from interbank borrowings, and 2.1% from debt issuance. Uses of funds for this same period were: 68.8% for loans, 16.7% for interbank and money markets lending, 10.4% for investments in securities, and 1.6% held in cash.

## Additional Financial Information

Unit: Baht million, %

Consolidated	Dec 31, 20 (TFRS 9)	Dec 31, 19	% yoy
<b>Loans by Sector</b>	<b>2,255,242</b>	<b>2,113,787</b>	<b>6.7%</b>
Agricultural and mining	17,309	16,820	2.9%
Manufacturing and commercial	619,585	554,901	11.7%
Real estate and construction	191,123	169,798	12.6%
Utilities and services	386,737	363,278	6.5%
Housing loans <sup>1/</sup>	557,242	544,388	2.4%
Other loans	483,246	464,602	4.0%
<b>Debt issued and borrowings</b>	<b>67,235</b>	<b>77,952</b>	<b>-13.7%</b>
Debentures	61,546	76,060	-19.1%
Structured notes	434	1,596	-72.8%
Others	213	296	-28.0%
Hedge	5,042	-	NM
<b>Troubled debt restructured loans</b>	<b>13,871<sup>2/</sup></b>	<b>40,970</b>	<b>NM</b>
<b>Yield on loans by segment</b>	<b>2020</b>	<b>2019</b>	
Yield on loans	5.09%	5.47%	
Corporate	3.49%	4.23%	
SME	5.94%	6.07%	
Retail	6.20%	6.41%	
- Housing loans	4.95%	4.91%	
- Auto loans	5.81%	6.38%	
- Credit card <sup>3/</sup>	15.45%	15.43%	
- Speedy	18.72%	21.42%	
Auto loans portfolio			
New car	57.0%	56.1%	
Used car	24.9%	26.0%	
My Car, My Cash	18.1%	17.9%	
<b>NPL reduction methodology</b>			
Repayments, auctions, foreclosures and account closed	45.0%	40.9%	
Debt restructuring	7.5%	2.9%	
NPL sales <sup>4/</sup>	25.0%	24.3%	
Write off	22.5%	31.9%	

<sup>1/</sup> 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 December 31, 2020 and December 31, 2019, was Baht 671 billion and Baht 650 billion, respectively.

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

<sup>3/</sup> Revolving only

<sup>4/</sup> The Bank sold NPLs of Baht 13.4 billion in 2020 and Baht 16.7 billion in 2019.

NM denotes "not meaningful"

## APPENDIX

### Adoption of TFRS 9

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

- Interest income recognition: the effective interest rate principle will be used to determine interest income for step-rate loans,
- Fee income recognition: upfront fee earned at point of financial assets (mostly loans) origination will be amortized over the life of financial assets and recognized as interest income,

- Capital gain recognition : investment classification will be changed to FVTPL, FVOCI and amortised cost,
- Loan classification : loans are classified into 3 stages: Stage 1 (performing), Stage 2 (underperforming), Stage 3 (non-performing),
- Loan provisioning : the concept of expected credit loss will be applied.

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

**Table 1: Key Impact of TFRS 9**

	Impacted Area	Previous	TFRS 9	Key Matters	P&L impact
<b>Income</b>	Interest income recognition	Contractual rate over contractual life	Effective Interest Rate (EIR) over expected life	<ul style="list-style-type: none"> <li>- Impact from step rate loans (i.e. mortgage)</li> <li>- No Impact from single rate loan (fixed or floating rates)</li> <li>- Continue to record interest income even if a loan is NPL (i.e. no stop accrued)</li> </ul>	
	Fee income related to loan origination	Upfront (Front-end fee and commitment fee)	Amortization based on EIR	<ul style="list-style-type: none"> <li>- Fee amortization required for front-end fee and commitment fee received from loan origination</li> <li>- Record fee income amortization in 'NII'.</li> </ul>	
	"Capital gain recognition on equity instrument (If classified as FVOCI)"	Recognize in P&L when sell	Realize in retained earnings (RE) (No recycling to P/L)	<ul style="list-style-type: none"> <li>- For equity instruments, if we classify as 'FVOCI', 'capital gain will be recognized to retained earning (RE), not in P&amp;L.</li> <li>- No change for debt instruments. Capital gain can be realized in P&amp;L when sold.</li> </ul>	

	Impacted Area	Previous	TFRS 9	Key Matters
Impairment	Loan Classification	Pass (0-1 month past due)	<ul style="list-style-type: none"> <li>- Stage 1 (Performing)</li> <li>- No significant increase in credit risk</li> </ul>	<ul style="list-style-type: none"> <li>- Aging Criteria is the same as before</li> <li>- <b>Significant increase in credit risk (SICR)</b> from origination date i.e. PD change, credit rating downgrade</li> <li>- <b>More stringent criteria</b> i.e. rescheduled and restructured loans</li> </ul>
		Special Mention (1-3 month past due)	<ul style="list-style-type: none"> <li>- Stage 2 (Underperforming)</li> <li>- Significant increase in credit risk</li> </ul>	
		NPL (>3 month past due)	<ul style="list-style-type: none"> <li>- Stage 3 (Non performing)</li> <li>- Credit impaired</li> </ul>	
	General Provision	Allow	Do not allow	
	Provision Calculation	Pass (1%) Special Mention (2%) 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)	<ul style="list-style-type: none"> <li>- More provision required i.e. lifetime ECL for stage 2</li> <li>- New provision required for off financial reporting items e.g. undrawn commitment, unused credit line and financial guarantee</li> <li>- Besides modelling, management overlay could be defined given assumptions which have not been reflected in the model yet.</li> </ul>

**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 three 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 POCL, assets) and have ECL provision for 12 months (12-month ECL).

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

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

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

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

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

## **Relief Measures by the Government and the Bank of Thailand (BOT)**

### **The BOT Relief Measures Phase 1**

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

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

The BOT subsequently announced additional relief measures as follows:

#### **For retail customers:**

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

#### **For non-retail customers**

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

Companies having credit lines with commercial banks 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. This measure has expired and customers from this relief program requiring further assistance has been migrated to the Bank's own relief programs.

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

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

For eligibility, customers must:

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

The maximum drawdown for the soft loan is 20% of outstanding loan balance as of December 31, 2019. On October 16, 2020, the BOT issued a notice to grant a 6-month extension for financial institutions to submit for the BOT's soft loans in accordance with the Royal Decree and to include companies listed on the Market for Alternative Investment (MAI) as qualified soft loan recipients.

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

### The Government Soft Loan Program

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

### The BOT Relief Measures Phase 2

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

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

Interest rate ceiling for credit cards and personal loans (effective from August 1, 2020) will be reduced as shown in Table 3.

#### **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 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 as shown in Table 4.

**Table 3: Interest rate ceiling for retail customers.**

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%

**Table 4: Additional relief measures for retail borrowers.**

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	<ul style="list-style-type: none"> <li>Reduce the minimum payment according to borrowers' ability to pay, or</li> <li>Convert to long-term loans with 48 installment or extend the term according to borrowers' ability to pay at interest rate not exceeding 22%</li> </ul>
Personal loans with installment and car title loans	Reduce installment amount by at least 30% with interest rate not exceeding 22%
Hire purchase loans	<ul style="list-style-type: none"> <li>Payment holiday (principal and interest) for 3 months, or</li> <li>Reduce installment amount by extending the term</li> </ul>
Mortgage loans	<ul style="list-style-type: none"> <li>Payment holiday (principal and interest) for 3 months, or</li> <li>Payment holiday on principal for 3 months and consider reducing interest rate as appropriate, or</li> <li>Reduce installment amount by extending the term</li> </ul>

Customers were able to request assistance by contacting the Bank through our website, apps, call center, or text messages from July 1, 2020 to December 31, 2020. Following the BOT's announcement on January 12, 2021, the above measures have been extended to June 30, 2021.

#### 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 collateral.

#### DR BIZ Program

On August 21, 2020, the BOT and financial institutions launched the DR BIZ program for business customers. The objective of this program is to coordinate assistance and debt relief for customers

with multiple creditors, which will be done through a standardized debt solution that creditors have agreed upon to ensure quick and comprehensive debt restructuring decisions.

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

#### Debt Consolidation

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

Debt consolidation requests could be made directly to customers' own banks from September 1, 2020 to December 31, 2020. The number of customers and outstanding loan amounts that participated in this initiative was not significant (less than 0.1% of total loans).

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

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

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

On December 28, 2020, the BOT changed the following soft loan eligibility criteria to increase SMEs' credit assessability which took effect on January 1, 2021:

1. Redefine the term "Business Group," one of the lending criteria, by separating individuals from legal entities.
  - a. For individuals, change from considering all closely related persons deemed the same for lending purposes to only those with close relationships such as legal spouses
  - b. For legal entities, change from considering all associated companies to only subsidiaries with more than 50% ownership

2. Customers can apply for additional loans twice (from once originally), with total soft loan not exceeding 20% of total debt at the end of 2019.

Banks must submit soft loan applications for the BOT approval before April 18, 2021.

### **The BOT's policy guidance on debt settlement practices**

On October 28, 2020, the BOT issued policy guidance on debt settlement practices to reduce potential NPLs and alleviate debt burden for customers. This policy guidance covers three areas:

1. Default interest rate must be calculated based on "the actual default principal" only.
2. Default interest rate must not exceed "contract interest rate plus at most 3%".
3. Loan repayment shall follow "the longest overdue first" basis.

### **The BOT extends the relief application deadline for retail customers and entrusts financial institutions to expedite the debt restructuring process.**

On January 12, 2021, the BOT announced additional relief measures in response to the new wave of COVID-19 outbreak in Thailand which entail:

1. Extend the deadline for retail customers to apply for assistance until June 30, 2021 (from the original deadline of December 31, 2020) which can be done by customers themselves or by their employers/business owners for added convenience.
2. Financial institutions are to provide expedited assistance to all customer segments which may be in one of the following forms:
  - Debt restructuring, such as reducing installment payments, extending repayment period, renewing or maintaining credit limit, changing loan type from short term to long term, principal and/or interest payments holiday, lowering interest rates, etc.
  - Additional working capital and liquidity
  - Debt moratorium for SMEs with a credit line below Baht 100 million under the royal decree on soft loans
  - Modification of other loan conditions as deemed appropriate.

## Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	December 31, 2020
<b>Moody's Investors Service</b>	
Outlook	Stable
Bank deposits	Baa1/P-2
Senior unsecured MTN	(P) Baa1
Other short term	(P) P-2
<b>S&amp;P Global Ratings</b>	
Counterparty Credit Rating	BBB+/A-2
Outlook	Negative
Senior Unsecured (Long Term)	BBB+
Senior Unsecured (Short Term)	A-2
<b>Fitch Ratings</b>	
<u>Foreign Currency</u>	
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Outlook	Stable
Senior Unsecured	BBB
Viability Rating	bbb
<b>National</b>	
Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable
Subordinated Debenture	AA(tha)

# GENERAL INFORMATION AND OTHER IMPORTANT INFORMATION

## REFERENCE INFORMATION

### THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED

Type of business	Banking
Company registration number	0107536000102
Head office	
Address:	9 Ratchadapisek Road, Jatujak, Bangkok 10900
Website:	<a href="http://www.scb.co.th">www.scb.co.th</a>
Tel:	+66-2544-1000
SCB Customer Center	+66-2777-7777
SCB Business Call Center	+66-2722-2222

### Registrar

Ordinary and Preferred Shares	The Thailand Securities Depository Company Limited 93 Ratchadapisek Road, Dindaeng Dindaeng, Bangkok 10400 Tel: +66-2009-9000 Fax: +66-2009-9991
Senior Unsecured Notes USD 400 million 3.20% due July 2022	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
Senior Unsecured Notes USD 500 million 2.75% due May 2023	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
Senior Unsecured Notes USD 500 million 3.90% due February 2024	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
Senior Unsecured Notes USD 500 million 4.40% due February 2029	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg

**Fiscal Agent**

Senior Unsecured Notes  
USD 400 million 3.20% due July 2022

Deutsche Bank AG, Hong Kong Branch  
Level 52, International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

Senior Unsecured Notes  
USD 500 million 2.75% due May 2023

Deutsche Bank AG, Hong Kong Branch  
Level 52, International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

Senior Unsecured Notes  
USD 500 million 3.90% due February 2024

Deutsche Bank AG, Hong Kong Branch  
Level 52, International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

Senior Unsecured Notes  
USD 500 million 4.40% due February 2029

Deutsche Bank AG, Hong Kong Branch  
Level 52, International Commerce Centre  
1 Austin Road West, Kowloon  
Hong Kong

**Auditor**

Mrs. Wilai Buranakittisopon  
or Mr. Charoen Phosamritlert  
or Ms. Pantip Gulsantithamrong

Certified Public Accountant (Thailand) Registration No. 3920  
Certified Public Accountant (Thailand) Registration No. 4068  
Certified Public Accountant (Thailand) Registration No. 4208

**KPMG Phoomchai Audit Ltd.**

Empire Tower, 50<sup>th</sup> Floor,  
1 South Sathorn Road  
Yannawa, Sathorn  
Bangkok 10120, Thailand  
Tel: +66-2677-2000

**LEGAL DISPUTE**

SCB did not have any unsettled legal disputes with the potential to negatively impact its assets, with no claimed amount worth over 5% of net equity according to financial statements for the accounting year ending December 31, 2020.

In addition, the Bank was not fined by any of the three main regulators in 2020: The Bank of Thailand (BOT) in a money market case, the Securities and Exchange Commission (SEC) in a capital market case, and the Office of Insurance Commission (OIC) in an insurance case.

## REPORT OF HOLDINGS OF SCB ORDINARY SHARES BY SCB DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Name	as at December 31, 2020			as at December 31, 2019			Change: increase / (decrease)
	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	
1. Dr. Vichit Suraphongchai Chairman of the Board and Chairman of the Corporate Social Responsibility Committee	-	-	-	-	-	-	-
2. Mr. Prasan Chuaphanich Independent Director and Chairman of the Audit Committee	-	1,000	1,000	-	1,000	1,000	-
3. Mr. Kan Trakulhoon Independent Director, Chairman of the Nomination, Compensation and Corporate Governance Committee, and Member of the Executive Committee	-	-	-	-	-	-	-
4. Mr. Krirk Vanikkul Independent Director and Chairman of the Risk Oversight Committee	-	50,480	50,480	-	50,480	50,480	-
5. Dr. Thaweesak Koanantakool* Independent Director, Chairman of the Technology Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
<p>*Remark: He has been appointed as Member of the Nomination, Compensation and Corporate Governance Committee since October 1, 2020.</p>							
6. ACM. Satitpong Sukvimal* Director and Member of the Corporate Social Responsibility Committee	-	-	-	-	-	-	-
<p>*Remark: He has been appointed as Member of the Corporate Social Responsibility Committee since October 1, 2020.</p>							
7. Pol. Col. Thumnithi Wanichthanom Director and Member of the Corporate Social Responsibility Committee	-	-	-	-	-	-	-

Name	as at December 31, 2020			as at December 31, 2019			Change: increase / (decrease)
	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	
8. Mr. Ekamol Kiriwat* Independent Director and Member of the Audit Committee  *Remark: He has resigned as Independent Director and Member of the Audit Committee since November 26, 2020.	-	-	-	-	-	-	-
9. Dr. Pasu Decharin Independent Director, Member of the Audit Committee, and Member of the Risk Oversight Committee	-	-	-	-	-	-	-
10. Mr. Weerawong Chittmittrapap Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
11. Mr. Chakkrit Parapuntakul Director, Member of the Executive Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
12. Mr. Prapas Kong-ied* Director and Member of the Risk Oversight Committee  *Remark: He has resigned as Director and Member of the Risk Oversight Committee since February 1, 2021.	-	-	-	-	-	-	-
13. Dr. Lackana Leelayouthayotin Independent Director and Member of the Executive Committee	-	-	-	-	-	-	-
14. Mr. Chaovalit Ekabut* Independent Director and Member of the Audit Committee  *Remark: He has been appointed as Member of the Audit Committee since October 1, 2020.	-	-	-	-	-	-	-
15. Dr. Pailin Chuchottaworn Independent Director, Member of the Executive Committee, and Member of the Technology Committee	-	-	-	-	-	-	-
16. Miss Jareeporn Jarukornsakul* Director, Member of the Technology Committee, and Member of the Corporate Social Responsibility Committee  *Remark: She has been appointed as Member of the Technology Committee, and Member of the Corporate Social Responsibility Committee since January 17, 2020.	-	-	-	-	-	-	-

Name	as at December 31, 2020			as at December 31, 2019			Change: increase / (decrease)
	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	
17. Mr. Arthid Nanthawithaya Director, Chief Executive Officer, Chairman of the Executive Committee, Member of the Risk Oversight Committee, and Member of the Technology Committee.	-	-	-	-	-	-	-
18. Mr. Sarut Ruttanaporn President	-	-	-	-	-	-	-
19. Dr. Arak Sutivong President	-	-	-	-	-	-	-
20. Mrs. Apiphan Charoenanusorn President	-	-	-	-	-	-	-
21. Mr. Anucha Laokwansatit Senior Executive Vice President, Chief Risk Officer	-	-	-	-	-	-	-
22. Mrs. Wallaya Kaewrungruang* Senior Executive Vice President, Chief Legal and Control Officer and Senior Executive Vice President, Compliance Function (Acting)	-	-	-	-	-	-	-
*Remark: She has been appointed as Senior Executive Vice President, Compliance Function (Acting) since March 1, 2020.							
23. Mr. Thana Thienachariya* Senior Executive Vice President, Chief Marketing Officer and Head of External Communication & CSR (Acting)	-	-	-	-	-	-	-
*Remark: He has resigned as Senior Executive Vice President, Chief Marketing Officer and Head of External Communication & CSR (Acting) since November 1, 2020.							
24. Mr. Narong Srichukrin Senior Executive Vice President, Chief Wealth Banking Officer	-	-	-	-	-	-	-
25. Mrs. Pikun Srimahunt Senior Executive Vice President, Chief SME Banking Officer	-	-	-	-	-	-	-
26. Mr. Wasin Saiyawan Senior Executive Vice President, Chief Wholesale Banking Officer	-	-	-	-	-	-	-
27. Mr. Sathian Leowarin Senior Executive Vice President, Chief Strategy Officer	-	-	-	-	-	-	-

Name	as at December 31, 2020			as at December 31, 2019			Change: increase / (decrease)
	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) **	Total	
28. Mr. Trirat Suwanprateeb* Senior Executive Vice President, Chief Executive Officer of The New Technology Company	-	-	-	-	-	-	-
*Remark: He has been appointed as Chief Executive Officer of The New Technology Company since January 1, 2021.							
29. Mrs. Patraporn Sirodom Senior Executive Vice President, Chief People Officer	-	-	-	-	-	-	-
30. Miss Auraratana Jutimitta Senior Executive Vice President, Chief Retail and Business Banking Officer	-	-	-	-	-	-	-
31. M.L. Chiradej Chakrabandhu Senior Executive Vice President, Chief of Credit Officer	-	-	-	-	-	-	-
32. Miss Poramasiri Manolamai* Senior Executive Vice President, Chief Insurance Business Officer	-	-	-	-	-	-	-
*Remark: She has been appointed as Senior Executive Vice President, Chief Insurance Business Officer since April 7, 2020.							
33. Mr. Chalee Asavathiratham* Senior Executive Vice President, Chief Data Officer	-	-	-	-	-	-	-
*Remark: He has been appointed as Senior Executive Vice President, Chief Data Officer since April 7, 2020.							
34. Mr. Manop Sangiambut Senior Executive Vice President, Chief Financial Officer	-	-	-	-	-	-	-
*Remark: He has been appointed as Senior Executive Vice President, Chief Financial Officer since January 1, 2021.							

## Remarks

\*\* Related person(s) of directors or senior management members include(s):

- (1) Spouse or a minor child of a director or senior management member.
- (2) A juristic person in which aggregate shareholding by a director or senior management member and (1) exceeds 30 percent of the total number of voting rights of such juristic person.
- (3) A juristic person in which aggregate shareholding by a director or senior management member and (1) and (2) exceeds 30 percent of the total number of voting rights of such juristic person.
- (4) A juristic person in which a person described under (3) holds its shares and its shareholders in all levels of downward shareholding, beginning from the shareholder in the juristic person under (3), providing that shareholding in each level exceeds 30 percent of the total number of voting rights of the juristic person in the immediate lower level.

## INFORMATION ON EXECUTIVES' DIRECTORSHIPS HELD IN OTHER COMPANIES

As of December 31, 2020

NAME	POSITION	COMPANY
1 Mr. Sarut Ruttanaporn President	Director Chairman of the Board	Amata Spring Development Co., Ltd. SCB Protect Co., Ltd.
2 Dr. Arak Sutivong President	Director Director / Chief Executive Officer Chairman of the Board Chairman of the Board Chairman of the Board Director	National ITMX Co., Ltd. SCB 10X Co., Ltd. Monix Co., Ltd. SCB Abacus Co., Ltd. Digital Ventures Co., Ltd. Purple Ventures Co., Ltd.
3 Mr. Narong Srichukrin SEVP, Chief Wealth Banking Officer	Director	SCB-Julius Baer Co., Ltd.
4 Mr. Wasin Saiyawan SEVP, Chief Wholesale Banking Officer	Director Director of the Audit Committee	SCB Securities Co., Ltd. SCB-Julius Baer Securities Co., Ltd.
5 Mr. Trirat Suwanprateeb SEVP, Chief Technology Officer	Director Managing Partner	Monix Co., Ltd. Thongrungruang Ordinary Partnership
6 Dr. Chalee Asavathiratham SEVP, Chief Data Officer	Liquidator	WorldQuant Research (Thailand) Co., Ltd.
7 Miss Auraratana Jutimitta SEVP, Chief Retail and Business Banking Officer	Director	National Digital ID Co., Ltd.
8 Miss Poramasiri Manolamai SEVP, Chief Insurance Business Officer	Chief Executive Officer	SCB Protect Co., Ltd.
9 Mrs. Patraporn Sirodom SEVP, Chief People Officer	Director	SCB Protect Co., Ltd.
10 Mr. Manop Sangiambut FEVP, Chief Financial Officer	Director	SCB-Julius Baer Securities Co., Ltd.
11 Mr. Krieng Wongnongtaey FEVP, Chief Audit Officer	Liquidator	Siam Multimedia Co., Ltd.
12 Dr. Yunyong Thaicharoen FEVP, Head of Economic Intelligence Center	Director Director	SCB Asset Management Co., Ltd. BanRuamtangfun Co., Ltd.
13 Mr. Kiradit Arromdee FEVP, Credit Product Function	Director	Saimake Co., Ltd.

NAME	POSITION	COMPANY
14 Ms. Soramon Inkatanuvatana FEVP, Corporate Banking 1 Function	Director	SUPERNAP (Thailand) Co., Ltd.
15 Mr. Ralph Brunner FEVP, Head of Customer Experience	Director	Rock Star Ltd.
16 Miss Araya Phuphanich FEVP, Internal Communication Function, FEVP, CSR Function	Director Director	Navuti Co., Ltd. Rattanarajtsuda Informatics Award Foundation
17 Miss Metinee Jongsaliswang FEVP, Private Banking Function	Director	Thai Financial Planners Association
18 Mr. Ekkapol Apinun EVP, Legal Function	Director Director Director Director Director	SCB Plus Co., Ltd. Mahisorn Co., Ltd. SCB Training Centre Co., Ltd. Siam Pitiwat Co., Ltd. S.C.B. Staff Savings Co-operative Ltd.
19 Mr. Thanawatn Kittisuwan EVP, Client Coverage 3.1 Division	Director	S.C.B. Staff Savings Co-operative Ltd.
20 Mr. Ittiphan Jearkjirm EVP, Investment Product Division	Director	BCI (Thailand) Co., Ltd.
21 Mr. Artapong Porndhiti EVP, Origination Team Division	Director	Premium Management and Consultant Co., Ltd.
22 Mr. Sirote Vichayabhai EVP, GTS and Ecosystems Function	Partner	Wrap Inc.
23 Mr. Tanik Tarawisid EVP, Capital Markets Function	Director	SCB Securities Co., Ltd.
24 Mr. Rungsi Vongkitbuncha EVP, Client Coverage 2.4 Division	Director	UD Drugstore (2001) Co., Ltd.
25 Mr. Somsakul Vinichbutr EVP, Client Coverage 1.7 Division	Subcommittee	Expressway Authority of Thailand
26 Mrs. Virasana Boonyasai EVP, Head of Special Business	Chairman and Managing Director	Rutchayothin Assets Management Co., Ltd.
27 Ms. Veena Lertnimitr EVP, Investment Banking Function	Director Director	Sathianwong Co., Ltd. SCB Securities Co., Ltd.
28 Mrs. Siribunchong Uthayophas EVP, Corporate Office and Company Secretary Function	Director Director Director	Kler Kaew Korkij Co., Ltd. Krabingern Food Co., Ltd. Corporate Secretary Club, Thai Listed Company Association

NAME	POSITION	COMPANY
29 Ms. Vipasiri Chantanumat EVP, Client Coverage 3.2 Division	Director	VP Professional Co., Ltd.
30 Mrs. Natthakan Kanpachai EVP, Digital and Business Law Division	Director	Monix Co., Ltd.
31 Ms. Phannee Prachantrikal EVP, Client Coverage 1.2 Division	Partner	Thepnapha Construction Ltd., Part.
32 Mr. Sakda Dumnakkaew EVP, Group Treasury Function	Director of the Audit Committee Director	SCB Securities Co., Ltd. Cambodian Commercial Bank Ltd.
33 Ms. Soontharee Rajitprueksa EVP, FP&A Retail & Wealth Business Division	Director Director	SCB Protect Co., Ltd. SCB Plus Co., Ltd.
34 Mr. Chalitti Nuangchamnong EVP, Securities and Corporate Law Division	Director Director Director of the Audit Committee	Baan Bueng Holdings Co., Ltd. SCB Asset Management Co., Ltd. SCB Securities Co., Ltd.
35 Mr. Patrick Poulier EVP, Financial Markets Function	Partner	Euro Thai Insurance Broker Co., Ltd.
36 Mr. Srihanath Lamsam EVP, Payment Product Solution and Management Function, and Acting Managing Director, Purple Ventures Co., Ltd.	Acting Managing Director	Purple Ventures Co., Ltd.

Note: The above executives do not hold any current position as chairman, executive director, authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

## BANKING NETWORK

as at December 31, 2020

Area Office	37	Offices
Branch, nationwide	811	Branches
Bangkok and its vicinity	352	Branches
Upcountry	459	Branches
Investment Center	9	Branches
Business Center	1	Branches
Express	56	Centers
Overseas Branch	6	Branches
Affiliated Bank (Cambodian Commercial Bank)	4	Branches
Representative Office	2	Offices
SME Center	27	Centers
Bangkok and its vicinity	11	Centers
Upcountry	16	Centers
International Trade Service Center	45	Centers
Foreign Exchange Service Center	67	Centers
Bangkok	45	Centers
Tourist locations, Upcountry	22	Centers
ATM	9,164	Machines
Bangkok	2,506	Machines
Upcountry	6,658	Machines

## OVERSEA BRANCHES

### **Shanghai Branch**

General Manager: Ms. June Qiong Fu  
 Address: Room74 T15, 74<sup>th</sup> Floor,  
                   Shanghai World Financial Center  
                   No. 100 Century Avenue,  
                   Shanghai, P.R. China 200120  
 Telephone: +86-21-60587777  
 Swift: SICOCNSH  
 E-Mail: june.fu@scb.co.th

### **Hong Kong Branch**

General Manager: Mr. Theerapan Nunthapolpat  
 Address: Suite 3209, 32/F, Jardine House,  
                   1 Connaught Place, Central,  
                   Hong Kong  
 Telephone: +852-2524-4085  
 Fax: +852-2845-0293  
 Swift: SICOHKHH  
 E-Mail: theerapa@scb.co.th

### **Singapore Branch**

General Manager: Ms. Vitita Theeraporn  
 Address: 61 Robinson Road #10-03,  
                   Robinson Centre,  
                   Singapore 068893  
 Telephone: +65-6536-4338  
 Fax: +65-6536-4728  
 Swift: SICOSGSG  
 E-Mail: vitita.theeraporn@scb.co.th

### **Vientiane Branch**

General Manager: Mr. Kanok Sakunkhoo  
 Address: 117 Lanexang-Samsenthai Road,  
                   Ban Sisaket, Muang Chanthaburi,  
                   Vientiane, Lao P.D.R.  
 Telephone: +856-21-213-501  
 Fax: +856-21-213-502  
 Swift: SICOLALA  
 E-Mail: kanok@scb.co.th

### **Cayman Islands Branch**

General Manager: Ms. Chau Man Lai  
 Address: P.O. Box 705 George Town,  
                   Grand Cayman, Cayman Islands  
 Telephone: +852-2524-4085  
 Fax: +852-2845-0293  
 Swift: SICOKYKY  
 E-Mail: wendy.chau@scb.co.th

### **Ho Chi Minh Branch**

General Director: Mrs. Trieu Thi Minh Ngoc  
 Address: Room 605-609, floor 6,  
                   Kumho Asiana Plaza,  
                   Saigon, 39 Le Duan Street,  
                   District 1,  
                   Ho Chi Minh City, Vietnam  
 Telephone: +848-6285-6608  
 Fax: +848-3822-6556  
 Swift: SICOVNFX  
 E-Mail: ngoc.trieu@scb.co.th

## AFFILIATED BANKS

### Cambodian Commercial Bank - Head Office - Phnom Penh

Director and General Manager: Ms. Pakaravee Anantathananid  
 Address: 26 Monivong Road, Sangkat Phsar Thmei 2, Khan Daun Penh,  
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 Telephone: +855-23-213-601  
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 +855-23-426-145  
 Fax: +855-23-426-116  
 Swift: SICOKHPP  
 E-Mail: pakaravee.anantathananid@scb.co.th

### Cambodian Commercial Bank - Battambang Branch

Branch Manager: Mr. Ty Kheng  
 Address: 116-117 20 Ausapher Village, Svaypor Commune Battambang, Cambodia  
 Telephone: +855-11-811-344  
 Fax: +855-53-952-266  
 E-Mail: ty.kheng@ccb.com.kh

### Cambodian Commercial Bank - Siem Reap Branch

Branch Manager: Mr. Suriyah Termlertmanuswong  
 Address: No. 130 Sivatha Road, Mondol 1, Sangkat Svay Dangkum, Siem Reap District, Siem Reap Province, Cambodia  
 Telephone: +855-63-964-392  
 Fax: +855-63-380-154  
 E-Mail: suriyah@ccb.com.kh

### Cambodian Commercial Bank - Sihanoukville Branch

Branch Manager: Mr. Sophy Nuon  
 Address: 242 Ekareach Street, Sangkat 2, Khan Mittapeab, Sihanoukville Province, Cambodia  
 Telephone: +855-34-934-777  
 Fax: +855-34-934-999  
 E-Mail: sophy.nuon@ccb.com.kh

## REPRESENTATIVE OFFICES

### Beijing Representative Office

Chief Representative: Ms. Zhu Ying  
 Address: Units 02-03, Level 15<sup>th</sup>  
 China World Office 1  
 Jianguomenwai Ave,  
 Chaoyang District,  
 Beijing, P.R. China  
 Telephone: +86-1065994996-8  
 E-Mail: ying.zhu@scb.co.th

### Yangon Representative Office\*

Chief Representative: Mr. Rajesh Balraj Ahuja  
 Address: No. 17/A Kabar Aye Pagoda Road,  
 Golden Valley Ward II,  
 Bahan Township,  
 Yangon, Myanmar  
 Telephone: +95-1-540-229  
 Fax: +95-1-543-667  
 E-Mail: rajesh.ahuja@scbmm.com

\*Remark: Yangon Representative Office has subsequently been changed to a wholly owned subsidiary.

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## CORPORATE GOVERNANCE

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Corporate governance policy

Corporate Governance, Important Information about the Board, the Board Committees, Executives and Employees, and Other Information

Report on Corporate Governance Code Compliance

Internal Control and Related Party Transactions

# CORPORATE GOVERNANCE

The Board of Directors of the Siam Commercial Bank PCL ("the Bank" or "SCB") recognizes the importance of corporate governance (CG) and is determined to ensure that SCB's business governance is efficient, transparent and fair to all stakeholders in order to bolster the trust of all stakeholders – shareholders, customers, employees, business partners, debtors, society and regulators – and strengthen the Bank's competitiveness with ethics and social responsibility to achieve sustainable growth both for the Bank and society at large. Highlights of the prestigious awards that the Bank received in 2020 for its corporate governance and sustainability excellence are as follows:



- The Bank was listed on the World Index and the Emerging Markets Index of the Dow Jones Sustainability Indices 2020 (DJSI), ranked 10<sup>th</sup> globally in the banking sector.

- The Bank achieved the top level "Excellent" rating in the 2020 CG assessment of Thai Listed Companies by the Thai Institute of Directors Association (IOD), marking its 16<sup>th</sup> consecutive year for this recognition since 2005.

- The Bank was rated as "Outstanding" (score range of 98-100) in the Thai Investors Association's assessment of shareholder meetings, continuing its achievement record since 2009.

Additionally, the Board decided that the corporate governance principles applicable to financial institutions as stipulated by the Bank of Thailand and the 2017 Corporate Governance Code for Listed Companies, or the CG Code, which was developed by the Securities and Exchange Commission, should be adopted as appropriate to the Bank's business context and that the Bank's Corporate Governance Policy should be reviewed at least annually to ensure alignment with the CG Code.

## 1. Corporate Governance Policy

### 1.1 Overview of Corporate Governance Policy and Guidelines

The Board has assigned the Nomination, Compensation and Corporate Governance (NCCG) Committee to formulate the Corporate Governance Policy and monitor compliance therewith. The NCCG Committee also reviews and revises the policy to ensure that it is appropriate and in line with regulatory guidelines pertaining to the organization as a commercial bank and a listed company with an aspiration to achieve world-class corporate governance standards. The Bank's Corporate Governance Policy and guidelines are based on the following core elements and address various dimensions relating to the Board of Directors, shareholders and stakeholders:

- **Vision and Core Values**

○ Vision: To be "The Most Admired Bank." In other words, the Bank aspires to be recognized by each of its constituents as follows:

- Customers: The Most PREFERRED Partner
- Employees: The Most CARING Employer
- Shareholders: The Most SUSTAINABLE RETURN Company
- Society and Environment: The Most RESPONSIBLE Corporate Citizen
- Regulators: The Most PRUDENT Bank

○ Core values: The Bank's core values are known as CRIS, which stands for Customer centricity, Risk culture, Innovation and Speed.

- **Corporate Governance Structure of the Bank:**

The policy clearly enumerates authority, roles and responsibilities of the Board; meetings of the Board; composition of the Board; tenure of directors; nomination and election of directors; onboarding programs for new directors; development programs for directors; holding of positions in other companies/entities by the directors and senior executives; composition, roles and duties of Board committees; separation of positions between the Chairman of the Board and the Chief Executive Officer; remuneration of directors and persons with management authority; performance assessment of the Board, Board committees, and persons with management authority; succession planning for key positions; and roles and functions of the Company Secretary.

- **Rights and Treatment of Stakeholders**

○ **Treatment of Stakeholders:** The Bank recognizes the rights of all stakeholders, such as shareholders, customers, employees, business partners, competitors, creditors, suppliers, society, communities and the environment. This awareness underpins the Bank's vision and codes of conduct and the Bank is committed to assuring that the rights of each group of stakeholders are fully enjoyed and exercised based on the principle of fairness for sustainable growth among all. Stakeholders can directly contact the relevant units of the Bank and are provided with multiple channels to raise suggestions, comments or make complaints to the Board and the management of the Bank.

○ **Equitable Treatment of Shareholders:** The Bank treats all shareholders equitably in terms of, for example, their basic rights, rights related to shareholder meetings, and dividend entitlements.

○ **Disclosure and Transparency:** The Bank sets forth a disclosure policy to assure that its disclosures to shareholders and all groups of stakeholders are complete, appropriate, fair, and timely and to control disclosures of confidential information and information that could affect the Bank's share price.

• **Internal Controls:** The Bank implements internal controls in relation to, for example, the prevention against the use of inside information by directors and employees, connected transactions and conflicts of interest, reporting of conflicts of interest of directors and persons with management authority, and the Anti-Corruption and Bribery Policy.

## **1.2 Code of Business Conduct**

The Board has approved the Codes of Conduct of SCB and the SCB Financial Group, which encompass the Code of Business Conduct and the Code of Conduct for Directors, Executives and Employees that must be complied with by all directors, executives and employees.

Under its **Code of Business Conduct**, the Bank prioritizes and monitors the following aspects: 1) Compliance with business ethics; 2) Strengthening trust of customers and stakeholders through service standards; 3) Providing resources to all employees in support of their performance efficiency; 4) Customer centricity and responsible treatment of customers demonstrated through, among others, the Bank's business operations, sustainable customer relationship, offering of products and services that are suitable for customers in light of their needs and capabilities; 5) Implementing measures to manage conflicts of interest in the course of business operations; 6) Prioritizing the confidentiality and management of information of the Bank and its customers through the adoption of rigorous information management practices; 7) Operating businesses in strict compliance with relevant laws, regulations, the Bank's policies and rules, and corporate governance principles; 8) Operating businesses efficiently and sustainably; and 9) Operating businesses with social responsibility.

**Further, the Bank's Code of Conduct for Directors, Executives and Employees provides ethical standards governing:** 1) corporate governance, 2) protecting SCB's interest, image, honor, reputation and virtue, 3) conflicts of interest, 4) information integrity, 5) information confidentiality, 6) insider trading, 7) anti-money laundering and combating the financing of terrorism and proliferation of weapons of mass destruction, 8) anti-corruption, 9) gambling, alcohol and drugs, 10) giving and receiving gifts and entertainment, 11) corporate assets, 12) outside employment or other commercial activities, 13) harassment, and 14) whistleblower.

The Code of Business Conduct of SCB and the Code of Conduct for Directors, Executives and Employees are regularly reviewed and are available on the Bank's website under the section "Code of Conduct," "Codes of Conduct of SCB and the SCB Financial Group."

### **1.3 Major Changes and Developments in Corporate Governance Policy, Practices and Systems in 2020**

Major improvements made by the Bank in 2020 to its corporate governance policy and practices are summarized below.

Amid the challenging business environment, the Board focused on active and close collaboration to further optimize its oversight effectiveness. In addition to the meetings of independent directors and non-executive directors which are regularly held on a semi-annual basis, joint meetings of the chairmen of all Board Committees were initiated by the Board in 2020 as a forum for discussions and exchanges with the aim of enabling the Board Committees to better support the management's endeavors.

Recognizing that human resources are a pivotal driving force for the successful execution the Bank's business strategy, the Board in 2020 assigned the Nomination, Compensation and Corporate Governance Committee ("NCCG Committee") to update the charter of the NCCG Committee to include duties relating to human resource policies and corporate culture. In this connection, the NCCG Committee held meetings that were dedicated specifically to the review of human resource policies and strategies on a monthly basis.

In 2020, the Bank reviewed and updated its Corporate Governance Policy in relation to the office term of independent directors, which was limited to the period of nine consecutive years, to: "The Bank has limited the office term of independent directors to a period of nine (9) consecutive years, provided that another term may be permitted if there is a justifiable reason" to align with the Bank of Thailand's Notification No. SorNorSor. 10/2561, which stipulates "For independent directors who have qualifications according to the Bank of Thailand's Notification No. SorNorSor. 13/2552 Re: Corporate Governance of Financial Institutions dated July 9, 2009 and have been appointed before the effective date of this Notification, if they do not have qualifications as specified in Clause 5.2.3, they can still hold the positions but no later than May 1, 2022"

In addition, the Bank updated the charter of the Board of Directors to incorporate the Bank's renewed vision and social and environmental considerations, as well as to revise wording for greater clarity and comprehensiveness based on the relevant stipulations of regulatory authorities.

The Bank aims to adhere to both national and international corporate governance standards. However, certain practices of the Bank as specified below have some deviations from the 2017 Corporate Governance Code for Listed Company (CG Code) announced by the Securities and Exchange Commission and the corporate governance principles stipulated by the Thai Institute of Directors Association, due to reasons set out below:

1) The Board should have an appropriate number of members ranging from 5 to 12.

As of December 31, 2020, the Board consisted of 15 members. The Bank views the number as appropriate, considering the growing size and complexity of the Bank's business. Given rapid technological change, it is necessary for the Bank to have directors with diverse experience, knowledge and expertise so that the Board can effectively perform its duties.

2) Disclosed information on shareholding structure should clearly specify actual owners of SCB shares.

The Bank's shareholders include nominee companies serving as custodians of foreign investors. Such appointment of nominee companies as custodians is considered a normal practice and is beyond the Bank's control.

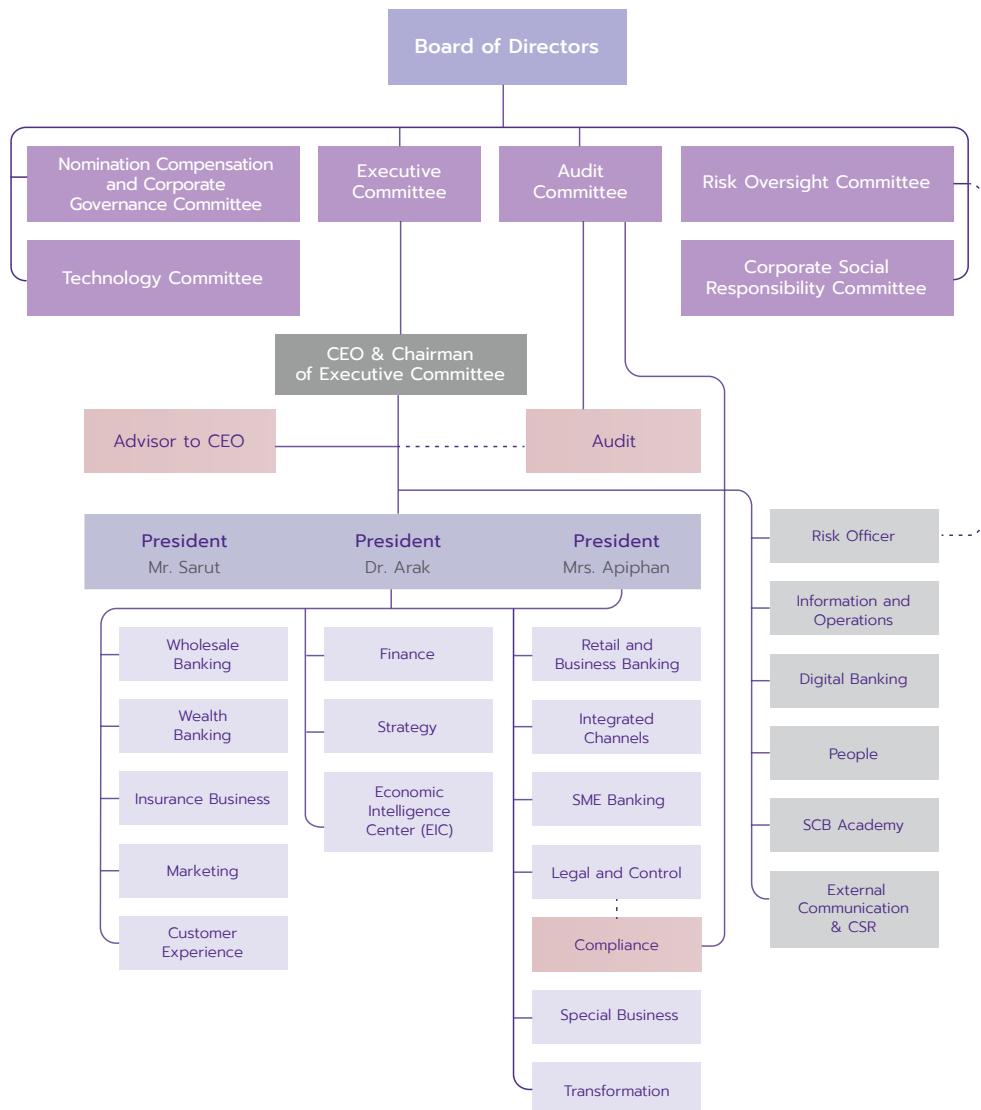
3) The Bank should include in its policy a requirement that directors and senior executives notify

the Board or designated persons of their intention to trade SCB shares at least one day in advance of the transaction date.

At present, there is no such requirement in the Bank's policy, but the Bank already has in place clear regulations against insider trading. These regulations include Directors Code of Conduct; Employee Code of Conduct; rules governing securities trading by directors, executives and employees; insider trading rules; guidelines on declaration of securities holding by directors, executives and employees; and non-trading period rules applicable to directors, executives and employees.

## 2. Corporate Governance, Important Information about the Board, the Board Committees, Executives and Employees, and Other Information

### 2.1 Corporate Governance Structure of the Bank



## 2.2 Board of Directors

### • Board Composition

At the end of 2020, the Bank had 15 directors<sup>1</sup>. The Bank selects its Board members based on the criteria set forth by relevant regulators and with the aim of fostering diversity in terms of professional skills, expertise, age, gender and other key attributes that are essential for and in line with the Bank's strategy. It is the policy of the Board to maintain such a balanced diversity in its composition.

Of the total 15 directors, there were 2 women and 13 men with diverse professional backgrounds in banking, accounting and finance, business administration, strategic planning, risk management, social development, corporate governance, law, science and technology, and other experience that is considered beneficial and relevant to the Bank's business. Composition of the Board is as follows:

- Nine independent director<sup>2</sup> (representing 60 percent of the total directors): Mr. Prasan Chuaphanich, Mr. Kan Trakulhoon, Mr. Krirk Vanikkul, Dr. Thaweesak Koanantakool, Mr. Weerawong Chittmittrapap, Dr. Pasu Decharin, Dr. Pailin Chuchottaworn, Dr. Lackana Leelayouthayotin and Mr. Chaovalit Ekabut.
- An executive director (representing 7 percent of the total directors): Mr. Arthid Nanthawithaya.
- Five non-executive directors (representing 33 percent of the total directors): Dr. Vichit Suraphongchai, ACM Satitpong Sukvimal, Pol. Col. Thumnithi Wanichthanom, Mr. Prapas Kong-ied and Miss Jareeporn Jarukornsakul.

<sup>1</sup> As of February 18, 2021, the Bank has 17 directors in total. Details of these changes are shown in the annex to this Corporate Governance Report.

<sup>2</sup> The term "independent director" has the meaning as specified in the Bank of Thailand's Notification No. SorNorSor. 10/2561 Re: Corporate Governance of Financial Institutions, and the Capital Market Supervisory Board's Notification No. TorJor. 39/2559, Re: Application and Approval for Offering Newly Issued Shares, and/or their amendments (if any). Moreover, the number of shares held by an independent director and his/her related parties combined shall not exceed 0.5 percent of the total voting shares of the Bank, or the Bank's parent company, subsidiaries, or associate companies, or major share holders, or the persons having the authority to control the Bank. This shareholding restriction of no more than 0.5 percent is the Bank's standard and is stricter than the standard set by the Capital Market Supervisory Board which prohibits an independent director from holding more than one percent of the total voting shares of the company of which he/she is a director.

The names of the Bank's directors and their respective number of years as director are provided in Table 1.

**Table 1 Board of Directors** (As of December 31, 2020)

Name	Position	Date of Appointment	Number of Years in Directorship
1. Dr. Vichit Suraphongchai	Chairman of the Board and Chairman of the Corporate Social Responsibility Committee	December 10, 1999	21 years 1 months
2. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	April 4, 2013	7 years 9 months
3. Mr. Kan Trakulhoon	Independent Director, Chairman of the Nomination, Compensation and Corporate Governance Committee and Member of the Executive Committee	April 5, 2016	4 years 9 months
4. Mr. Krirk Vanikkul	Independent Director and Chairman of the Risk Oversight Committee	November 1, 2015	5 years 2 months
5. Dr. Thaweesak Koanantakool	Independent Director, Chairman of the Technology Committee and Member of the Nomination, Compensation and Corporate Governance Committee	April 5, 2016	4 years 9 months
6. ACM Satitpong Sukvimal	Director and Member of the Corporate Social Responsibility Committee	June 13, 2018	2 years 7 months
7. Pol. Col. Thumnithi Wanichthanom	Director and Member of the Corporate Social Responsibility Committee	June 13, 2018	2 years 7 months
8. Dr. Pasu Decharin	Independent Director, Member of the Audit Committee and Member of the Risk Oversight Committee	October 19, 2018	2 years 2 months
9. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	September 22, 2014	6 years 3 months
10. Mr. Prapas Kong-ied	Director and Member of the Risk Oversight Committee	July 4, 2018	2 years 6 months
11. Mr. Chaovalit Ekabut	Independent Director and Member of the Audit Committee	April 5, 2019	1 year 9 months
12. Dr. Lackana Leelayouthayotin	Independent Director and Member of the Executive Committee	April 5, 2019	1 year 9 months
13. Dr. Pailin Chuchottaworn	Independent Director, Member of the Executive Committee, and Member of the Technology Committee	September 19, 2019	1 year 3 months
14. Miss Jareeporn Jarukornsakul	Director, Member of the Technology Committee and Member of the Corporate Social Responsibility Committee	November 21, 2019	1 year 1 month
15. Mr. Arthid Nanthawithaya	Director, Chief Executive Officer, Chairman of the Executive Committee, Member of the Risk Oversight Committee and Member of the Technology Committee	April 2, 2015	5 years 9 months

The positions of the Chairman of the Board and the top-ranking executive are assumed by different individuals. The positions and authority of the Chairman of the Board, the Chief Executive Officer and the Presidents are clearly segregated, and the positions of the Chairman of the Board, the Chief Executive Officer and the Presidents to enhance performance effectiveness, governance and transparency are as detailed below.

**Chairman of the Board** — Pursuant to the Bank's Corporate Governance Policy, the Chairman of the Board must be an independent director or a non-executive director. The Chairman of the Board is not involved in the Bank's routine management. This conforms to the principle of segregation of policy-making and oversight duties from those in operations management. The key roles and responsibilities of the Chairman of the Board are: to oversee the Board's adherence to the corporate governance principles and established policies; to ensure that Board meetings are conducted effectively and matters that are essential to the Bank's operations and/or performance are placed on the meeting agenda, particularly matters related to corporate strategy; to allocate sufficient time for the management to present clear and timely information; to allow attending Board members to voice their opinions and ask questions; and to ensure that Board resolutions are clear and the meeting minutes are complete and correct. The Chairman of the Board also presides over the shareholder meetings. Another key responsibility of the Chairman is to ensure that the Bank's governance practices comply with the adopted policies.

**Chief Executive Officer** — The Chief Executive Officer is the Bank's top-ranking executive who is chiefly responsible for directing and driving the Bank's business and operations toward the policies, strategies and goals as set forth by the Board; recommending alternatives and strategies that are fit for the changing business environment to achieve sustainable growth; considering and approving matters according to the Bank's regulations and as assigned by the Board and/or the Board Committees. The Chief Executive Officer also assumes the key responsibility in building corporate culture.

**Presidents** — Presidents are senior executives who directly report to the Chief Executive Officer. At present, the Bank has three Presidents and they are collectively responsible and accountable for managing and stewarding the Bank in alignment with the established policies and strategies. The roles and responsibilities of the Presidents also include formulating policies and strategies and making decisions on key matters that are interconnected and require the orchestration of interdepartmental efforts.

#### • Duties and Roles of the Board

The Board is committed to pursuing the highest standards of ethics. The Board's roles and responsibilities are in accordance with those specified by law, the Bank's objectives and Articles of Association, and the resolutions of the Board and shareholder meetings. It is also responsible for ensuring that the Bank has in place effective control, supervision and audit mechanisms and for ongoing monitoring of the Bank's business operations within the frameworks of ethics, transparency and social responsibility underpinned by the corporate governance principles. The Board is in charge of setting the Bank's vision, mission, policies, and business targets, which must be reviewed annually, and exercising oversight to direct the management's efforts in alignment with the established policies, strategies and financial goals to maximize long-term shareholder value with due consideration of the best interests of all stakeholders. In addition, the Board is responsible for reviewing the succession plans for the Chief Executive Officer, the Presidents and persons with management authority; establishing structures and processes for sound risk management, audit, compliance and internal control systems; and reviewing such structures and processes regularly.

Details about the duties, responsibilities and approval authority of the Board are available on [www.scb.co.th](http://www.scb.co.th) under the section "Charter of the Board of Directors."

### 2.3 Board Committees

The Bank has appointed six Board committees in total, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, the Risk Oversight Committee, the Technology Committee, and the

Corporate Social Responsibility Committee, to assist the Board in screening and overseeing specific matters. Meetings of each Board committee are held in accordance with the criteria specified in the charter of each Board committee and the Corporate Governance Policy, and are scheduled in advance for the entire year. The duties and responsibilities of each Board committee are clearly specified in its charter, which is available on [www.scb.co.th](http://www.scb.co.th) under the section "Charter." Details are summarized below.

#### **• Executive Committee**

The major duties and roles of the Executive Committee are to oversee and ensure that the Bank's business and operations are in line with its strategies, policies and regulations and to perform tasks as assigned by the Board. The key responsibilities include to screen all matters that are proposed to the Board for consideration, excluding those matters under responsibility and/or authority of other specific committees, and to approve credit requests, investments and matters that are within the scope of authority delegated by the Board and stipulated in the charter of the Executive Committee.

As of December 31, 2020, the Executive Committee consisted of four directors of the Bank, namely Mr. Arthid Nanthawithaya (Chairman of the Executive Committee), Mr. Kan Trakulhoon (Independent Director), Dr. Pailin Chuchottaworn (Independent Director) and Dr. Lackana Leelayouthayotin (Independent Director). Their tenure on the Executive Committee is concurrent with their directorships. Performance of the Executive Committee in 2020 is described in the Report of the Executive Committee in this Annual Report.

#### **• Audit Committee**

The Audit Committee's scope of duties and responsibilities encompasses financial reporting, internal control, internal audit and oversight of compliance with regulations, codes of ethics, codes of conduct, and risk management principles. These duties and responsibilities include, among others, to review the accuracy and adequacy of the Bank's financial statements; to ensure that the management of the Bank has established appropriate and effective internal control and internal audit systems; to review the effectiveness of the Bank's regulatory and legal compliance monitoring system; to review the efficiency

of the risk management system of the Bank and the SCB Financial Group; and to perform other duties as stipulated in the charter of the Audit Committee. Another major duty of the Audit Committee is to propose the appointment and discharge of external auditors, including the corresponding audit fees, to the Board for consideration prior to obtaining approval at the meeting of shareholders on an annual basis. Furthermore, the Audit Committee is responsible for evaluating the performance of external auditors. The Audit Committee of the Bank also serves as the Audit Committee of the SCB Financial Group.

As of December 31, 2020, the Audit Committee consisted of three independent directors of the Bank, namely Mr. Prasan Chuaphanich (Chairman of the Audit Committee and Independent Director), Dr. Pasu Decharin (Independent Director) and Mr. Ekamol Kiriwat (Independent Director). Their tenure on the Audit Committee is concurrent with their directorships. Every member of the Audit Committee has extensive knowledge and experience in reviewing financial statements, particularly with one member of the Audit Committee holding advanced degrees in accounting and finance. Performance of the Audit Committee in 2020 is shown in the Report of the Audit Committee in this Annual Report.

#### **• Nomination, Compensation and Corporate Governance Committee**

The four main duties and responsibilities of the Nomination, Compensation and Corporate Governance Committee cover: 1) Nomination – To nominate qualified individuals as directors and senior executives of the Bank, 2) Remuneration – To propose for the Board's endorsement the appropriate remuneration for members of the Board and Board committees prior to obtaining approval for such remuneration at the shareholder meetings and ensure that the remuneration of senior executives is commensurate with their duties and responsibilities, 3) Human resource policies and corporate culture – To consider and provide opinions on HR policies to create alignment with the corporate strategies, formulate succession planning policies and direct the development of succession plans for the Chief Executive Officer, the Presidents and persons with management authority; and 4) Corporate governance – To formulate the Bank's corporate governance policy and oversee the Bank's compliance with corporate

governance principles set forth by regulatory authorities and best practices. Details regarding duties and responsibilities of the Nomination, Compensation and Corporate Governance Committee are provided in the charter of the Nomination, Compensation and Corporate Governance Committee.

As of December 31, 2020, the Nomination, Compensation and Corporate Governance Committee consisted of three directors of the Bank, namely Mr. Kan Trakulhoon (Chairman of the Nomination, Compensation and Corporate Governance Committee and Independent Director), Mr. Weerawong Chittmittrapap (Independent Director) and Dr. Thaweesak Koanantakool (Independent Director). Their tenure on the Nomination, Compensation and Corporate Governance Committee is concurrent with their directorships. Performance of the Nomination, Compensation and Corporate Governance Committee in 2020 is shown in the Report of the Nomination, Compensation and Corporate Governance Committee in this Annual Report.

#### **• Risk Oversight Committee**

The Risk Oversight Committee's duties and responsibilities are to provide advice to the Board regarding the risk oversight framework of the Bank and companies in the SCB Financial Group and to review the overall risk management policies and strategies, and risk tolerance for all risks including emerging risks, to ensure that the said policies and strategies are effectively and efficiently implemented. The Risk Oversight Committee is also responsible for reporting to the Board the Bank's risk positions, risk management effectiveness, status of the risk culture adoption, significant risk factors and issues, and risk management policy/strategy gaps. The Risk Oversight Committee is also responsible for providing advice to the Board with regard to the organization-wide risk culture cultivation; supervising the culture adoption and the management and risk function heads' compliance with the risk management policies/strategies and risk appetite framework; and rendering opinions on or assessing the performance of the Chief Risk Officer.

To promote independence of the Risk Oversight Committee, the Bank prescribed that at least half of the total members of the Risk Oversight Committee

must be independent directors and non-executive directors. As of December 31, 2020, the Risk Oversight Committee consisted of six members, i.e., four directors of the Bank and two executives, namely Mr. Krirk Vanikkul (Chairman of the Risk Oversight Committee and Independent Director), Mr. Pasu Decharin (Independent Director), Mr. Prapas Kong-led (Director), Mr. Arthid Nanthawithaya (Director, Chief Executive Officer, and Chairman of the Executive Committee), Mrs. Apiphan Charoenanusorn (President) and Mr. Sarut Ruttanaporn (President). Their tenure on the Risk Oversight Committee is concurrent with their directorships and/or incumbency as executives of the Bank. Performance of the Risk Oversight Committee in 2020 is shown in the Report of the Risk Oversight Committee in this Annual Report.

#### **• Technology Committee**

The Technology Committee's duties and responsibilities are to steward the Bank's technology-related direction and strategy for their alignment with the Bank's strategy with an aim to enhance the Bank's technology, data and technology risk management capabilities. Where necessary, other committees, such as the Risk Oversight Committee and the Audit Committee, are involved by the Technology Committee in the technology risk management process.

The Bank has prescribed that the Technology Committee must consist of at least four members who are directors and/or executives of the Bank and most of them must possess knowledge, expertise and insight in the field of technology and they should have business and risk acumen. As of December 31, 2020, the Technology Committee consisted of five members, i.e., four directors of the Bank and one executive, namely Dr. Thaweesak Koanantakool (Chairman of the Technology Committee and Independent Director), Dr. Pailin Chuchottaworn (Independent Director), Miss Jareeporn Jarukornsakul (Director), Mr. Arthid Nanthawithaya (Director, Chief Executive Officer, and Chairman of the Executive Committee), and Dr. Arak Sutivong (President). Their tenure on the Technology Committee is concurrent with their directorships and/or incumbency as executives of the Bank. Performance of the Technology Committee in 2020 is shown in the Report of the Technology Committee in this Annual Report.

- **Corporate Social Responsibility Committee**

The duties and responsibilities of the Corporate Social Responsibility Committee are to direct, supervise and develop the Bank's CSR framework with the goal of contributing to Thailand's economy, society and the environment. The Corporate Social Responsibility Committee focuses on building a strong foundation, nurturing new initiatives, developing networks, and sustaining success in the following three core areas: 1) youth development and learning enhancement, 2) development of quality of life and the environment, and 3) preservation of cultural heritage and the environment. The Bank fosters a culture and spirit of volunteerism, civic awareness and sense of social responsibility among employees by actively involving them in the Bank's CSR activities.

The Bank has prescribed that the Corporate Social Responsibility Committee must consist of at least three directors of the Bank. Their tenure on the Corporate Social Responsibility Committee is concurrent with their directorships. As of December 31, 2020, the Corporate Social Responsibility Committee consisted of five members, i.e., four directors of the Bank and one executive, namely Dr. Vichit Suraphongchai (Chairman of the Board and Chairman of the Corporate Social Responsibility Committee), Pol. Col. Thumnithi Wanichthanom (Director), ACM.

Satitpong Sukvimal (Director), Miss Jareeporn Jarukornsakul (Director) and Mrs. Apiphan Charoenanusorn (President). Performance of the Corporate Social Responsibility Committee in 2020 is shown in the Report of the Corporate Social Responsibility Committee in this Annual Report.

## **2.4 Executives of the Bank**

- **List of Executives**

As of December 31, 2020, executives of the Bank at the level of Senior Executive Vice President and higher totaled 17. Due to the Bank's additional appointment of such executives, the number of executives at the level of Senior Executive Vice President and higher increased to 21 in total as of January 4, 2021.

**Table 2 Executives of the Bank at Senior Executive Vice President Level and Higher (as of January 4, 2021)**

Name	Position
Mr. Arthid Nanthawithaya	Chief Executive Officer and Chairman of the Executive Committee
Mrs. Apiphan Charoenanusorn	President
Mr. Sarut Ruttanaporn	President
Dr. Arak Sutivong	President
Mr. Narong Srichukrin	Senior Executive Vice President, Chief Wealth Banking Officer
Mr. Wasin Saiyawan	Senior Executive Vice President, Chief Wholesale Banking Officer
Miss Poramasiri Manolamai	Senior Executive Vice President, Chief Insurance Business Officer
Miss Auraratana Jutimitta	Senior Executive Vice President, Chief Retail and Business Banking Officer
Mr. Vitoon Pornsakulvanich	Senior Executive Vice President, Chief Integrated Channels Officer
Mrs. Pikun Srimahunt	Senior Executive Vice President, Chief SME Banking Officer
Mrs. Wallaya Kaewrungruang	Senior Executive Vice President, Chief Legal and Control Officer, Senior Executive Vice President, Acting Head of Compliance
Mr. Manop Sangiambut	Senior Executive Vice President, Chief Financial Officer
Mr. Sathian Leowarin	Senior Executive Vice President, Chief Strategy Officer
Mr. Yunyong Thaicharoen	Senior Executive Vice President, Chief Economist
Mr. Krieng Wongnongtaey	Senior Executive Vice President, Chief Audit Officer
Mr. Anucha Laokwansatit	Senior Executive Vice President, Chief Risk Officer
Mrs. Voranuch Dejakaisaya	Senior Executive Vice President, Chief Information and Operations Officer
Mr. Chalee Asavathiratham	Senior Executive Vice President, Chief Data Officer
Mrs. Patraporn Sirodom	Senior Executive Vice President, Chief People Officer
M.L. Chiradej Chakrabandhu	Senior Executive Vice President, Chief Credit Officer
Mr. Trirat Suwanprateeb	Senior Executive Vice President

### • Executive Remuneration

The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration for executives, including the Chief Executive Officer, the Presidents and senior executives at Executive Vice President level and higher to the Board for approval. The remuneration is deemed, after due consideration by the NCCG Committee, appropriate and in line with the Bank's policies as well as reflects short-term and long-term corporate performance and individual performance that is assessed and benchmarked against KPIs, which include financial indicators, customer-related indicators as well as indicators relating to work process improvement and people development to build a solid foundation for sustainable success of the Bank. Remuneration is determined based on transparent criteria, scope of responsibilities, and the Bank's competitiveness as compared to its peer banks and other leading companies in Thailand.

In 2020, the total number of the Bank's executives based on the Securities and Exchange Commission's definition (which means the manager or the next four executives succeeding the manager, the persons holding equivalent position to the fourth executive, inclusive of the persons holding the position of manager or equivalent and higher in the accounting or finance departments) was 20 (inclusive of three executives who resigned during the year). Collectively they received remuneration in the form of salaries, bonuses and allowances of Baht 525.48 million and severance pay of Baht 23.16 million. On the

other hand, the term "executives" according to the definition of the Bank of Thailand refers to executives at Executive Vice President level and higher. In 2020, the total number of the Bank's executives based on the Bank of Thailand's definition was 95 (inclusive of 12 executives who resigned during the year), and collectively they received remuneration in the form of monthly salaries, bonuses and allowances of Baht 1,544.02 million and severance pay of Baht 41.01 million. The Bank's executives are entitled to welfare and other benefits similar to those offered to other employees and in accordance with the Bank's regulations, such as medical benefits, annual medical check-up, life and accident insurance, welfare loans and provident fund contribution. In 2020, the Bank's provident fund contribution for 20 executives (inclusive of three executives who resigned during the year), as defined by the Securities and Exchange Commission was Baht 11.61 million in total, while the provident fund contribution for 95 executives (inclusive of 12 executives who resigned during the year) as defined by the Bank of Thailand, i.e., Executive Vice President level and higher, was Baht 46.21 million in total.

### 2.5 Employees and Employee Remuneration

At the end of 2020, the total number of the Bank's employees was 23,977 and the employee and benefit expenses totaled Baht 28,223 million. These expenses included, among others, salaries, overtime pay, cost-of-living allowances, car allowances, bonuses and contributions to the social security fund and provident fund. The total number of employees of the Bank and the SCB Financial Group was 27,261.

The number of the Bank's employees classified by functions and levels is as follows:

Employees	Wholesale banking	SME banking	Retail banking	Wealth banking	Support functions
EVP and higher	11	5	2	8	56
AVP-FSVP	157	215	112	212	2,224
Staff-Officer	157	645	295	1,050	18,828

SCB's number of employees had continuously declined throughout the past three years as a result of unreplaced vacancies from resignation of branch employees following the closure of many branches in

response to the increasing adoption of digital banking among customers. The decrease was also attributable to the voluntary early retirement program initiated by the Bank in 2020.

The number of SCB employees in the past three years is as follows:

Year	2018	2019	2020
Number of the Bank's Employees	26,830	26,032	23,977

In addition, employees of SCB and its major subsidiaries were encouraged to join the provident fund

program. The number and proportion of employees that are provident fund members are as follows:

Company	Number of employees that are provident fund members (persons)	Proportion of employees that are provident fund members
The Siam Commercial Bank Public Company Limited	22,732	94%
SCB Plus Company Limited	1,306	97%
SCB Asset Management Company Limited	242	98%
SCB Securities Company Limited	380	93%
SCB-Julius Baer Securities Company Limited	81	92%
SCB Protect Company Limited	105	73%
SCB Abacus Company Limited	37	93%
SCB 10X Company Limited	46	69%

## 2.6 Board Support Units

The Bank recognizes the importance of, and provides support to, the following units and their personnel who are responsible for ensuring the Bank's proper compliance with laws and regulations as well as the Board's adherence to statutory and good corporate governance practices:

### (1) Audit Function

The Audit Function is an independent and business-neutral unit that has been established to improve and enhance internal control, including policies, practices and procedures of companies in the SCB Financial Group with an aim of ensuring compliance of the Bank and companies in the SCB Financial Group with applicable regulations. Also, the Audit Function conducts regular audits, identifies matters requiring attention, provides advice, and makes improvement-related recommendations on internal control, risk management systems and

corporate governance practices. The Audit Function is led by Mr. Krieng Wongnongtaey, Senior Executive Vice President, Chief Audit Officer, who is responsible for ensuring that the responsibilities of the Audit Function are effectively carried out and reports directly to the Audit Committee in an independent manner. The Audit Committee has the authority to consider and approve the appointment, removal, transfer or dismissal of the Chief Audit Officer, as well as the compensation of the Chief Audit Officer.

### (2) Compliance Function

The Compliance Function serves as the Bank's regulatory center, providing consultation and advice pertaining to regulatory requirements and the Bank's policies, practices, procedures and controls as well as coordinating with the regulators on behalf of the Bank. The Compliance Function is also in charge of formulating internal policies, rules and regulations that govern the regulatory and legal compliance for

all employees and executives of the Bank. It is also responsible for conducting due diligence on persons nominated as directors or executives of the Bank and its subsidiaries to ensure that the nominees possess appropriate qualifications that meet legal and regulatory requirements. The Compliance Function is under the leadership of Mr. Chirawat Chamrasromran, Senior Vice President, Head of Compliance who functionally reports to Mrs. Wallaya Kaewrungreung, Senior Executive Vice President, Chief Legal and Control Officer and independently reports to the Presidents and the Audit Committee in relation to key regulatory compliance matters.

### **(3) Company Secretary**

The Board of Directors has appointed a Company Secretary to act under the provisions of law and as further instructed by the Board of Directors. Currently, Mrs. Siribunchong Uthayophas, Executive Vice President, Corporate Office and Company Secretary Function, is the Company Secretary. The key roles of the Company Secretary are to support the Board in all relevant aspects including matters relating to good corporate governance. Functions of the Company Secretary are shown on [www.scb.co.th](http://www.scb.co.th) under the "Functions of Company Secretary" section.

Educational background, work experience and training records of the persons mentioned above are provided in this Annual Report under "Information of the Directors and Executives of the Bank."

## **3. Report on Corporate Governance Code Compliance**

### **(A) Corporate Governance Code Compliance**

Highlights of the Bank's compliance with the Corporate Governance Code for Listed Companies in 2020 were as follows:

#### **1. Rights of Shareholders**

The Bank has complied with its Corporate Governance Policy to ascertain that shareholders may appropriately enjoy and equitably exercise their rights, such as buying or selling shares, receiving dividends, and receiving adequate, timely and complete information about the Bank through easily accessible channels (the websites of SCB, the Stock Exchange of Thailand and the Thailand Securities Depository Company Limited). In addition, shareholders are entitled to take part in material business

decisions at shareholder meetings, e.g., payment of dividends, appointment or removal of directors, determination of directors' remuneration, appointment of auditors, determination of audit fees, amendment to the Memorandum and Articles of Association, and approval of special transactions (e.g., capital increase or reduction, acquisition or disposal of significant assets, or connected transactions). The shareholders may cast their votes on the aforesaid matters according to details provided in the notices of the meetings of shareholders. The Bank encourages all shareholders to exercise their rights to the fullest extent permissible by law and shall not violate or derogate the rights of shareholders by any means. The principles adopted by the Bank in respect of the rights of shareholders are shown in detail on the Bank's website ([www.scb.co.th](http://www.scb.co.th)) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Rights and Treatment of Stakeholders."

#### **1.1 Shareholders Meeting**

In response to the COVID-19 pandemic, the Ministry of Commerce's Business Development Department, the government unit that is in charge of business registration services, issued a notification dated March 4, 2020, announcing that companies affected by the outbreak and thus having to postpone their meeting to later than the statutory deadline are required to provide the registrar with relevant explanations following the meeting arrangement. After the pandemic situation had improved, the Bank organized the Annual General Meeting of Shareholders No. 197 ("AGM") on June 16, 2020. In doing so, the Bank adopted the COVID-19 preventive measures and practices set out by relevant authorities and governmental agencies with the commitment to ensuring shareholders' ability to exercise their rights related to shareholder meetings in accordance with laws and good corporate governance practices as follows:

- 1) To ensure that shareholders receive clear and adequate information, have sufficient time to consider agenda items of the AGM, and are able to easily access the notices of shareholder meetings and their accompanying documents, the Bank posted the AGM notice, accompanying documents and proxy forms in both Thai and English on its website on May

15, 2020 (32 days prior to the meeting date). The Bank assigned Thailand Securities Depository Company Limited (TSD), which is its securities registrar, to send documents related to the AGM, namely the Notice of the AGM and accompanying documents, in both Thai and English, and the 2019 Annual Report (in QR code format). These documents were sent via post to shareholders on June 4, 2020 (12 days prior to the meeting date). The AGM notice contained information such as date, time and venue of the meeting (with a map and directions), details of each agenda item including factual background, purposes, rationale, and opinions or recommendations of the Board, accompanying documents, and details of meeting procedures, voting and proxy appointments. The Bank also advertised the AGM notice in Thai daily newspapers for three consecutive days in accordance with law and took other relevant actions as required by law. Shareholders were entitled to receive, upon request, printed copies of the 2020 Annual Report before the date of the meeting from the Company Secretary.

As the COVID-19 situation still persisted during the time of the AGM in 2020, the Bank implemented measures to prevent the COVID-19 spread pursuant to the governmental stipulations which included, among others, limiting the number of meeting participants, arranging seats to allow at least 1.5 meters of physical distance between individuals, requiring every participant to wear a face mask at all times, and scanning QR code (Thai Chana platform) for pre-meeting check-in. To safeguard all participants and the Bank's officers, additional precautionary measures were established by the Bank to prevent the COVID-19 spread as follows:

- Requesting cooperation from shareholders to appoint the Bank's independent directors as their proxies instead of attending the meeting in person.
- Implementing screening and registration processes for shareholder/proxies attending the meeting in person.
- Fixing a specific seat number for each meeting participant to facilitate the disease-control tracking in the event that any meeting participants are infected with COVID-19.

- Prohibiting the consumption of food and beverages within the meeting premises and the non-use of microphones in the meeting room.

- Spraying disinfectants to sanitize the meeting venue one day in advance of the meeting date.

- Putting up posters containing practical guidelines for disease infection control.

2) The Bank recognizes shareholders' rights to know and gain full access to information and allows shareholders to submit questions in advance of the annual meeting of shareholders through various channels, including via post to the Company Secretary or e-mail to [company\\_secretary@scb.co.th](mailto:company_secretary@scb.co.th), in accordance with the guidelines on the Bank's website. Questions are compiled and proposed to the Board by the Nomination, Compensation and Corporate Governance Committee.

3) To encourage and facilitate the participation of all shareholders (individuals, juristic persons and institutional investors) in the shareholder meeting and the exercise their rights in an equitable manner, the Bank delivered the Proxy Form B to shareholders for the appointment of proxies to attend the meeting on their behalf in the event that they were unable to attend the shareholder meeting in person. Furthermore, institutional investors such as fund managers and custodians were invited to nominate their representatives to attend the shareholder meeting and, for their convenience, the Bank assigned officers to check the required documents in advance of the meeting.

4) To facilitate attendance by all shareholders and proxy holders in an equitable manner, the shareholder meeting was held during business hours and on a working day at the Bank's head office to facilitate convenient transportation for shareholders. On the meeting day, the registration counters were open two hours prior to the meeting time to facilitate procedural document checks and registration. For efficiency and convenience, the Bank made available revenue stamps to be affixed to the proxy forms presented by proxies attending the meeting, and different registration counters were specifically set up for different types of shareholders, i.e., shareholders attending the meeting in person, individual shareholders, juristic persons and fund managers or custodians. For greater convenience

and speed, the meeting registration service made use of a bar code system, and each shareholder or proxy holder was given the ballot bearing the same bar code as his/her registration bar code for voting on each agenda item. Meeting registration remained open to shareholders during the meeting, allowing shareholders to register and attend the meeting at any time and vote on any remaining agenda item.

5) Prior to proceeding in accordance with the meeting agenda, the Company Secretary, assigned by the chairman of the meeting, announced the voting procedure and vote counting practices for each agenda item. Holders of the Bank's ordinary and preferred shares, including proxy holders who attended the meeting, were entitled to cast their votes based on the one-share-one-vote basis. In order to increase the efficiency and speed of the vote tabulation process, only the ballots for disapproval and abstention votes were collected. Voting and vote tabulation were conducted openly, and the bar code system was employed in tabulating and reporting votes. Representatives from Baker & McKenzie, an independent law firm, were engaged to inspect the validity of the proxy appointments, adequacy of quorum, and tabulation and reporting of votes. Therefore, the voting results for each agenda item were reported to the meeting in a timely, accurate and transparent manner. In addition, all ballots will be kept as evidence for post-meeting examination, in case of dispute.

6) The Chairman of the Board presided as the chairman of the shareholder meeting. All 17 directors of the Bank attended the 2020 AGM. The Chairman of the Board, chairmen of all Board committees, the Bank's senior executives, and the auditors also attended the AGM in order to provide clarifications and respond to any questions or issues raised by shareholders.

7) Multimedia presentations were used at the shareholder meeting. The chairman of the meeting allowed shareholders to ask questions, express opinions and make recommendations as appropriate on an equitable basis and provided responses to all questions or issues raised. The directors and the management jointly responded to shareholders' questions and clarified issues. The Company Secretary recorded the meeting minutes and

the votes cast under each agenda item. Additionally, the meeting proceeded in accordance with the announced agenda, and the Bank did not reorder, add or revise any agenda items, and did not modify previously issued information at the shareholder meeting nor proposed any other agenda that had not been specified in the AGM Notice.

8) Following the meeting adjournment, the resolutions adopted at the shareholder meeting and the voting results for each agenda item (in both Thai and English) were publicly disclosed via the SET Portal platform of the Stock Exchange of Thailand and on the Bank's website on the meeting date. In addition, the meeting minutes in Thai and English were submitted to the Stock Exchange of Thailand and made available on the Bank's website on June 30, 2020 (within 14 days from the meeting date) for quick and inclusive access to shareholders. The minutes were also submitted to the Ministry of Commerce within the timeframe specified by law. The minutes contained the list of directors and executives who attended the meetings, the voting procedures, abstracts of the questions and issues raised and the answers or clarifications provided by the Board and executives, and the resolutions reached, together with the number of approval, disapproval, abstention and ineligible votes on each agenda item that required voting.

## 1.2 Dividend Payment

The Bank has a policy to pay dividends at the rate of, at a minimum, 30 percent of its consolidated annual net profit with consideration to long-term return for all shareholders. Dividends will be considered when the Bank records a net profit after deduction of all statutory and other reserves, provided that there is no accumulated loss and the Bank is able to maintain adequate capital funds to comply with the regulatory requirements and to adequately preserve capital for its future business needs. The interim dividends and annual dividends will be paid within 30 days after approval by the Board or the shareholder meeting (as applicable). In proposing a dividend payment for approval, the Bank discloses its Dividend Policy, dividend rate and amount, including rationale and other relevant information to support the shareholders' decision-making.

At the 2020 AGM, the meeting resolved to acknowledge the interim dividend payments as follows:

1. Interim dividends from the Bank's 2019 operating results – The Board resolved to make two interim payments from the Bank's 2019 operating results at the rate of Baht 5.50 in total per share, equivalent to a total of Baht 18,696 million or 46.2 percent of the 2019 consolidated annual net profit. Such dividend payments comply with the Dividend Policy of the Bank and the details are as summarized below:

1) The Bank paid interim dividends from the operating result of first half of 2019 to holders of the Bank's preferred and ordinary shares at the rate of Baht 1.50 per share on September 13, 2019; and

2) The Bank paid dividends from the remaining 2019 operating result to holders of the Bank's preferred and ordinary shares at the rate of Baht 4.00 per share on April 22, 2020. The Board's approval for this interim dividend payment was aimed to avoid an impact on the dividend entitlement of shareholders caused by the postponement of the AGM as a result of due to the COVID-19 outbreak.

2. Special interim dividends – The Board approved the payment of (special) interim dividends to holders of the Bank's preferred and ordinary shares at the rate of Baht 0.75 per share on February 14, 2020, equivalent to a total of approximately Baht 2,549 million.

The dividends paid by the Bank from the 2019 operating results were Baht 6.25 in total per share, amounting to Baht 21,245 million and equivalent to 52.5 percent of the 2019 consolidated annual net profit.

### **1.3 Election of Director on an Individual Basis**

As part of the director election process, profiles of nominated directors are disclosed in the notice of the shareholder meeting to support the shareholders' consideration. Each profile included useful information such as the nominee's age, education, work experience, positions in other listed and non-listed companies, date of appointment as director, Board/Board committee meeting attendance

in the previous year, and type of directorship to support shareholders' decisions on the election of qualified candidates as directors of the Bank. In the case of independent directors, the Bank additionally provides its definition of independent directors and other information such as their relationship or conflicts of interest with the Bank, its parent companies, its subsidiary companies, its associate companies and any other parties having the authority to control the Bank or juristic persons with potential conflicts of interest with the Bank either at present or during the two years preceding their appointment as independent director of the Bank.

Pursuant to the Bank's Articles of Association, one-third of the directors shall retire by rotation at every AGM. At the 2020 AGM, five directors retired by rotation. The Bank arranged for shareholders to elect directors to replace the outgoing directors by independently directing their votes toward each individual nominee as opposed to a slate director election. Similar to the voting on other agenda items, only disapproval and abstention ballots were collected and tabulated and the voting results for each director nominated for the election were clearly specified in the meeting minutes.

### **1.4 Communication Among the Bank's Shareholders**

The Bank does not interfere with communication among its shareholders in any way. Shareholders have complete liberty to share information among each other and may request a copy of the list of the Bank's shareholders from the Business Development Department of the Ministry of Commerce.

### **2. Equitable Treatment of Shareholders**

As stipulated in the Bank's Corporate Governance Policy, all shareholders, i.e., major, minor, institutional and foreign shareholders, are entitled to the same shareholder rights and are treated on an equitable and fair basis in accordance with the scope permissible by law. The principles of equitable treatment of shareholders adopted by the Bank are provided on [www.scb.co.th](http://www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Rights and Treatment of Stakeholders."

## **2.1 Invitation to Shareholders to Propose Agenda Items, Candidates for Directorship, and Questions Prior to the Shareholder Meeting**

All shareholders of the Bank are invited to propose matters to be included in the AGM agenda and to nominate qualified candidates for the director election by an AGM according the explicit criteria published on the Bank's website. Shareholders may submit their proposals on agenda and candidates for directorship as well as their questions to the Company Secretary in advance of the meeting via post to the Company Secretary or via e-mail to company-secretary@scb.co.th. The Nomination, Compensation and Corporate Governance Committee will consider the shareholders' proposals prior to submitting them to the Board for further consideration. The decisions on these proposals will be notified to the shareholders concerned for acknowledgment. Any proposals that are accepted will be included in the AGM agenda.

The Bank invited shareholders to propose agenda items, candidates for directorship, and questions for the 2020 AGM three months prior to the end of the Bank's accounting period, i.e., from September 1 to November 30, 2019. Nonetheless, the Bank did not receive any proposals from the shareholders.

## **2.2 Proxy Appointments for Shareholder Meeting**

For every shareholder meeting, the Bank has made available three types of proxy forms (Form A, Form B and Form C) as determined by the Department of Business Development of the Ministry of Commerce. Conditions and documents required for the appointment of proxies are clearly described and do not cause any difficulties to the proxy appointment.

For the 2020 AGM, the Proxy Form B indicating specific details of a proxy appointment was delivered to each shareholder together with the AGM notice. Shareholders had an option to appoint as their proxies one of two independent directors of the Bank who did not have any conflicts of interest in the relevant agenda items of the meetings. Shareholders were given all important information about these independent directors and had the liberty to appoint either one of the two independent directors or any other person of their choice as proxy. In addition, Proxy Form A or Proxy Form C could be downloaded

from the Bank's website for shareholders' use as and when applicable.

## **2.3 Ballots for Shareholder Meeting**

At the 2020 AGM, ballots were used for voting on every agenda item, but only the ballots indicating disapproval and abstention votes were collected and retained for future examination.

To ensure that the voting process was efficient, accurate, speedy and verifiable, a bar code system and mobile phones were employed in tabulating votes. Before proceeding with the meeting agenda, the Company Secretary informed the meeting of the voting and vote tabulation procedures. In addition, the Bank requested shareholders to return all unused ballots to the Bank's officers and kept these ballots as evidence.

## **3. Roles of Stakeholders**

### **3.1 Treatment of Stakeholders**

As a major financial institution with a long heritage of service to the country as the first Thai bank, SCB recognizes the importance of a guiding framework that bespeaks its responsibility toward all stakeholders. The Bank's framework for responsibility toward stakeholders is elaborated in the 2020 Sustainability Report and is summarized below:



**Customers:** In addition to assisting customers to survive the COVID-19 recession, which was one of SCB's priorities in 2020, the Bank continued to offer a broad range of products and services that meet their needs via its digital and electronic channels, branch network and other direct channels, namely SME Business Centers and SCB Investment Centers. Our overriding aim is to provide services as the most preferred partner for customers by offering products and services that truly match the needs of customers through systematic processes and simultaneously adhering to market conduct and rigorous standards governing confidentiality and security of customer data. These topics are included in the Employee Code of Conduct coupled with annual training and periodic communication programs to promote awareness thereof.

Driven by an aspiration to foster the wellbeing of retail customers and the long-term sustainable growth of corporate customers in alignment with the sustainable development framework, a sustainable finance team was established in 2020 to initiate and innovate financial and lending solutions under the Environment, Social and Governance (ESG) integration framework while actively promoting and sharing financial literacy.



**Employees:** Employees are the most valuable assets and are critical to the achievement of sustainability. Therefore, the Bank is strongly committed to practicing fair and equitable human resource management, developing skills and capabilities that spur career growth and are critical for employees in the digital era. The Bank also fosters employee involvement conducive to continuous development.

To attract and retain talent, the Bank applies job-value factors and industry and cross-industry benchmarks to its compensation scheme; employs the balanced scorecard as a goal-setting and employee performance management tool; develops individual development plans for employees; and offers welfare and benefits that promote the greater quality of life of its employees.

The Bank respects human rights and does not discriminate on the basis of gender, age, religious belief or disability and allows employees to join labor unions. Furthermore, the Bank respects intellectual property rights and deters any infringement by incorporating policies and guidelines related to intellectual property in its Employee Code of Conduct, which enumerates that it is the responsibility of all employees to protect the Bank's intellectual property from unauthorized use and dissemination as well as to respect the intellectual property rights and copyrights owned by others.

In 2020, the Bank launched the Work From Anywhere (WFA) program to build a flexible and agile working environment for employees in response to the COVID-19 challenge and introduced new ways of working to maintain safe social distancing measures by leveraging on technology. The WFA program

contributed to not only the mitigation of infection spread and the work-life balance of employees, but also the opportunities to develop future skills such as self-learning, digital and technology literacy and practices, problem-solving and communication skills. The Bank fine-tuned its skill and competency development activities to the WFA environment by increasing the proportion of learning via online training courses, virtual classrooms and e-learning platforms.



**Shareholders:** The Bank's existence is made possible by the capital contributions of numerous shareholders. The Bank aspires to provide transparent disclosure that meets respectable standards, equitable treatment of shareholders, and sustainable return on equity. Details about the Bank's strategy, performance and risk management are described in this Annual Report.



**Community and Environment:** Being aware that the nation and businesses cannot sustainably survive and thrive amid social and environmental imbalances, the Bank prioritizes the holistic approaches to social development guided by the Sufficiency Economy Philosophy. In 2020, the Bank continued to support programs that contribute to age-appropriate learning, health development, employment and income stability, good living environment, and crisis relief through the collaboration with various organizations, alliances and networks and the involvement of communities and SCB employees.

At the same time, the Bank aims to make financial products and services accessible to business owners and consumers in all segments while promoting financial literacy that is appropriate for each specific segment.

With regard to SCB's management of its impacts on the environment, the Bank strictly adheres to environmental laws and regulations and actively improves its operating procedures and processes. In 2020, the Bank made preparations for ISO14001 environmental management system

certification and these efforts included the integration of environmental issues into its risk assessment framework, the arrangement of training programs on environmental management for all employees, and various environmental awareness campaigns and activities conducted throughout the year.



**Regulators:** The Bank's business operations are guided by corporate governance principles, effective oversight, integrity, responsibility, transparency and auditability. The Bank also adopts the supervisory guidelines applicable to financial institutions, good market conduct and strongly supports the government's policy to develop Thailand into a cashless society. The Bank emphasizes long-term strategic stability and works to enhance its multidimensional capabilities to heighten its risk awareness and adaptability to uncertainties and changes in pursuit of sustainable growth and returns.



**Business Partners:** The Bank honors its obligations to business partners with integrity and implements a transparent and fraud-proof procurement process in accordance with the Bank's procurement rules and guidelines. The Bank's supplier and vendor assessment and selection processes are based on the principles of equal treatment and fair competition. The Bank has enforced the "SCB Supplier Code of Conduct" that requires all business partners of the Bank to, in writing, acknowledge applicable policies and desired practices before working with the Bank as well as to strictly comply with the Supplier Code of Conduct. In assessing and selecting suppliers and vendors, the Bank takes into consideration not only quality, price, service and reliability, but also their compliance with laws and ethics. In addition, the Bank refrains from doing business or engaging with vendors and suppliers that have been convicted of or involved in corruption.

In 2020, to further its green procurement commitment, the Bank applied environmental criteria to its new business partner assessment and encouraged its business partners to responsibly, sustainably and ethically conduct business with environmental considerations, treat their workers fairly and respect human rights. The desired operating practices were communicated to business partners at the Vendor Communication Day event, which is held annually.



**Competitors:** The Bank treats its competitors in accordance with the principles of ethics and transparency. It honors its obligations to its competitors with integrity, accountability and respect. To uphold fair business practices, the Bank does not interfere with fair price competition, respects the interest of its competitors and the intellectual property rights of others, and avoids intellectual property infringement. **Creditors:** The Bank strictly fulfills the obligations and agreements made with its creditors, including guarantee conditions and its obligations toward effective capital and liquidity management to maintain financial strength and solid debt servicing ability. In any event that the Bank is unable to fulfill a condition, the Bank will notify its creditors of such matter without delay to jointly consider possible solutions based on the principle of reasonableness and accountability toward creditors. The Bank is committed to making punctual payments and debt repayments as well as maintaining good relationships with its creditors.



**Creditors:** The Bank strictly fulfills the obligations and agreements made with its creditors, including guarantee conditions and its obligations toward effective capital and liquidity management to maintain financial strength and solid debt servicing ability. In any event that the Bank is unable to fulfill a condition, the Bank will notify its creditors of such matter without delay to jointly consider possible solutions based on the principle of reasonableness and accountability toward creditors. The Bank is committed to making punctual payments and debt repayments as well as maintaining good relationships with its creditors.

### **3.2 Anti-Corruption**

SCB was first certified as a member of Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) in 2014, which underlines its determination and commitment to fight corruption in all forms as well as its aspiration to promote a culture of zero tolerance of corruption and bribery. The CAC membership must be re-certified every three years and, as part of the re-certification process, each CAC member is required to complete an anti-corruption self-assessment, which is based on a highly rigorous standard.

In 2020, the Bank's second re-certification was approved and will be valid for another three years. Additionally, the Bank participated in CAC-related activities such as publicizing CAC quotes on social media platforms and featuring CAC quote collections in celebration of CAC's 10-year anniversary.

#### **Anti-corruption practices:**

1) The Bank has enforced the Anti-Corruption and Bribery Policy, which serves as an anti-corruption guideline, upon all companies in the SCB Financial Group. This policy has been communicated to directors, executives and employees at all levels to ensure that they recognize and understand their obligations and responsibilities in this respect and apply the policy in the workplace to the best of their abilities.

2) All employees are required to enroll in relevant training courses, such as e-learning courses on anti-money laundering/combating the financing of terrorism (AML/CFT), and anti-corruption and bribery. They must pass relevant tests to complete these mandatory courses and must periodically enroll in refresher courses within a specified time frame.

3) In 2020, the Bank continued to strictly uphold the No-Gift Policy in a bid to promote the culture of transparency and integrity and prevent corruption.

4) The Bank has informed external parties and stakeholders of its Anti-Corruption and Bribery Policy through its website. To extend anti-corruption and bribery initiatives to a wider context, the Bank has encouraged its suppliers, as key stakeholders of the

Bank, to adopt the same principles and concepts and has developed the "SCB Supplier Code of Conduct" as a guiding framework for its suppliers.

5) The Bank has set up complaint channels, such as the Whistleblower Program, for complaints about wrongdoing or suspected fraud or corruption. To actively monitor and evaluate compliance with the Anti-Corruption Policy, the Bank regularly assesses its corruption and bribery exposure, with the Audit Committee being responsible for overseeing the Bank's internal controls to ensure that they are adequate and effective in protecting the Bank from the risk of corruption and bribery as well as reporting the results to the Board of Directors.

### **3.3 Contact Channels for Stakeholders**

The Bank provides multiple channels for various groups of stakeholders to directly contact the relevant units as follows:

- Customers or third parties can communicate with the Bank through staff at branches or relationship managers/officers or through the Call Center at 0-2777-7777, or by writing to senior executives of the Bank. All communications are recorded, monitored and responded to within a specified period. The Bank also has established a complaint management team with a major role in identifying corrective measures and ensuring that relevant units resolve customer complaints within applicable service level agreements which are published on the Bank's website for customers' reference.

- Employees are provided with multiple channels to submit their complaints and reports of misconduct to the Bank. Employees can voice their opinions and report on any unfair treatment, fraudulent activity or suspicion of misconduct, either directly to their supervisors or through the following channels:

- o SCB's Whistleblower Policy provides a channel through which employees can report complaints, fraud or non-compliance with the Bank's regulations, rules and Code of Conduct as well as acts that may cause damage to customers and the SCB Financial Group, including any unfair treatment they might have suffered. The aim is to ensure the Bank's adherence to its principles of transparency and

corporate governance. There are multiple reporting channels available to employees, e.g., via e-mail ([whistleblower@scb.co.th](mailto:whistleblower@scb.co.th)) or via post to PO Box 177, Chatuchak Delivery Post Office 10900, or via telephone (at 0-2544-2000). A brief report on actions taken in this regard will be presented to the Audit Committee every quarter.

It is the Bank's policy to maintain strict confidentiality to protect whistle-blowing employees from retaliation or adverse consequences. An independent investigation team will be set up to investigate any reported issue or suspicious behavior. If there are proven grounds for a complaint, the matter will be escalated in accordance with the following procedure:

- Employees submit opinions, reports, grievances or complaints relating to fraud via a range of channels, where they can choose to remain anonymous, and the cases will be treated as confidential.
- The working team conducts a preliminary investigation. The progress will be reported to the informants if they have chosen to be identified.
- The working team forwards proven cases of misconduct to relevant units in order to appoint an investigation committee according to the Bank's regulations or to the Financial Crime & Security Services Division for further action.

In 2020, there were a total of 31 reported cases, divided into 17 cases of workplace misbehaviors, 12 cases of non-compliance, one case of dishonest behavior, and 1 case of seeking undue benefits. Of these, 29 had been investigated and resolved, and 2 are still being processed. The Bank has set out suitable punishments for these offences, i.e., written warning, wage deduction and employment termination, and there were five cases whereby the punishment in the form of written warning was meted out to the offenders.

- o HR Call Center which is a channel for employees to make inquiries relating to employment and/or benefits or to share opinions can be reached at 0-2544-4444

Further, all stakeholders can raise complaints, or make suggestions or comments to the Board and the management of the Bank by contacting:



#### Company Secretary

The Siam Commercial Bank PCL  
9 Ratchadapisek Road,  
Chatuchak, Bangkok 10900



Telephone : 0-2544-4210

Fax : 0-2937-7931

E-mail :

[company\\_secretary@scb.co.th](mailto:company_secretary@scb.co.th)

Also, the Bank has established a clear policy and procedure for handling complaints from customers, employees and other stakeholders. All complaints received are kept confidential, investigated and resolved as well as reported to the Audit Committee and the Board.

## **4. Disclosure and Transparency**

### **4.1 Disclosure Policy and Practices**

The Bank's disclosure policy and procedures are enunciated in the Corporate Governance Policy. Disclosure of the Bank's information shall be in accordance with the following key principles:

1) Information to be disclosed must be accurate, adequate and clear as well as disclosed on a timely basis;

2) Disclosure must properly and completely comply with all applicable rules and regulations;

3) Stakeholders, including shareholders, investors, analysts and interested persons, must have equal right of access to information disclosed by the Bank; and

4) Information that may affect the Bank's share price, influence investors' decisions, or affect the rights of shareholders must be immediately disclosed to the public through the Stock Exchange of Thailand. The Bank has designated responsible persons for the disclosure of the Bank's information to regulators, shareholders and the general public with a specified time frame. For example, audited annual financial statements are released within 60 days from the end of each fiscal year and reviewed quarterly financial statements are disclosed within 45 days from the end of each quarter together with the Management Discussion and Analysis (MD&A) to give investors a clear picture of the Bank's operating results.

In addition to financial information disclosure to regulators, shareholders and the public as mentioned above, the Bank regularly holds press conferences and media events and issues press releases to publicize and promote its activities.

The Bank's Corporate Governance Policy also requires directors and management to disclose their holdings of the Bank's shares. Changes in holdings of the Bank's shares by directors and executives in 2020 are shown in the "Report of Holdings of SCB Ordinary Shares by SCB Directors and Members of Senior Management" section of this Annual Report.

### **4.2 Investor Relations**

SCB's Investor Relations function is responsible for providing accurate, adequate and clear disclosure of the Bank's information to investors on a timely basis in accordance with the Bank's disclosure principles and applicable laws. In addition to its planned activities, such as meetings with investors and analysts, investor conferences and roadshows, Investor Relations serves as the primary point of contact for all shareholders, analysts, fund managers, bondholders and rating agencies. The Chief Executive Officer, the Presidents, the Chief Financial Officer and other senior executives of the Bank regularly participate in investor relations activities. At present, Miss Wannaporn Bulsuk, Senior Vice President, Investor Relations, is in charge of the Investor Relations Function.

Disclosure activities undertaken by Investor Relations in 2020 are summarized below:

Form of activity	Frequency (times)
One-on-one meetings and/or conference calls with investors and analysts	50
Meetings with securities analysts	4
Investor conferences	14

The Investor Relations Code of Conduct is published on [www.scb.co.th](http://www.scb.co.th) under the sequence of menu headings "About SCB," "Investor Relations," and then "Code of Conduct for Investor Relations". Contact information of Investor Relations is as follows:



#### Investor Relations

The Siam Commercial Bank PCL  
19<sup>th</sup> Floor, Zone B, 9 Ratchadapisek  
Road, Chatuchak, Bangkok 10900



Telephone : 0-2544-4269

E-mail :

[investor.relations@scb.co.th](mailto:investor.relations@scb.co.th)

Website : [www.scb.co.th](http://www.scb.co.th)

#### 4.3 Auditors

Auditors' qualifications are vetted by the Audit Committee in terms of their independence, suitability, accountability and absence of any conflict of interest with respect to the Bank and its subsidiaries, management, major shareholders or related parties. The qualifications are also reviewed by the Bank of Thailand and the Securities and Exchange Commission (SEC). The Audit Committee reviews annual audit fees based on the scope of the audit and proposes qualified auditors and appropriate audit fees to the Board for consideration prior to proposing to the AGM for approval.

In 2020, the total audit fees of the Bank and its subsidiaries were Baht 36.7 million. In addition, the Bank and its subsidiaries paid fees for services other than statutory audits as follows:

- Audits and examination as required by regulators, i.e., special audits and examination of banking returns
- Review of transfer pricing for transactions with related companies or entities
- Penetration testing
- Credit review
- Tax services

Non-audit fees were Baht 21.2 million, of which Baht 5.0 million was paid in the fiscal year of 2020, while the remaining outstanding amount of Baht 16.2 million will be paid in 2021.

#### 5. Responsibilities of the Board

##### • Nomination of Directors and Senior Executives

The Nomination, Compensation and Corporate Governance Committee is responsible for nominating qualified candidates whose qualifications match the Bank's strategic requirements to serve as directors and members of Board committees to the Board. Nominations are based on each candidate's knowledge, capabilities, expertise and past experience in relation to each vacancy's requirements, the board skill matrix which is employed as a screening tool, and, in the case of independent directors, the independence of the candidate. The Bank proceeds with its due diligence process to ensure that qualifications of nominated individuals are not contrary to relevant laws and conform to the Bank's policies governing directors' holding of position in other companies. The Nomination, Compensation and Corporate Governance Committee selects candidates for directorship from the director pool of the Thai Institute of Directors Association (IOD), the nominations proposed by each director, the directors accepting re-appointment offers, and the nominations by shareholders of the Bank. After thoroughly vetting each candidate's qualifications to ensure compliance with laws and regulations (where applicable), the Nomination, Compensation and Corporate Governance Committee will propose the nominations to the Board for consideration. Following the Board's approval, the Bank will consult with and seek endorsement from the Bank of Thailand prior to proposing the nominations to the shareholders, if applicable, for approval of the appointment.

To ensure that the director nomination and selection are in line with the Bank's strategic and business directions, the Nomination, Compensation and Corporate Governance Committee has defined the qualification screening criteria, which set out three aspects of attributes and expertise that constitute desired qualifications of directors: 1) knowledge, expertise, or experience in macro-level management, 2) knowledge, expertise, or experience specific to the management of financial institutions, and 3)

knowledge, expertise or experience in other fields deemed useful to the Board. For the effectiveness of the director screening and nomination, the Nomination, Compensation and Corporate Governance Committee regularly reviews and updates the board skill matrix.

In addition to the nomination of the Bank's directors, the Nomination, Compensation and Corporate Governance Committee is responsible for reviewing and screening qualifications of candidates for positions at the level of Executive Vice President and higher, prior to proposing the nominations to the Board for approval and subsequently to the Bank of Thailand for endorsement of the senior executive appointment. The Nomination, Compensation and Corporate Governance Committee also oversees the formulation of policies, criteria and procedures for the nomination and remuneration of directors and persons with management authority of companies in the SCB Financial Group.

The process for nomination, selection and appointment of directors and senior executives, and the oversight of the formulation of policies, criteria and procedures for the nomination and remuneration of directors and persons with management authority of companies in the SCB Financial Group as mentioned above, are conducted by the Board, the Nomination, Compensation and Corporate Governance Committee and relevant executives of the Bank without any discrimination on race, religion, gender, marital status or physical disability.

#### **• Directors' Term of Office**

One-third of the total number of directors must retire by rotation at every annual general meeting of shareholders whereby directors who have held office for the longest time shall retire. In the case that the total number of directors is not divisible by three, the number of directors to retire shall be the number closest to one-third of all directors. Directors retiring by rotation may be re-elected to continue their office.

To promote transparency and compliance with corporate governance principles and stipulations governing corporate governance of financial institutions, the Bank has limited the office term of independent directors to nine consecutive years and may allow for, provided that there are reasonable

grounds, the continuation of their tenure for one additional term at a maximum. At the 2020 AGM, there was an independent director whose tenure reached the nine-year limit, namely Mr. Ekamol Kiriwat, and he tendered his resignation as director of the Bank on November 26, 2020.

With regard to the tenure of directors on the six Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, the Risk Oversight Committee, the Technology Committee, and the Corporate Social Responsibility Committee, their tenure shall be concurrent with their directorships.

#### **• Directorships of Other Companies**

The Bank has established a clear policy on holding of positions by the Bank's directors and senior executives in other companies. The Bank's directors are not allowed to hold directorship in more than five listed companies in Thailand and other countries (namely SCB and four other listed companies). This is in line with the Bank of Thailand's Notification Re: Corporate Governance of Financial Institutions, the 2017 CG Code, and the corporate governance principles stipulated by the Thai Institute of Directors Association. Furthermore, to comply with the Bank of Thailand's Notification Re: Corporate Governance of Financial Institutions, holding of positions by directors, managers, persons with management authority, and advisors of the Bank as a chairman and/or an executive director and/or an authorized director of other companies shall be limited to three business groups only.

In addition to the policies stated above, the Bank has an internal guideline pertaining to holding of positions in other companies, which requires the Bank's directors to notify the Nomination, Compensation and Corporate Governance Committee of their positions in other companies or organizations so that the Nomination, Compensation and Corporate Governance Committee can review whether such appointment is appropriate and in compliance with relevant laws and regulations. The Company Secretary will report changes in such positions held by each director to the Board. Information on positions held by the Bank's directors in other companies, which is disclosed to shareholders in this Annual Report, indicates that no director holds positions in more than five listed

companies (SCB and four other listed companies) and no director or senior executive of the Bank (Executive Vice President or higher) holds positions as chairman of the board of directors and/or executive director and/or authorized director of other companies in more than three business groups.

- **Director Orientation**

Upon the appointment of a new director, the Bank arranges orientation meetings in which the Chairman of the Board will share and discuss the directions of the Board and the Chief Executive Officer and/or senior executives will brief the new director on the Bank's vision, strategies, key business targets, performance highlights and relevant regulatory rules. Also, important documents are provided to each new director, i.e., the Director's Manual, the Memorandum and Articles of Association of the Bank, the Bank's Annual Report, SCB Code of Conduct, and Code of Conduct for Directors, Executives and Employees. These documents contain information that is important and vital for their performance as directors, such as roles and responsibilities of directors, the Corporate Governance Policy, approval authority, prohibitions under applicable laws, roles and duties of Board committees, and the Anti-Corruption and Bribery Policy.

- **Director, Executive and Employee Development**

- Director Development

The Bank consistently attaches importance to director development and encourages directors to regularly participate in courses or activities to enhance their knowledge relevant to their roles and duties as members of the Board and Board committees. This includes courses and activities arranged by the Stock Exchange of Thailand, the Securities and Exchange Commission, the Thai Institute of Directors Association and other institutions. Directors are also encouraged to attend overseas seminars and activities relating to corporate governance practices and are regularly informed of useful training courses.

Furthermore, the Board has directed the Bank to arrange appropriate development programs for directors on an ongoing basis to ensure that directors remain current with skills and knowledge relevant to their performance as members of the Board and Board committees. Additionally, the Bank arranges workshops or seminars at least once per year as a knowledge exchange forum for directors. Details of each director's participation in development programs and training courses in 2020 are shown in Table 3.

**Table 3 Participation of Directors in Training Courses and Development Programs in 2020**

Name of Director	Course/Subject	Organizer
1. Mr. Prasan Chuaphanich	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
2. Mr. Kan Trakulhoon	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
3. Mr. Krirk Vanikkul	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
4. Dr. Thaweesak Koanantakool	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
	Cyber Resilience Leadership: Tone from the Top 2020	Bank of Thailand (BOT) in collaboration with Securities and Exchange Commission and Office of Insurance Commission
5. Dr. Pasu Decharin	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
	Battle Strategy EPISODE II: Don't Waste a Good Crisis	Kao Hoon Newspaper
6. Mr. Prapas Kong-ied	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
7. Mr. Chaovalit Ekabut	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
	Cyber Resilience Leadership: Tone from the Top 2020	Bank of Thailand (BOT) in collaboration with Securities and Exchange Commission and Office of Insurance Commission
8. Dr. Lackana Leelayouthayotin	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
	Cyber Resilience Leadership: Tone from the Top 2020	Bank of Thailand (BOT) in collaboration with Securities and Exchange Commission and Office of Insurance Commission

Name of Director	Course/Subject	Organizer
9. Mr. Pailin Chuchottaworn	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
	Cyber Resilience Leadership: Tone from the Top 2020	Bank of Thailand (BOT) in collaboration with Securities and Exchange Commission and Office of Insurance Commission
10. Miss Jareeporn Jarukornsakul	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand
	Cyber Resilience Leadership: Tone from the Top 2020	Bank of Thailand (BOT) in collaboration with Securities and Exchange Commission and Office of Insurance Commission
	Battle Strategy EPISODE II : Don't Waste a Good Crisis	Kao Hoon Newspaper
11. Mr. Arthid Nanthawithaya	Bank's Preparations for Compliance with Personal Data Protection Act (PDPA) and Cyber Security Act	Baker & McKenzie and PwC Thailand

**o Executive and Employee Development**

Preparing employees and executives of the Bank for change continued to be a key theme of the Bank's people development roadmap for 2020, which was focused on the development of new ways of working, effective leadership skills for the "Work From Anywhere" (WFA) environment, analytical thinking skills and data leverage for the best benefits of the Bank and its customers. In this year, the Bank fine-tuned its executive and employee development programs to the WFA environment by increasing the proportion of learning via online training courses, virtual classrooms, and e-learning platforms in response to uncertainties.

Major learning platforms developed by the Bank in 2020 include, for example, the Leaders Portal site created on Microsoft SharePoint, which curated knowledge and tools that are useful for the development of team leaders' skills, such as coaching, remote team management and change management skills. The contents are designed to

be concise, well phrased, clear, practical and fit for learners' needs. The Leaders Portal site also fosters employees' self-directed learning behavior, which is fundamental for building a learning organization. In 2020, there were more than 40,000 visits to the Leaders Portal site by more than 3,000 employees, and more than 1,000 of these employees are at managerial level.

Besides, the Virtual Leadership Program was initiated to equip team leaders with knowledge and tools for leading their teams under the WFA environment, enabling them to effectively communicate with their teams, walk team members through mutual goals, boost motivation and morale, establish workflows for their teams, and effectively support their teams to reach established goals.

To further its Career Coaching Program, which was first launched by the Bank in 2019 and intended to raise awareness among employees about development for their career growth, the

Bank groomed more executives for acting as career coaches in 2020, and the number of career coaches thus increased to 23. Also, the Bank planned to replicate success and expand the scope of this program to cover all employees of the Bank.

Digital skill development remains a priority on the Bank's employee skill development roadmap. The Bank further leveraged its digital learning platforms, i.e., [www.phonlamuangdee.com](http://www.phonlamuangdee.com) and Facebook Page, which enabled employees to access learning at any time and from anywhere and build upon the progress made by allowing both SCB employees and the general public to enroll in future skill development courses. With regard to the development of intermediate digital skills dealing with data analytics, design thinking, lean foundation and agility, the Bank integrated various learning formats such as online lessons, workshops, coaching by experts, and experimentation via real-life projects that can be practically applied to their work after the course completion.

- **Board and Senior Executive Assessment**
  - **Board and Board Committee**

#### **Assessment**

The Board assessment is conducted annually and is divided into four parts: 1) Board assessment, 2) Board committee assessment, 3) individual director assessment, and 4) Board Chairman assessment. An assessment form is sent to each director at the end of each year by the Company Secretary who is also in charge of compiling and presenting the assessment results to the Nomination, Compensation and Corporate Governance Committee. The assessment results and recommendations gathered are subsequently presented to the Board for acknowledgment and discussion on further improvement of the Board's performance. Aiming to enhance the Board assessment in accordance with the Stock Exchange of Thailand's Corporate Governance Code for Listed Companies, the Bank has hired an external consulting firm that has experience and expertise in corporate governance to conduct the Board assessment process every three years since 2012.

In 2020, self-evaluation and cross-evaluation were applied. Details are as follows:

1) **Board Assessment** – Assessment topics were: Board composition, information management, Board processes, representation of shareholders and environmental, social and corporate governance (ESG), managing the Bank's performance, Board strategy and priorities, management performance and succession planning, director development and management, and risk management.

2) **Board Committee Assessment** – Key assessment topics were: performance of duties as specified in the charters of the Board committees, compliance with applicable supervisory rules, regulations and principles, promotion of open communications, participation and rigorous decision-making at Board committee meetings, frequency of Board committee meetings and time for discussion at such meetings, access to information relevant to issues discussed at the meetings, and calendar of pre-scheduled meetings with regular agenda items. All directors are engaged in the assessment of every Board committee for better reflection of each Board committee's performance.

3) **Board Chairman Assessment** – This section evaluated the performance of the Chairman of the Board in relation to: 1) Effective management and facilitation of Board meetings and shareholder meetings such as setting meeting agenda, encouraging contributions and different perspectives from all directors, effectively summarizing the outcomes from the meetings, ensuring that meeting minutes are adequately recorded and disseminated in a timely manner, and demonstrating leadership, and 2) Working with directors such as facilitating clear communication between the executive and non-executive directors, following up on the assessment of each director to elicit performance improvements, and leading the Board to perform effectively.

4) **Individual Director Assessment** – Key assessment topics were: contribution, knowledge and abilities, collaboration, integrity, and support for the Board.

Average rating of the four sections under the 2020 Board assessment was very good, i.e., the performance of the Board, Board committees, individual directors, and the Chairman of the Board generally exceeded expectations. The Board opined that decision-making on the Bank's strategies, major initiatives and matters related to human resources, technology and risk management significantly improved as a result of close collaboration between the Board and the management. Further, the Board and the management jointly worked on measures to dynamically handle the COVID-19 repercussions with speed and the new ways of working and Board meeting practices were embraced in adaptation to emerging changes in business environment and technologies. There were recommendations from the directors on areas for development to further enhance effectiveness amid the growing complexity and rapid changes in today's business environment; and the Board is committed to applying the findings from the assessment to its performance development.

#### ○ Senior Executive Assessment

The performance assessment of the Chief Executive Officer is conducted by the Nomination, Compensation and Corporate Governance Committee and is referred to the Board for approval. For the Presidents and senior executives at Executive Vice President level and above, their performance is assessed by the Chief Executive Officer against the predetermined criteria, and the assessment results will be proposed to the Nomination, Compensation and Corporate Governance Committee and subsequently the Board for approval. These performance assessments are conducted annually.

#### • Succession Planning

The Board has assigned the Nomination, Compensation and Corporate Governance Committee the responsibility of succession planning to ensure that the Bank has in place a succession plan that incorporates nomination, selection and training for key positions, particularly the positions of Chief Executive Officer, Presidents, and executives at the level of Executive Vice President or higher. This is to ensure the continuity of the Bank's management and business operations when executive positions become vacant due to new appointment, job transfer, retirement, resignation or any other reasons.

The Bank's succession planning classifies key positions into two categories, i.e., 1) critical positions and 2) strategic positions. Succession plans for all of these positions are systematically developed in accordance with the Bank's well-defined processes.

#### • Board Meetings

Meetings of the Board of Directors are held in accordance with the rules and procedures specified in the charter of the Board and the Corporate Governance Policy. The Board meeting is scheduled to be held once every month (except December), and the meeting schedule is planned in advance for the entire year. The Chairman of the Board determines the agenda of each Board meeting whereby directors and the Chief Executive Officer may propose agenda items through the Company Secretary. In addition, the Board has a policy to call a meeting of independent directors and non-executive directors on a semi-annual basis. In 2020, joint meetings of the chairmen of all Board Committees were initiated by the Board.

An invitation to a Board meeting, meeting agenda and supporting documents are sent to all directors at least five business days prior to the meeting date, except for the case of an urgent meeting that is required to protect the Bank's rights or benefits, so that directors may have sufficient time to study such information, unless an urgent necessity requires otherwise. Directors can request additional information through the Company Secretary.

At each Board meeting, all Presidents attend the meeting and make a presentation on agenda items concerning their areas of responsibility in order to provide relevant details to the directors. In addition, the Board has specified in its charter that at least two-thirds of all directors should be present during the voting procedure.

In 2020, there were a total of 15 Board meetings, consisting of 12 meetings that were originally included in the annual Board meeting calendar and three extra meetings, and these meetings were attended in person and virtually. The meeting attendance of the Board was 96.4 percent, and the meeting attendance of every director was above 75 percent, which is in compliance with the charter of the Board prescribing that directors shall attend at least

75 percent of the total Board meetings unless there is an overriding and reasonable necessity. In addition, the Bank arranged two non-executive directors' meetings (chaired by the chairman of the Audit Committee) to provide a forum for non-executive directors to exchange opinions and discuss issues of their interest. Details of individual directors' attendance in the meetings of the Board and Board Committees in 2020 are as shown in Table 4.

#### • Director Remuneration

The Board has a policy that director remuneration shall be commensurate with the functional duties of directors, who must fulfill the expectations of various groups of stakeholders and comply with applicable laws and regulations. It is thus required that Bank's directors possess appropriate experience and qualifications and each director's remuneration reflect his/her contributions, responsibilities and risks associated. The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration of members of the Board and Board committees to the Board for consideration and, subsequently, to shareholders for approval each year.

At the 2020 AGM, the shareholders resolved to approve the Chairman of the Board's remuneration of Baht 1.8 million per year, and each member of the Board's remuneration of Baht 1.2 million per year, which have been unchanged since 2000. In 2020, the annual remuneration paid to 17 directors totaled Baht 44.23 million.

At the same AGM, shareholders approved a bonus payment to directors at a rate of no more than 0.5 percent of dividend and authorized the Board to determine the appropriate bonus amount and allocation within the said rate. Since shareholders approved the 2019 dividends at Baht 6.25 per share (inclusive of special dividends at Baht 0.75 per share) or Baht 21,245 million in total, the directors' bonus for 2019 was set at Baht 54.0 million in total or 0.29 percent of the dividends that are exclusive of the special dividends.

Remuneration of the Board committees in 2020 as approved by the 2020 AGM is shown below.

Committee	Monthly remuneration (Baht)	Attendance fee (Baht/meeting)
<b>Executive Committee</b>		
• Chairman	-	-
• Member	300,000	-
<b>Audit Committee</b>		
• Chairman	75,000	15,000
• Member	50,000	10,000
<b>Nomination, Compensation and Corporate Governance Committee</b>		
• Chairman	45,000	15,000
• Member	30,000	10,000
<b>Risk Oversight Committee</b>		
• Chairman	45,000	15,000
• Member	30,000	10,000
<b>Technology Committee</b>		
• Chairman	45,000	15,000
• Member	30,000	10,000
<b>Corporate Social Responsibility Committee</b>		
• Chairman	45,000	15,000
• Member	30,000	10,000

Details of the monetary remuneration for individual directors are shown in Table 4.

**Table 4 Details of Monetary Remuneration for Individual Directors in 2020**

Unit: Baht Million

Name	Board of Directors	Executive Committee	Audit Committee	Nomination, Compensation and Corporate Governance Committee	Risk Oversight Committee	Technology Committee	Corporate Social Responsibility Committee	Directors' bonus for 2019 performance
1. Dr. Vichit Suraphongchai	1.80						0.61	4.49
2. Mr. Prasan Chuaphanich	1.20		1.09					3.27
3. Mr. Kan Trakulhoon	1.20	3.60		0.78				3.27
4. Mr. Krirk Vanikkul	1.20				0.73			3.27
5. Mr. Thaweesak Koanantakool	1.20			0.12		0.79		3.27
6. ACM Satitpong Sukvimal	1.20			0.37			0.11	3.27
7. Pol. Col. Thumnithi Wanichthanom	1.20						0.40	3.27
8. Mr. Ekamol Kiriwat	1.09		0.65					3.27
9. Mr. Pasu Decharin	1.20		0.73		0.49			3.27
10. Mr. Weerawong Chittmittrapap	1.20			0.52				3.27
11. Mr. Chakkrit Parapuntakul	0.90	2.70		0.39				3.27
12. Mr. Prapas Kong-ied	1.20				0.12		0.30	3.27
13. Mr. Chaovalit Ekabut	1.20		0.19		0.36			2.42
14. Miss Lackana Leelayouthayotin	1.20	3.60						2.42
15. Mr. Pailin Chuchottaworn	1.20	3.60				0.51		0.93
16. Miss Jareeporn Jarukornsakul	1.20					0.49	0.39	0.37
17. Mr. Arthid Nanthawithaya	1.20							3.27
18. Mr. Anand Panyarachun								1.26
19. Mrs. Kannikar Chalitaporn								0.84
20. Mr. Boontuck Wungcharoen								1.70
21. Mr. Orapong Thien-Ngern								0.31
<b>Total</b>	<b>20.59</b>	<b>13.50</b>	<b>2.66</b>	<b>2.18</b>	<b>1.70</b>	<b>1.79</b>	<b>1.81</b>	<b>53.98</b>

Remark: 1. Changes in the Board and Board committees are detailed in an annex to this Corporate Governance Report.  
 2. Mr. Kan Trakulhoon and Mr. Pailin Chuchottaworn received remuneration of Baht 2.37 million each for serving as directors of SCB 10X Company Limited in 2020.

Directors are entitled to other benefits and welfare in accordance with the Bank's regulations. Their medical benefits, including an annual medical check-up, are equivalent to those offered to the Bank's executives at Executive Vice President level or higher,

and the Chairman of the Board is additionally entitled to a company car benefit. In 2020, non-executive directors of the Bank received welfare benefits (medical benefits, annual medical check-up and life insurance) of Baht 0.75 million in total.

Details of individual directors' meeting attendance in 2020 are as shown in Table 5.

**Table 5 Individual Directors' Meeting Attendance in 2020**

Unit: Meeting

Name	Position	Meeting							
		Board of Directors	Executive Committee	Audit Committee	Nomination, Compensation and Corporate Governance Committee	Risk Oversight Committee	Technology Committee	Corporate Social Responsibility Committee	AGM
1. Dr. Vichit Suraphongchai	Chairman of the Board and Chairman of the Corporate Social Responsibility Committee	14/15						5/5	1/1
2. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	15/15		14/14					1/1
3. Mr. Kan Trakulhoon	Independent Director, Chairman of the Nomination, Compensation and Corporate Governance Committee, and Member of the Executive Committee	14/15	30/31		16/16				1/1
4. Mr. Krirk Vanikkul	Independent Director and Chairman of the Risk Oversight Committee	15/15				13/13			1/1
5. Dr. Thaweesak Koanantakool	Independent Director, Chairman of the Technology Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	14/15			3/4		17/17		1/1
6. ACM Satippong Sukvimol	Director and Member of the Corporate Social Responsibility Committee	13/15			10/12			2/2	1/1
7. Pol. Col. Thumnithi Wanichthanom	Director and Member of the Corporate Social Responsibility Committee	12/15						4/5	1/1
8. Dr. Pasu Decharin	Independent Director, Member of the Audit Committee, and Member of the Risk Oversight Committee	15/15		13/14		13/13			1/1
9. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	15/15			16/16				1/1

Unit: Meeting

Name	Position	Meeting								
		Board of Directors	Executive Committee	Audit Committee	Nomination, Compensation and Corporate Governance Committee	Risk Oversight Committee	Technology Committee	Corporate Social Responsibility Committee	AGM	
10. Mr. Prapas Kong-ied	Director and Member of the Risk Oversight Committee	15/15				3/4		3/3		1/1
11. Mr. Chaovalit Ekabut	Independent Director and Member of the Audit Committee	15/15		4/4		9/9				1/1
12. Dr. Lackana Leelayouthayotin	Independent Director and Member of the Executive Committee	15/15	30/31							1/1
13. Mr. Pailin Chuchottaworn	Independent Director, Member of the Executive Committee, and Member of the Technology Committee	15/15	31/31				15/17			1/1
14. Miss Jareeporn Jarukornsakul	Director, Member of the Technology Committee, and Member of the Corporate Social Responsibility Committee	15/15					15/16	5/5		1/1
15. Mr. Arthid Nanthawithaya	Director, Chief Executive Officer, Chairman of the Executive Committee, Member of the Risk Oversight Committee, and Member of the Technology Committee	15/15	31/31			11/13	16/17			1/1
16. Mr. Ekamol Kiriwat	Independent Director and Member of the Audit Committee	13/14		12/12						1/1
17. Mr. Chakkrit Parapuntakul	Director, Member of the Executive Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	12/12	23/24		12/12					1/1

Remark: Changes in the Board and Board committees are detailed in an annex to this Corporate Governance Report.

- **Internal Control and Risk Management**

The Bank regularly monitors its internal control system and risk management system and annually evaluates the adequacy of these systems, including the governance of related party transactions and the prevention of conflicts of interest. The monitoring and evaluation framework is based on the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which encompasses five key components: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communications, and 5) monitoring activities.

- **Oversight of Companies in the SCB Financial Group**

The Bank, as the parent company, attaches importance to aligning the business direction of each company in the SCB Financial Group to the Bank's policies and processes, to achieve synergy and operational effectiveness.

The Board of Directors has delegated the Nomination, Compensation and Corporate Governance Committee to oversee the formulation of policies governing the nomination and remuneration of persons with management authority of companies in the SCB Financial Group as well as to make recommendations to the Board on the appointment of representative directors and top executives of companies in the SCB Financial Group. This is to enable the alignment between the policies and management guidelines of companies in the SCB Financial Group and the Bank's key policies and to protect the rights and interests of the Bank and its shareholders. In this connection, the Bank has developed a representative director handbook, which defines the roles and responsibilities of representative directors.

The Board has delegated the Audit Committee to oversee and monitor compliance of companies in the SCB Financial Group with the Bank's policies and review their financial statements to ensure accuracy. Also, to promote transparency and prevent conflicts of interest, the Bank, as the parent company, has established policies and regulations governing transactions among companies in the SCB Financial Group based on applicable regulatory and legal requirements to provide them with standard operational guidelines.

As regards the risk oversight framework, the Bank has delegated the Risk Oversight Committee to control, monitor and oversee risk management practices of all companies in the SCB Financial Group to ensure their compliance with the SCB Financial Group Risk Management Policy, the Intra-SCB Financial Group Transaction Policy and the regulations stipulated by the Bank and relevant regulators. The Risk Management Committee, which is a management-level committee, is in charge of reviewing such policies and proposing them to the Risk Oversight Committee for endorsement and subsequently to the Board for approval. These policies must be reviewed at least annually or upon significant changes to effectively address associated risks.

- **Prevention of Conflicts of Interest**

To manage conflicts of interest arising from its business operations, the Bank implements the following measures, which are based on ethical principles:

- Adopt controlling, monitoring and preventive measures for transactions involving potential conflict of interest or inappropriate connected or related party transactions by establishing policies, procedures and processes for considering and approving such transactions. Also, disclosure and approval of connected transactions are made in compliance with applicable regulatory requirements and regulations.
- Compiling reports on conflicts of interest of directors and persons with management authority. The Bank requires its directors and persons with management authority (as defined in the Financial Institutions Business Act B.E. 2551 (A.D. 2008)) to report any conflict of interest concerning themselves and their related parties to the Bank through the Company Secretary on a quarterly basis as well as to notify the Bank of any changes related to their holding of positions in other entities and any material changes to their holding of SCB securities (ordinary shares, debentures, certificates representing the rights to purchase shares and certificates representing the rights to purchase debentures). The Company Secretary is responsible for collecting such reports and submitting the copies of the conflict-of-interest reports to the Chairman of the Board and the Chairman of the Audit Committee in compliance with the Securities and Exchange Act B.E. 2535 (A.D. 1992). This information is also used by the Bank to monitor transactions between the Bank and

directors, persons with management authority, and/or their related parties in accordance with applicable legal requirements.

- o Prevention of Misuse of Inside Information

- Implement controlling measures applicable to securities trading and require directors, executives and employees potentially having access to inside information, and their related parties, to declare their securities trading accounts with the aim of preventing the misuse of inside information acquired in connection with their positions, duties or operations to seek undue benefits for themselves or others.

- Require that workplaces for units of which operations may involve conflicts of interest to be separated to prevent information leakage.

- o Related Party and Connected Transactions

- Establish regulations governing connected transactions and prudent consideration process to essentially protect the best interests of the Bank and its shareholders.

- Require that related party transactions between the Bank and its executives, major shareholders and related parties shall in no way constitute the transfer of the Bank's benefits to related parties.

- Prohibit employees of the Bank who have a stake in or are related to any transactions from participating in the consideration process of such transactions to ensure that the decisions on such transactions are fully for the benefit of the Bank.

- o Giving and Receiving Gifts, Entertainments, and Other Benefits

- Giving and receiving gifts, entertainments and other benefits are intended for business courtesies and must be discreet, prudent, reasonable and appropriate in terms of value, occasion and customary practice.

- Do not offer, respond to, or solicit bribes or any other inappropriate benefits directly or indirectly to/from customers, government agencies, private entities or third parties, for the purpose of influencing their objectivity and discretionary decisions or performance of duty, or to gain undue benefits.

- Misuse of Inside Information for Undue Gains

The Bank establishes ethical standards within the framework of prevention against conflicts of interest and misuse of inside information. In doing so, the Bank lays emphasis on the confidentiality and management of information of the Bank and its customers and adopts rigorous information management practices as follows:

#### **1. Information Management**

- Protect, retain, and treat non-disclosable information of customers and the Bank in accordance with laws. Collection, handling, protection and use of customers' personal information must be appropriately conducted.

- Do not disclose information of customers and the Bank, unless consent is granted by customers or the Bank, as applicable, or otherwise required by relevant laws.

#### **2. Communications**

- The Bank aims to disclose its information to shareholders, investors and the public in an accurate, complete, comprehensive and timely manner, and in compliance with related laws and regulations.

- Any communication, statement or release of information about the Bank and its businesses and customers must be accurate and appropriate. Such communication, statement or release of information to any press or media member or organization must be conducted only by persons designated to release information on behalf of the Bank.

#### **(B) Measures for Compliance with the Corporate Governance Policy and Practices**

To ensure compliance with the established Corporate Governance Policy and practices, the Bank initially builds awareness in this respect among employees and executives at all levels through the dissemination of important policies and regulations that are related to corporate governance on its website and offers training courses specifically related to, for example, Codes of Conduct, risk management, and anti-corruption. These courses are mandatory for new joiners, and all employees are required to take relevant refresher courses every year. For matters

related to directors and executives, the Bank assigns executives of relevant functions, such as executives of Audit Function, Legal Function, Compliance Function and Human Resources Function, Company Secretary, and secretaries of Board Committees, to provide support to the Board in order that the Board can operate in compliance with applicable legal and regulatory requirements. To that end, relevant policies must be cascaded across relevant departments, and regular discussions held about suitable practices. At each Board meeting, the Board monitors corporate governance matters through the reports from the Board Committees.

#### **(C) Reports of Board Committees**

- Report of the Executive Committee is shown on page 191
- Audit Committee Report is shown on Attachment 5
  - Report of the Nomination, Compensation and Corporate Governance Committee is shown on page 192
  - Report of the Risk Oversight Committee is shown on page 085
  - Report of the Technology Committee is shown on page 194
  - Report of the Corporate Social Responsibility Committee is shown on page 092

#### **Annex to the Corporate Governance Report**

#### **Changes in the Board and Board Committees in 2020**

1. Mr. Chakkrit Parapuntakul resigned as Director, Member of the Executive Committee, and Member of the Nomination, Compensation and Corporate Governance Committee on October 1, 2020.
2. ACM Satitpong Sukvimal resigned as Member of the Nomination, Compensation and Corporate Governance Committee and was appointed as Member of the Corporate Social Responsibility Committee on October 1, 2020.

3. Mr. Prapas Kong-iед resigned as Member of the Corporate Social Responsibility Committee and was appointed as Member of the Risk Oversight Committee on October 1, 2020.

4. Mr. Chaovalit Ekabut resigned as Member of the Risk Oversight Committee and was appointed as Member of the Audit Committee on October 1, 2020.

5. Dr. Thaweesak Koanantakool was appointed as Member of the Nomination, Compensation and Corporate Governance Committee on October 1, 2020.

6. Mr. Ekamol Kiriwat resigned as Director on November 26, 2020.

#### **Changes in the Board and Board Committees from January 1, 2021 – February 18, 2021**

1. Mr. Chakkrit Parapuntakul was appointed as Director, Member of the Executive Committee, and Member of the Nomination, Compensation and Corporate Governance Committee on January 18, 2021.
2. Mr. Prapas Kong-iед resigned as Director and Member of the Risk Oversight Committee on February 1, 2021.

3. Miss Chunhachit Sungmai was appointed as Director and Member of the Risk Oversight Committee on February 18, 2021.



# REPORT OF BOARD COMMITTEE

## REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee's key duties and responsibilities are to ensure that the operations of the Bank are in accordance with its policies, strategies, business targets and regulations. As set forth in the Charter of the Executive Committee, the Executive Committee is empowered to administer and manage the Bank's businesses and perform tasks assigned by the Board of Directors to achieve the Bank's vision and align with the Bank's mission, as well as to promote the Bank's core values. In addition, the Executive Committee has authority to grant approval on credit requests, investments and business operations.

The Executive Committee consists of five directors, namely an executive director who serves as the Chairman of the Executive Committee, three independent directors and a non-executive director.

Against the backdrop of ongoing disruptive forces in the banking industry from digital technologies, competition from fintech companies, changes in consumer behaviors and the economic downturn exacerbated by the COVID-19 pandemic, the Executive Committee's priority in 2020 included the following undertakings:

1. Support programs for SCB customers affected by COVID-19: The Executive Committee deliberated on and proposed to the Board of Directors a number of financial assistance and relief measures for SCB customers affected by the COVID-19 pandemic to alleviate their financial hardships and keep their businesses going. This financial support was offered in various forms to all customer segments within the debt relief frameworks announced by the government and the Bank of Thailand.

2. Sustainable growth strategy: The Executive Committee deliberated on and proposed to the Board of Directors the Bank's business plans, aiming to lead the Bank through the prevailing economic crisis with a balanced focus on credit risk management and cost controls while actively monitoring the economic situation and pursuing SCB's strategic transformation to become a technology-driven bank. The Executive Committee worked closely with the Technology Committee to drive the Bank's digital banking initiatives.

3. Sustainability initiatives: The Executive Committee exercised oversight of the Bank's sustainability initiatives as well as deliberated on and proposed to the Board of Directors the Sustainability Policy, which serves as the Bank's operating framework to conduct business with responsibility toward all stakeholders, including society and the environment. In 2020, the Bank debuted a food delivery application dubbed Robinhood with the aspiration to give back to society and provide a pricing platform that is fair and transparent, for the benefit of both SMEs and their customers.

4. Credit approvals: The Executive Committee considered and approved under its scope of authority and, where applicable, screened for the Board of Director's consideration, credit requests. The Executive Committee also considered and laid out guidelines to resolve major problem loans as well as monitored the status of major loans on a regular basis, including reports of business impacts caused by, for example, economic depression, geopolitical issues, trade wars, disease outbreaks and technological developments, so as to ensure appropriate management.

5. Overall financial management: The Executive Committee considered and approved under its scope of authority and, where applicable, screened for the Board of Director's consideration, the Bank's financials and investments, including financial results, financial disclosures, financial targets, business plans, annual budget, investment and investment guidelines, and other material matters related to business of the Bank and companies in SCB Financial Group.

In 2020, the Executive Committee held 31 meetings.

**(Mr. Arthid Nanthawithaya)**

Chief Executive Officer and

Chairman of the Executive Committee

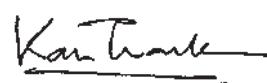
## REPORT OF THE NOMINATION, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination, Compensation and Corporate Governance (NCCG) Committee presently consists of four directors, i.e., three independent directors and a non-executive director, and is chaired by an independent director. The key responsibilities of the NCCG Committee are as set forth in the NCCG Committee Charter and the Corporate Governance Policy.

In 2020, the Bank firmly focused on human resource policies and corporate culture, as evidenced by additional NCCG Committee meetings that were held and dedicated specifically to discussions about human resource policies and strategies in an effort to dynamically align human resource management of the Bank with its current business strategy. Throughout 2020, the NCCG Committee held 16 meetings (of which 4 were held specifically for deliberations on human resource policies). The major undertakings of the NCCG Committee were:

1. Reviewed and proposed for the Board's approval the SCB Corporate Governance Policy, the Charter of the Board of Directors and the Charter of the NCCG Committee for alignment with the corporate governance principles applicable to financial institutions as stipulated by the Bank of Thailand, the Corporate Governance Code for Listed Companies and international corporate governance standards, such as the Dow Jones Sustainability Indices, Corporate Governance Report of Thai Listed Companies, and ASEAN CG Scorecard, as well as exercised oversight to ensure compliance with the SCB Corporate Governance Policy.
2. Selected and nominated candidates for directorship from the director pools as well as the lists of candidates proposed by the Bank's directors and shareholders (if any) by taking into account a board skill matrix, which illustrated qualifications and diversified traits in terms of knowledge, competence, experience and education. The NCCG Committee also placed importance on the due diligence process to check each candidate's qualifications prior to obtaining approvals from the Bank of Thailand and subsequently from the Board and/or the shareholders.
3. Considered and proposed for the Board's approval the nominations for the positions on the Board Committees.
4. Determined the appropriate compensation for the Chairman and members of the Board and Board Committees based on their assigned scope of duties and responsibilities, and taking into consideration the Bank's performance, general economic conditions and relevant industry benchmarks prior to obtaining approvals from the Board and the shareholders.
5. Arranged for the performance assessment of the Board, including the Chairman of the Board, individual directors and Board Committees using updated assessment forms that were originally derived from an external consulting firm having extensive experience and expertise in corporate governance with a view to enhancing the board assessment efficiency pursuant to the Corporate Governance Code for Listed Companies set forth by the Stock Exchange of Thailand.
6. Considered and proposed for the Board's approval the 2020 AGM arrangement guidelines in light of the coronavirus pandemic. In facilitating the shareholders' attendance in person at the AGM meeting, the Bank adopted the COVID-19 precautionary measures and practices set out by relevant authorities and governmental agencies while ensuring that the shareholders could properly exercise their rights related to shareholder meetings in accordance with laws and good corporate governance practices.

7. Considered and provided opinions on human resource strategies and policies, such as the "Jak Duay Jai" voluntary retirement program which was made available to eligible full-time employees and offered early retirement benefits based on criteria set by the Bank. The NCCG Committee also gave guidance on the Bank's human resource development efforts to maintain an appropriate number of staff members with suitable knowledge, skills, experience and motivation.
8. Considered and proposed for the Board's approval the reorganization of the Bank and the appointment of senior executives of functions to ensure appropriateness, transparency, checks and balances, and management efficiency.
9. Considered and proposed for the Board's approval the rotation among senior executives as part of the Bank's professional development program designed for executives at all levels. In addition to training, job rotation is another important skill development approach that helps executives gain new experience and insights conducive to continuous development.
10. Considered the appointment of directors and senior executives as directors of companies in the SCB Financial Group and the holding of positions as directors or consultants of other companies by senior executives in their individual capacities.
11. Considered and gave recommendations on corporate culture cultivation and development plans.
12. Arranged for the performance assessment of the Chief Executive Officer, the Presidents and senior executives of the Bank against established targets and performance criteria. The NCCG Committee also reviewed management's proposal on the compensation policy and appropriate compensation and benefits for the aforesaid senior executives based on their assigned scope of duties and responsibilities, performance, general economic conditions and relevant industry benchmarks, prior to obtaining approval from the Board.
13. Exercised oversight and provided recommendations on the review of succession plans for critical positions and strategic positions to facilitate a smooth transition in these key positions.
14. Formulated policies, criteria and procedures for the nomination and compensation of directors and persons with management authority of companies in the SCB Financial Group to ensure that these positions are assumed by individuals who are considered fit and proper in light of the responsibilities and nature of work of these positions, and that the compensation is clearly specified, transparent, and commensurate with associated risks, duties, responsibilities and nature of work.



**(Mr. Kan Trakulhoon)**

Chairman of the Nomination,  
Compensation and Corporate Governance Committee

## REPORT OF THE TECHNOLOGY COMMITTEE

The Technology Committee is responsible for supervising SCB's overall technology and service delivery direction under a robust enterprise architecture, embracing innovations and new technologies that have become a key driving force for business in the digital age, and utilizing Bank data to stay relevant to future business goals through sound corporate governance, technology stability and appropriate business resilience. The Technology Committee consists of highly qualified technology and business experts, and currently comprises the following members:

1. Dr. Thaweesak Koanantakool  
Chairman of the Technology Committee
2. Dr. Pailin Chuchottaworn  
Member of the Technology Committee
3. Miss Jareeporn Jarukornsakul  
Member of the Technology Committee
4. Mr. Arthid Nanthawithaya  
Member of the Technology Committee
5. Dr. Arak Sutivong  
Member of the Technology Committee

Mr. Trirat Suwanprateeb, Senior Executive Vice President and Chief Technology Officer, serves as the secretary to the Technology Committee.

In 2020 the Technology Committee held a total of 17 meetings, more than the 10 mandatory meetings specified in the Technology Committee Charter, to consider special agendas concerning supervision of the future digital banking platform. Two meetings were held with the Audit Committee and one meeting with the Risk Oversight Committee. The Technology Committee reported its performance to the Board of Directors for acknowledgment or to seek corrective guidelines on certain issues as covered by the Report of the Technology Committee in this annual report.

### The Technology Committee's Performance (January-December 2020)

Over the past decade, more and more business practices have embraced digital technology, particularly for online payments, and the banking sector must evolve rapidly to keep pace with changing market preferences and operating models. This previous year witnessed even further use of online platforms, especially during the COVID-19 outbreak. The expansion of online business was exponential, with consumer behavior shifting toward digital experiences instead of going out, e.g., using various online channels to shop, order meals and attend company meetings. This trend has been termed "the new normal." Digital banking business and technology to support new work styles have played a far more important role than ever before.

SCB has quickly and sufficiently adapted and developed technology in response to these changing consumer lifestyles and business practices. The Bank emphasizes creating differences in business operations to deliver the best solutions to its customers, shareholders and employees.

The Technology Committee is responsible for ensuring sound oversight of technology operations to fully support the vision of the Board of Directors and in line with the Bank's strategic thrusts. The Committee placed its focus on providing comprehensive digital banking services, covering platforms, enterprise architecture, cyber security and operating models to support the exponential expansion of new financial transactions and lifestyles. In addition, the Committee oversaw data cyber security and controlled technology risk while implementing a quality assurance process (Plan-Do-Check-Act). Additional tasks were carried out for up-skilling and re-skilling technology personnel and technology infrastructure to support the growth

of the Bank's digital platform, which is the basis for doing business in the new normal digital age.

In addition, the Technology Committee oversaw the risks that may arise from the implementation of the Cyber Security Act, promulgated in May 2019, and the Personal Data Protection Act, to be enforced in 2021, to ensure the readiness of technology and support ongoing legal compliance, especially for matters related to technology and operation of the Data Protection Office.

The Technology Committee considered and reviewed technology-related policies to ensure that they are sufficient and up-to-date before presentation to the Board of Directors. Consideration of technology standards and processes was also the responsibility of the Technology Committee.

The Technology Committee emphasizes fostering technology governance, covering different levels of risk arising from harnessing technology as part of its operations. It held meetings with the Executive Committee and the Audit Committee to share opinions on oversight issues related to the Bank's technology systems. It also held discussions with the Risk Oversight Committee to ensure close supervision of technology risk and to enhance the Three Lines of Defense model to achieve synergies among bank units.

As technology changes rapidly and comes into ever-wider use, the Technology Committee places a priority on updating information and new technology knowledge for the Board of Directors. In the preceding year, the Technology Committee held a demonstration highlighting the use of customer data in product design, and the implementation of artificial intelligence and machine learning to perform fully automated services.



(Dr. Thaweesak Koanantakool)

Chairman of the Technology Committee

# INTERNAL CONTROL AND RELATED PARTY TRANSACTIONS

## INTERNAL CONTROL AND RISK MANAGEMENT

Ongoing rapid changes in the banking environment have led to many different business challenges for financial institutions. SCB is aware of the importance of effective and efficient risk oversight and management, operational compliance and internal control following international standards, both in operations and IT systems. At SCB, the Audit Committee is responsible for overseeing SCB and the SCB Financial Group's performance to ensure that it is in compliance with policies and sound internal control. The Internal Audit unit regularly performs the audit of internal controls and reports audit findings to the Audit Committee.

The Board of Directors, the Audit Committee and Management set the Bank's internal control based on the Internal Control Practice Guidelines 2013 of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Internal Audit unit assesses the adequacy of the Bank's internal control system, following the Securities and Exchange Commission's assessment form. The assessment of the internal control system is presented for the Audit Committee's consideration and endorsement before approval by the Board of Directors.

According to COSO's internal control practice guidelines, there are five necessary components for internal control, namely: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communications, and 5) monitoring activities. The Bank's activities involving each of these components are outlined below:

### 1. Control environment

The Bank is determined that all business and functional units, including those under the umbrella of SCB and the SCB Financial Group, maintain a culture and environment providing for a sound and effective internal control system, together with a commitment by employees at every level to adhere to the principles of integrity and transparency. The Bank is well aware

that a sound internal control system is a critical foundation in meeting its business objectives in a sustainable manner, as well as to ensure effective and efficient operations, trustworthy financial reporting and regulatory compliance.

With formal policies and procedures in place, the Bank requires management and staff at every level in the organization to have roles, duties and responsibilities in maintaining sound internal control. The Bank has established a sound internal control structure, with an organizational structure clearly defining supervisory lines and scopes of authority and responsibility for management and staff, all of which are under the oversight of the Board of Directors. The Board of Directors is independent from management and oversees the development and effectiveness of the internal control environment.

Management, as the overseer after the Board of Directors, has promoted the development of tools to create a preventive system for business operations to cope with changing risks, as follows:

#### 1.1 ) Promoting a risk awareness culture

- Developed mandatory e-learning courses to educate and promote awareness among staff at all levels every year, so that they understand their roles and responsibilities as well as SCB's products and processes, in order to prevent damage to the Bank, customers and concerned parties. The Bank also disseminated video communications by top management to further cultivate the risk awareness culture.

- Developed a formal policy to promote and drive the Three Lines Model, which is internationally recognized and emphasized by regulators. The Bank encourages staff and supervisors across the operations of operating units (First Line), supporting units (Second Line), and audit units (Third Line) to continuously apply the model in performing their duties, from risk

assessment to control, monitoring and evaluation. Those at the first line are deemed to have the most important role in leading a successful and effective model. The Bank promotes awareness through many activities, including communication with staff and workshops for further execution.

- Promoted concrete operations in line with regulatory guidelines on the market conduct of financial institutions. The Bank has set a fair customer service policy and strict operational measures covering pre-sale, during-sale and after-sale processes. The Board of Directors and senior executives have designated personnel in charge of overseeing operations and have established punishment provisions for inappropriate staff performance. For maximum operational effectiveness, the Bank continuously performs quality assessment by means of "mystery shopping" by third parties to ensure that customers receive quality services and are treated fairly. In addition, the Bank reviewed its KPI & Incentives Policy to ensure that it encourages staff at every level to treat customers fairly. The policy covers how to incentivize staff; establishes key performance indicators and performance measurements; and details the staff remuneration process. Policy appropriateness is regularly reviewed, considering integrity and accountability guidelines for every action in line with the Bank's policy.

SCB and the SCB Financial Group continues its No Gift Policy as a guideline for staff and executives at all levels, covering what is appropriate when giving or receiving gifts and other benefits as well as when attending receptions, meetings, seminars and company visits. Strict compliance with the policy is required.

### **1.2) Whistle-blowing**

The Bank has whistle-blower channels to receive complaints and notifications from staff and external stakeholders that may indicate non-compliance with corporate governance; the code of conduct; regulations; anti-corruption law and policies; potential fraud; or corrupt practices. The whistle-blower channels include a Whistle-blower Hotline, an e-mail inbox: whistleblower@scb.co.th, the Governance Risk Compliance (GRC) system on the Bank's intranet, and by writing directly to the CEO & Chairman of Executive Committee, the Chief Audit Officer or the Chief People Officer. The Bank has set a clear procedure for

complaint management covering confidential fact finding, appointment of a fact-finding committee, consideration and approval of punishment and reporting complaint management results. The results and actions taken are reported to the Audit Committee on a quarterly basis. Suggestions for improvement can also be sent to the CEO & Chairman of the Executive Committee at [ceo@scb.co.th](mailto:ceo@scb.co.th). Such whistleblowing has promoted business integrity, so that management and staff effectively perform their duties with transparency, integrity, fairness and accountability, and their performance is routinely reviewed to gain the trust of all stakeholders.

The Bank has also gathered customers and third parties' complaints from all channels and conducted deep complaint analysis of root causes to find corrective actions.

The COVID-19 pandemic in 2020 significantly disrupted SCB's work processes. The Bank ultimately proved its readiness by coping with this disruption effectively. Among the measures successfully undertaken by SCB were a business continuity plan; strategy for working from home and split sites; communications with staff and third parties to ensure that they fully understand practices and guidelines; and implementation of a virtual private network (VPN) for staff working from home to ensure access to complex SCB applications and systems without data leakage.

### **2 Risk assessment**

SCB and the SCB Financial Group has a strong risk management culture with a mechanism to encourage executives and staff at every level to be aware of the importance of risk management amid changes in both internal and external factors affecting businesses. The Bank considers risk management an essential component in every process of the SCB and the SCB Financial Group's business operations, which must be connected and aligned across all levels. The executives and staff must be aware of the effects from non-compliance with state regulations; the Bank's policies and regulations; codes of conduct; and ethical requirements for business. The Board of Directors has therefore established a risk management policy for SCB and the SCB Financial Group that requires compliance by all staff. Risk assessment is in place at every level. For overall risks, there is systematic

management through the Bank's sub-board committees, while operational risks are under the responsibility of executives in charge of each operation. The key sub-board committees having main roles and responsibilities related to risk management are the Executive Committee, the Risk Oversight Committee, the Technology Committee and the Audit Committee.

In addition to the above-mentioned sub-board committees, the following management committees have also been set up to oversee the Bank's risk management matters: the Risk Management Committee, the Assets and Liabilities Management Committee, and the Equity Investment Management Committee, as well as others.

In risk management, the Bank considers the chance of fraud or operational risk, and direct, indirect or potential impacts on its business. Risk management is an essential component in every process of its business operations, which must be connected and aligned across all levels and reported to management and concerned committees. The Risk Management Committee reports resolutions from its meetings to the Executive Committee, the Risk Oversight Committee, the Audit Committee and the Board of Directors on a monthly basis. This is to ensure the Bank's compliance with related regulatory requirements and to maintain its capability for coping with unforeseen risks at acceptable levels.

The risk management policy of SCB and the SCB Financial Group requires that executives manage and monitor key risks to ensure that they are at acceptable levels, and report significant risks to concerned senior executives and committees. The Bank applies the management control model according to the Three Lines Model to increase effectiveness and check accuracy in each process. Hence, there are collaborations among internal functions, from the Board of Directors to employees. Internal risk control self-assessment (RCSA) is a tool for preliminary risk management by each unit. The importance of risk assessment is regularly communicated, and risk control tools are periodically tested to ensure their effectiveness to best mitigate risks.

The Bank considers external factors led by changes in the business environment that may affect its business in order to help define its overall strategy. Risk management units formulate plans to support the Bank's key goals, mainly based on risk management.

The Bank has developed a risk materiality assessment process covering all material risks, namely strategic risk, credit risk, concentration risk, market risk, interest rate risk in the banking book (IRRBB), liquidity risk, operational risk, reputational risk, people risk, model risk and technology risk. The process is reviewed annually to ensure that it is continuously and regularly exercised, with appropriate risk management, controls and monitoring.

Due to the COVID-19 pandemic in 2020, the Bank shifted to the so-called "new normal" way of working. Risks from the new normal were identified. Regulations on e-process changes were formulated as guidelines for operations and processes undergoing e-process change, with appropriate risk assessment and control measures.

SCB and the SCB Financial Group prepared for the full enforcement of the Personal Data Protection Act B.E.2562 (2019) (PDPA) taking effect in 2021. A mandatory e-learning course on PDPA was provided to all staff to educate them about the matter and strengthen their awareness.

### **3 Control activities**

The Bank has formal control policies, regulations, operational procedures, manuals and instructions, which are reviewed and updated on a regular basis or upon any significant incident or change. These include general controls over the information systems covering data center operations, data networks, systems development and testing, IT system maintenance, and physical and technology security, procurement and management.

Further, the Bank specified scopes of duty and approval authority for executives at each level in the Bank's operational regulations, such as those for credit approval, procurement, administrative expenses and capital budget, and investment approval. They clearly emphasize the segregation of duties as a key control in maintaining adequate and appropriate controls

over operations at every level within the organization and to maintain a system of checks and balances, particularly for activities prone to risk or involving potential conflicts of interest.

The Bank has put high importance on information security system development and customer data privacy, with an information security policy in place for acknowledgment and compliance by all staff of SCB and the SCB Financial Group, including interns and those under temporary contracts, business partners and consultants. Based on the confidentiality-integrity-availability (CIA) principle, the information security policy clearly defines duties and responsibilities for development, usage and monitoring of policy compliance. The Technology Committee has a duty to screen and support operations to ensure policy compliance, and to review and assess appropriate levels of data security systems to suit the Bank's strategy. The Internal Audit Function has a duty to audit and provide recommendations on improving the effectiveness of this information security policy.

The Bank has placed high importance on customer data protection to ensure top security in terms of customer data maintenance and management, with operational guidelines in compliance with the Bank of Thailand's regulations, the Anti-Money Laundering Act and other related laws. As for guidelines on fair customer service, the Bank has prepared and reviewed its Market Conduct Policy, the SCB Data Governance Framework, the Data Privacy and Protection Policy for SCB and the SCB Financial Group, and regulations on confidential customer information protection and customer information disclosure. These regulations cover customer data protection; levels of the Bank's information confidentiality; duties and responsibilities of concerned units in customer data maintenance and management; related approval authority for using customer data; and technology adoption for customer data protection to ensure that these operations are careful and effective. As for data management, the Bank has requirements on data confidentiality classification, data storage and destruction, data access control, and administration of authorized data access by staff in place, and regularly updates these requirements.

As for people development, the Bank has embraced cutting-edge technologies to improve the effectiveness of people development and learning under a comprehensive development plan, encouraged job rotation within the organization for opportunities to learn new skills, promoted cooperation with universities for recruitment opportunities, and encouraged staff to hone and apply their knowledge and skills to benefit society through the Bank's corporate social responsibility (CSR) activities.

The Bank's business operations, which include general procurement, IT procurement and building management, involve cooperation with a large number of business partners and vendors. To facilitate proper and fair business operations, the Bank places importance on business practice guidelines by introducing an SCB Supplier Code of Conduct as a guideline and encourages business partners' ethical business practice, with respect to labor and human rights, as well as a focus on occupational health, safety and the environment.

#### 4 Information and communications

The Bank has worked to create value from its investment in the SCB Transformation project during the past four years, including investment in financial technology and such innovations as artificial intelligence (AI), blockchain and biometrics. The Bank has also created a financial ecosystem to enhance SCB and the SCB Financial Group's business competitiveness in terms of effective IT and communication to keep up with new global challenges led by continual change in financial technology, the business environment, and consumer behaviors rapidly responding to digital trends. The Bank's recent financial innovations include digital banking, digital lending and robotic investment advisory service (Robo Advisor). The Bank emphasizes the importance of technology investment and digital mindset development and upskilling staff through the new normal way of working and learning. The Bank also emphasizes the importance of IT security in processing transactions and the protection of customers' confidential data, so that it can assure the Board of Directors, executives and other stakeholders, such as shareholders, investors and regulators, the guarantee that its security measures remain sound and that it can provide complete, reliable and timely information.

#### 4.1) IT systems

The Bank has continuously upgraded its development of data management and protection and cyber security, covering its digital applications and platforms, to ensure that they are thorough and adequate to cope with new threats while preventing attacks against customers' personal information. The Bank's IT business continuity plan is tested at least once a year to avoid any unavailability of key service channels.

The effectiveness and security of the Bank's cloud data storage has been enhanced to match the security level of in-house storage, enabling faster operations, and saving computer system and network maintenance costs for the Bank.

#### 4.2 ) Communications

The Bank provides internal communication channels for SCB and the SCB Financial Group to circulate policies, regulations, procedures, manuals and other essential information. These communications are designed to keep all executives and staff knowledgeable and informed, and to facilitate proper compliance with policies, procedures and regulations in a timely manner. In addition, the Bank provides a separate special communication channel to enable safe communication for both internal and external parties.

### 5 Monitoring activities

The Bank has internal control monitoring and assessment in place to ensure that the internal control system remains effective and efficient, with complete and appropriate monitoring and assessment to tackle changing risks.

**5.1) The Compliance Function** is responsible for reviewing and monitoring all units' operations within SCB and the SCB Financial Group to ensure their compliance with important regulations, laws, rules and regulatory requirements.

**5.2) The Credit Review Function**, which is independent from the credit approval process, is responsible for reviewing credit-related operational processes; following up actions taken with troubled debtors; the accuracy of debt classification and provision; and non-compliance issues.

**5.3) The Audit Function** performs independent assurance and consulting, so that the organization's internal processes are regulated with sound governance, risk management and internal control. The Audit Function also considers the root cause of findings as well as risks found during audits.

The three functions report directly to the Audit Committee on a monthly basis and follow up on corrective actions to ensure that issues are solved.

The Audit Committee and the Board of Directors have considered the results of internal control adequacy assessment and discussed with the Bank's management how to take action in line with recommendations for internal control development. The Audit Committee and the Board of Directors' opinion is that the Bank's internal control system and risk management system are appropriate and adequate for its business operations. This conclusion was in line with the opinion of the external auditor.

## RELATED PARTY TRANSACTIONS

The Bank places great emphasis on safeguarding against misuse of internal information for personal gain by directors and staff. Accordingly, the Bank has set policies, rules and approval procedures for related party transactions, as well as guidelines on related party transaction execution and disclosure to prevent and manage any potential conflict of interest in a transparent and fair manner.

The Bank's rules and approval procedures for related party transactions and conflict of interest transactions are as follows:

- The Bank strictly complies with regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, as well as notifications of the Capital Market Supervisory Board, regarding related party transactions and conflict of interest transactions. In particular, if any director or executive have a conflict of interest related to a transaction, the Bank would exclude him or her from the deliberations and making decisions regarding such transaction. Furthermore, SCB's Company Secretary would note in meeting minutes a formal record of directors or executives related to the issue under consideration, if applicable.
- The Bank observes a policy to apply pricing and terms and conditions for transactions between the Bank and related entities on an "arm's length" basis and, broadly, on the same terms as those applied to transactions with unrelated third parties.
- The Board of Directors (excluding any director who has a conflict of interest) has approval authority for loans, investments, obligations or lending-like transactions with the Bank's major shareholders or related businesses (as defined by the Financial Institution Business Act B.E. 2551 (2008)).

- The Bank has established an Intra-Group Transactions Policy to ensure compliance with applicable regulations and to prevent conflicts of interest and has developed the Joint Policy Statement as a business practice guideline of the group to prevent any conflict between the interests of group companies that might arise from companies that operate an asset management business (asset management company). SCB also complies with the Joint Policy Statement between the Bank of Thailand and the Securities and Exchange Commission Thailand on Consolidated Supervision of Financial Groups that Operate Fund Management Businesses. This is to ensure that the Bank is committed to providing the utmost benefits to customers and investors (putting investors first).

### **Intra-Group Transactions Policy and SCB Group Risk Management Policy**

#### Governance on Intra-Group Transactions

To enhance transparency regarding intra-group transactions within the SCB Financial Group and to avoid any conflict of interest between SCB and other shareholders in businesses that are not wholly owned by SCB, the Bank has established the Intra-Group Transaction Policy, which has been approved by the Board of Directors and is reviewed annually by the Board. This policy entails risk management for intra-group transactions and controls for material transactions, which are classified into two types of significant transaction, namely, credit transactions (loans, investments and obligations or lending-like transactions) and non-credit transactions (those other than loans, investments or obligations). The policy ensures that such transactions comply with regulations and requirements of the Bank of Thailand, the Stock Exchange of Thailand and the Securities and Exchange Commission as well as local laws and regulations in the countries where SCB's subsidiaries operate.

A key part of this Policy requires that intra-group transactions be executed without special terms and conditions that are materially different from other risk-equivalent transactions. In the absence of equivalent transactions, intra-group transactions must follow standard market practices with enforceable contracts, proper documentation and record keeping as well as approval authority based on risk and materiality.

#### **Related Party Transaction Trends and Policy Outlook**

SCB's emphasis on good governance principles has led to a clear policy on related party transactions to comply with laws, regulations and notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission, which include the acquisition and disposal of assets of listed companies, as well as compliance with the Bank of Thailand's notifications.

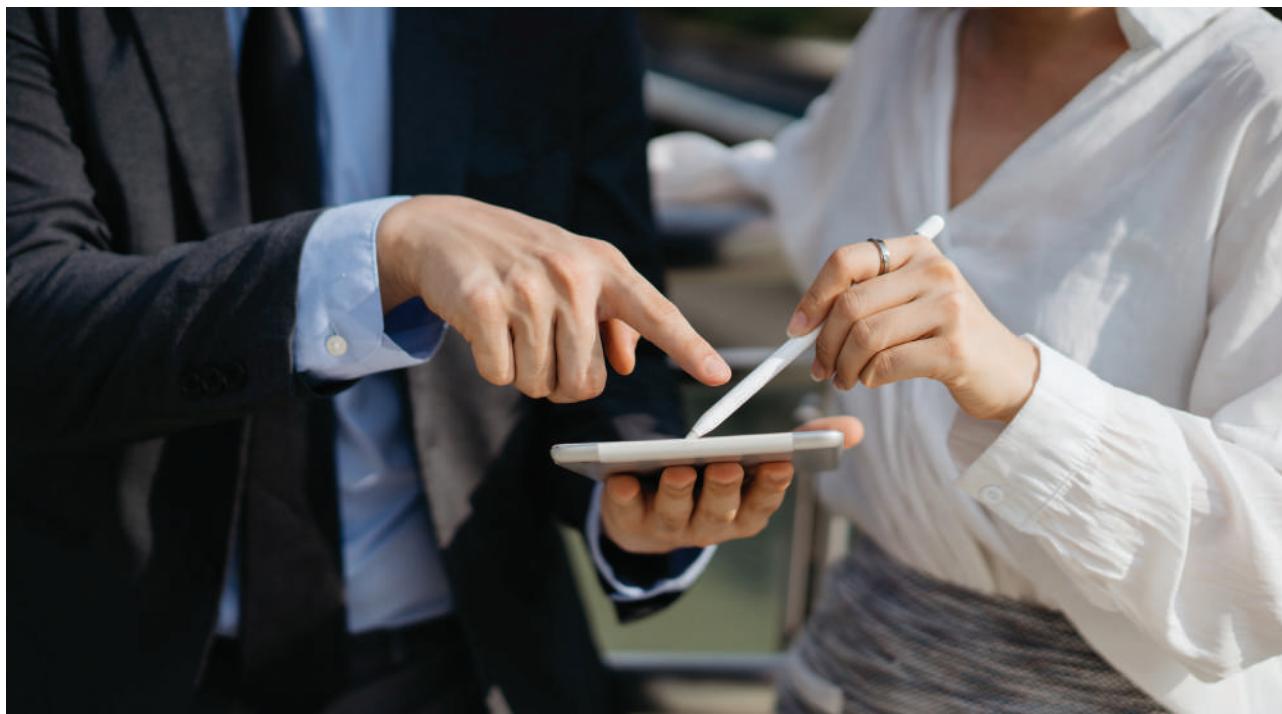
SCB's related party transactions may arise as part of its normal business operations, for which the Bank has clear and appropriate internal approval measures and procedures.

#### **Information Disclosure**

The Bank's policy on disclosure of market-sensitive information focuses on timely, transparent and adequate disclosure of all material information and prohibits misuse of internal information, either directly or indirectly.

The Bank discloses related party transactions and connected transactions as defined by the Stock Exchange of Thailand in the notes to the financial statements in the Annual Report in accordance with information disclosure requirements and guidelines. Related party transactions are reported to the Audit Committee on a quarterly basis.

In 2020, the Bank did not have any related party transaction with sufficient materiality to require disclosure per the Stock Exchange of Thailand's criteria. Information pertaining to other related party transactions is disclosed in the notes to the financial statements.



## ATTACHMENTS

**Attachment 1**

Information of Directors, Executives, Chief Financial Officer  
and Company Secretary

**Attachment 2**

Information on Directors of Subsidiaries

**Attachment 3**

Information of Head of Audit and Head of Compliance

**Attachment 4**

Corporate Governance Policies, Guidelines  
and SCB Code of Conduct

**Attachment 5**

Audit Committee Report



Please find more details of the Company's information from  
the attachments which are on website [https://www.scb.co.th/en/  
investor-relations/financial-information.html#fs2020](https://www.scb.co.th/en/investor-relations/financial-information.html#fs2020)



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Company Registration Number 0107536000102  
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TEL : +66-2544-1000

[www.scb.co.th](http://www.scb.co.th) |      SCB Thailand

# DIGITAL BANKING DIGITAL CULTURE



**FINANCIAL REPORT 2020**  
FORM 56-1 ONE REPORT



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# FINANCIAL REPORT

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Directors' Responsibility  
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Auditors  
Report

Financial  
Statements

# REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors of the Siam Commercial Bank Public Company Limited places utmost importance on fulfilling its duties and responsibilities in supervising the business undertakings of the Bank in compliance with the Statement of Corporate Governance Principles. The Board of Directors is responsible for the Bank's financial statements and the consolidated financial statements of the Bank and its subsidiaries that are provided in this Annual Report. The financial statements are prepared in accordance with Thai Financial Reporting Standards, using appropriate accounting policies that are applied on a consistent basis. The financial statements are also prepared after careful consideration and, when applicable, use of appropriate estimates and judgments. All significant information related to the accounting policies and the financial statements, including the conventions and practices used for the preparation of these financial statements, are adequately disclosed in the notes to the financial statements in order to facilitate understanding and use as well as for the benefit of the shareholders and general investors. The financial statements have been audited by independent certified public accountants whose unqualified opinions are stated in the audit report.

The Board of Directors has required the management of the Bank to adopt and maintain effective internal control and risk management systems to provide reasonable assurance on the accuracy, reliability and adequacy of the Bank's accounting; the safeguarding of its assets; and the prevention against fraud and irregularities which have material effects on the accuracy and reliability of the Bank's financial reports.

The Audit Committee, entirely comprising independent directors, has been assigned by the Board of Directors the responsibility for overseeing the quality of the Bank's financial reports and internal control system. In this respect, the Audit Committee's opinion regarding such matters is stated in this Annual Report under the Audit Committee's Report.

In the context of the nature and scale of the Bank's business, the Board of Directors is of the view that the Bank's overall internal control system is adequate and appropriate and can provide reasonable assurance that the financial statements of the Bank, including the consolidated financial statements of the Bank and its subsidiaries for the year ended December 31, 2020, which reflect the financial state and performance of the Bank and its subsidiaries at the said date, are reliable pursuant to applicable financial reporting standards, and are correct, complete, and accurate according to accounting standards, related laws and regulations.

Dr. Vichit Suraphongchai  
Chairman of the Board of Directors and  
Chairman of the Corporate Social  
Responsibility Committee

Mr. Arthid Nanthawithaya  
Chief Executive Officer and  
Chairman of Executive Committee

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

Financial statements for the year ended  
31 December 2020  
and  
Independent Auditor's Report

## Independent Auditor's Report

### To the Shareholders of The Siam Commercial Bank Public Company Limited

#### *Opinion*

I have audited the consolidated and the Bank's financial statements of The Siam Commercial Bank Public Company Limited and its subsidiaries (the "Group") and of The Siam Commercial Bank Public Company Limited (the "Bank"), respectively, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2020, the consolidated and the Bank's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs) and the regulations of the Bank of Thailand.

#### *Basis for Opinion*

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

#### *Key Audit Matters*

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

<b>Allowance for expected credit loss on loans to customers and accrued interest receivables</b>	
Refer to notes to the financial statements 3.1.2, 4.3.1, 5.1, 13 and 14.	
<b>The key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p>As at 31 December 2020, loans to customers and accrued interest receivables, recorded in the consolidated and the Bank's financial statements amounted to Baht 2,270 billion and Baht 2,264 billion (approximately 69.2% and 69.0% of total assets), against which allowance for expected credit loss on loans to customers and accrued interest receivables in the consolidated and the Bank's financial statements amounted to Baht 137 billion and Baht 136 billion, respectively, were provided.</p> <p>TFRS 9 and the related Bank of Thailand ("BoT") notifications requires the Group to recognise expected credit losses ("ECL") on certain types of financial instruments including loans to customers and accrued interest receivables. The Group has developed methods and models in determining the allowance for ECL which involves significant judgment and estimation on relevant assumptions and data.</p> <p>The significant areas where management applied judgment and estimation are including, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Selection of criteria to assess whether the financial instruments have a significant increase in credit risk ("SICR");</li> <li>• Development techniques to develop ECL model parameters, including the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD");</li> <li>• Determination of forward-looking macroeconomic variables and probability-weighted scenarios; and</li> <li>• Qualitative adjustments including management overlay made to incorporate identified credit risks not captured in the ECL models which include the change in trends and risks in underlying portfolios, the impact of the COVID-19 pandemic amongst other factors.</li> </ul> <p>The impact of the COVID-19 pandemic, the related economic downturn and financial relief measures provided by the Group, have created higher estimation uncertainties in determining ECL.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> <li>• Performing a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors, customer segments, or which could influence the judgments and estimates.</li> <li>• Testing the design and/or operating effectiveness of selected controls surrounding the credit and impairment process. These procedures include but are not limited to the key controls over selection of criteria to assess SICR, ECL model risk management, determination of macroeconomic variables and the probability-weighted scenario and qualitative adjustments including the management overlay.</li> <li>• Performing the specific controls over the criteria to assess whether the financial instruments have a SICR and also improvement for credit risk consideration for those debtors under financial relief measures.</li> <li>• Performing credit review procedures for a sample of individual large exposures, loans to customers subject to restructuring and reschedule including a detailed review of the credit profile and other relevant information, including but not limited to the appropriateness of internal credit ratings and accuracy of ECL parameters assigned for those customers, from which I formed my own independent assessment.</li> <li>• Assessing and testing the reasonableness of the SICR and staging criteria applied by the Group for different types of loans to customers in order to evaluate whether the criteria applied are consistent with the Group credit risk management practices, requirements under TFRS 9 and related BoT notifications.</li> <li>• Involving my own credit specialists to assess key data, assumptions, methods, models including mathematically theory to derive ECL model parameters on significant loans to customers portfolios. They also perform the test for reasonableness of macroeconomic factors used and probability-weighted multiple scenarios including the backtesting and assess methodology and data used by the management in the identification and estimation of qualitative adjustments including the management overlay.</li> </ul>

<b>Allowance for expected credit loss on loans to customers and accrued interest receivables</b>	
Refer to notes to the financial statements 3.1.2, 4.3.1, 5.1, 13 and 14.	
The key audit matter	How the matter was addressed in the audit
The carrying amount of allowance for expected credit loss on loans to customers and accrued interest receivables are considered a Key Audit Matter due to the significance of aforementioned judgments and estimates made.	<ul style="list-style-type: none"> <li>• Involving my own IT specialist to test the reconciliations of data including ECL parameters among the underlying systems.</li> <li>• Testing the mathematical accuracy of the ECL calculation including qualitative adjustment on a sample basis.</li> <li>• Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards and BoT notifications and guidelines.</li> </ul>

<b>Valuation of financial instruments in the statement of financial position</b>	
Refer to notes to the financial statements 3.1.1, 4.3.1, 4.13, 9, 10, 11 and 29.	
The key audit matter	How the matter was addressed in the audit
<p>As at 31 December 2020, financial assets measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 419 billion and Baht 415 billion, respectively. Financial liabilities measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 79 billion and Baht 80 billion, respectively.</p> <p>As at 31 December 2020, financial assets measured at fair value classified as level 2 and 3 in the consolidated and the Bank's financial statements amounted to Baht 415 billion and Baht 413 billion, respectively. Financial liabilities measured at fair value classified as level 2 and 3 in the consolidated and the Bank's financial statements amounted to Baht 79 billion and Baht 80 billion, respectively.</p> <p>There is a risk that financial instruments classified as "level 2" and "level 3" in the fair value hierarchy, may be mispriced in the statement of financial position because they are not based on objective external prices or, where these are not easily observable, the best estimate of what they may be.</p> <p>The valuation of financial instruments is considered a Key Audit Matter due to the degree of complexity involved in valuing certain level 2 and 3 instruments and the significance of judgments and estimates involved.</p>	<p>My audit procedures included:</p> <ul style="list-style-type: none"> <li>• Performing a risk assessment by considering the factors which could affect the fair value of financial instruments, both in terms of the inputs used for valuation and the appropriateness of valuation techniques applied.</li> <li>• Sampling financial instruments and checked that pricing inputs used were externally sourced and were correctly input into pricing models, including an assessment of the liquidity of prices, where applicable. I used my own valuation specialists to assess that the models were appropriate and tested the fair value of a sample of the Group's financial instruments independently and compared their valuation to the Group's valuation.</li> <li>• Considering the adequacy of disclosures in accordance with Thai Financial Reporting Standards and BoT notifications and guidelines.</li> </ul>

*Other Information*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



(Wilai Buranakittisopon)  
Certified Public Accountant  
Registration No. 3920

KPMG Phoomchai Audit Ltd.  
Bangkok  
18 February 2021

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

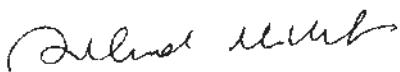
**Statement of financial position**

<b>Assets</b>	<i>Note</i>	<b>Consolidated</b>		<b>The Bank</b>	
		31 December		31 December	
		2020	2019	2020	2019
<i>(in thousand Baht)</i>					
Cash		51,631,543	47,615,159	51,528,618	47,450,329
Interbank and money market items, net	8	547,504,036	433,510,185	539,107,537	427,250,921
Financial assets measured at fair value through profit or loss	9	28,032,542	-	23,106,838	-
Derivative assets	10	86,829,862	63,132,091	87,095,023	63,283,308
Investments, net	11	311,795,715	312,065,032	312,059,270	310,504,994
Investments in subsidiaries and associate, net	12	-	78,148	24,659,612	6,727,117
Loans to customers and accrued interest receivables, net	13, 14	2,130,308,123	2,002,460,863	2,125,942,032	1,998,168,736
Properties for sale, net	17	16,136,334	16,641,789	15,917,594	16,393,154
Investment properties, net		-	-	287,464	-
Premises and equipment, net	18	40,308,637	40,776,524	38,642,255	39,910,623
Goodwill and other intangible assets, net	19	18,566,173	19,186,569	17,678,858	18,450,769
Deferred tax assets	20	4,505,357	2,004,629	4,239,543	1,809,077
Other assets, net	21	42,765,197	26,275,330	40,177,545	22,498,024
<b>Total assets</b>		<b>3,278,383,519</b>	<b>2,963,746,319</b>	<b>3,280,442,189</b>	<b>2,952,447,052</b>

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

**Statement of financial position**

<b>Liabilities and shareholders' equity</b>	<b>Note</b>	<b>Consolidated</b>		<b>The Bank</b>	
		31 December		31 December	
		2020	2019	2020	2019
<i>(in thousand Baht)</i>					
<b>Liabilities</b>					
Deposits	22	2,420,455,426	2,159,425,196	2,429,779,524	2,156,488,855
Interbank and money market items	23	198,491,004	145,844,197	198,359,503	145,870,962
Liabilities payable on demand		10,266,910	11,796,217	10,266,680	11,794,548
Financial liabilities measured at fair value through profit or loss		3,771	-	-	-
Liabilities to deliver security		-	18,335	-	-
Derivative liabilities	10	79,271,805	61,937,343	79,775,566	61,987,555
Debt issued and borrowings	24	67,234,660	77,952,008	66,800,699	76,355,562
Provisions	25	17,896,778	11,409,640	17,330,929	10,997,107
Deferred tax liabilities	20	132,018	138,921	-	-
Other liabilities	26	72,802,099	94,377,991	68,385,233	91,008,290
<b>Total liabilities</b>		<b>2,866,554,471</b>	<b>2,562,899,848</b>	<b>2,870,698,134</b>	<b>2,554,502,879</b>
<b>Shareholders' equity</b>					
Share capital	30				
Authorised share capital					
3,582,725,897 preferred shares of Baht 10 each		35,827,259	35,827,351	35,827,259	35,827,351
3,417,274,103 common shares of Baht 10 each		34,172,741	34,172,649	34,172,741	34,172,649
Issued and paid-up capital					
3,601,540 preferred shares of Baht 10 each		36,015	36,107	36,015	36,107
3,395,590,658 common shares of Baht 10 each		33,955,907	33,955,815	33,955,907	33,955,815
Premium on share capital					
Premium on preferred shares		14,085	14,121	14,085	14,121
Premium on common shares		11,110,106	11,110,070	11,110,106	11,110,070
Other reserves	31	16,906,997	16,169,935	16,919,044	16,135,730
Retained earnings					
Appropriated					
Legal reserve	31	7,000,000	7,000,000	7,000,000	7,000,000
Unappropriated		342,406,796	332,071,783	340,708,898	329,692,330
Total owners of the company		411,429,906	400,357,831	409,744,055	397,944,173
Non-controlling interests		399,142	488,640	-	-
<b>Total shareholders' equity</b>		<b>411,829,048</b>	<b>400,846,471</b>	<b>409,744,055</b>	<b>397,944,173</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,278,383,519</b>	<b>2,963,746,319</b>	<b>3,280,442,189</b>	<b>2,952,447,052</b>



(Mr. Arthid Nanthawithaya)

CEO &amp; Chairman of Executive Committee

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

### Statement of profit or loss and other comprehensive income

		Consolidated		The Bank	
		For the year ended 31 December		For the year ended 31 December	
	Note	2020	2019	2020	2019
(in thousand Baht)					
Interest income	40	118,370,775	135,025,196	117,954,045	126,170,944
Interest expenses	41	21,471,857	35,623,651	21,364,318	35,537,905
Net interest income		96,898,918	99,401,545	96,589,727	90,633,039
Fee and service income	42	45,621,229	39,103,281	41,021,214	39,174,566
Fee and service expenses	42	9,034,920	9,433,183	7,991,446	8,327,557
Net fee and service income	42	36,586,309	29,670,098	33,029,768	30,847,009
Net gain on financial instruments measured at fair value through profit or loss	43	7,662,075	-	7,357,978	-
Net gain on trading and foreign exchange transactions	44	-	6,816,701	-	6,579,982
Net gain on investments	45	1,702,713	5,382,879	1,735,906	4,741,734
Net gain on sale of investment in subsidiary	12.2	-	24,023,848	-	61,899,788
Share of (loss) profit from investment in associate		(78,147)	30,756	-	-
Dividend income		155,445	627,337	2,352,087	2,217,863
Net earned insurance premiums		-	34,950,839	-	-
Other operating income		1,840,401	540,736	1,725,760	373,031
Total operating income		144,767,714	201,444,739	142,791,226	197,292,446
Net insurance claims		-	35,346,903	-	-
Net operating income		144,767,714	166,097,836	142,791,226	197,292,446
Other operating expenses					
Employee expenses		31,344,248	33,280,574	28,223,115	29,803,086
Directors' remuneration		116,654	105,370	100,240	89,680
Premises and equipment expenses		12,749,328	13,894,163	12,199,754	12,902,297
Taxes and duties		3,846,614	4,626,728	3,833,395	4,362,186
Other expenses	46	16,273,381	18,630,978	18,203,982	20,656,435
Total operating expenses		64,330,225	70,537,813	62,560,486	67,813,684
Expected credit loss	47	46,649,468	-	46,299,044	-
Impairment loss on loans and debt securities	48	-	36,210,938	-	36,236,999
Profit from operations before income tax expenses		33,788,021	59,349,085	33,931,696	93,241,763
Income tax expenses	20	6,794,329	19,098,182	6,156,341	17,792,258
<b>Net profit</b>		<b>26,993,692</b>	<b>40,250,903</b>	<b>27,775,355</b>	<b>75,449,505</b>

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

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

	Note	Consolidated		The Bank		
		For the year ended 31 December		For the year ended 31 December		
		2020	2019	2020	2019	
(in thousand Baht)						
<b>Other comprehensive income (loss)</b>						
<i>Items that will be reclassified subsequently to profit or loss</i>						
Losses on investments in debt instruments at fair value						
through other comprehensive income		(423,251)	-	(423,251)	-	
Gains on remeasuring available-for-sale investments		-	21,921,022	-	5,432	
Gains (losses) arising from translating the financial statements						
of foreign operations		2,993	(187,958)	17,937	-	
Changes in hedge reserve		-	3,287,789	-	-	
Income tax relating to components of other comprehensive income						
(loss) will be reclassified subsequently to profit or loss	20	84,650	(5,041,433)	84,650	(1,087)	
		<u>(335,608)</u>	<u>19,979,420</u>	<u>(320,664)</u>	<u>4,345</u>	
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Gains on investments designated at fair value through						
other comprehensive income		178,859	-	178,859	-	
Changes in revaluation surplus		(29,895)	-	-	-	
Actuarial (losses) gains on defined benefit plans	25	(1,779,674)	59,643	(1,731,587)	-	
Income tax relating to components of other comprehensive income						
(loss) will not be reclassified subsequently to profit or loss	20	326,142	(11,929)	310,546	-	
		<u>(1,304,568)</u>	<u>47,714</u>	<u>(1,242,182)</u>	<u>-</u>	
		<u>(1,640,176)</u>	<u>20,027,134</u>	<u>(1,562,846)</u>	<u>4,345</u>	
<b>Total other comprehensive (loss) income, net of income tax</b>		<b><u>25,353,516</u></b>	<b><u>60,278,037</u></b>	<b><u>26,212,509</u></b>	<b><u>75,453,850</u></b>	
<b>Total comprehensive income</b>						
Net profit (loss) attributable to:						
Owners of the company		27,217,602	40,436,350	27,775,355	75,449,505	
Non-controlling interests		(223,910)	(185,447)	-	-	
Total comprehensive income (loss) attributable to:						
Owners of the company		25,574,896	60,299,779	26,212,509	75,453,850	
Non-controlling interests		(221,380)	(21,742)	-	-	
Earnings per share of the parent company						
Basic earnings per share ( <i>in Baht</i> )	49	<u>8.01</u>	<u>11.90</u>	<u>8.17</u>	<u>22.20</u>	

(Mr. Arthid Nanthawithaya)

CEO &amp; Chairman of Executive Committee

## Consolidated

## Other reserves

Year ended 31 December 2020												
Balance at 31 December 2019 - as reported	36,107	33,955,815	14,121	11,110,070	1,089,304	-	(530,055)	-	15,640,686	16,169,935	7,000,000	332,071,783
Impact of changes in accounting policies	-	-	-	-	(1,059,304)	1,172,391	-	1,243,267	-	1,356,554	-	274,161
Balance at 1 January 2020 restated	36,107	33,955,815	14,121	11,110,070	-	1,172,391	(530,055)	1,243,267	15,640,686	17,526,289	7,000,000	332,345,944
Dividend paid	32	-	-	-	-	-	-	-	-	-	(16,146,63)	(16,146,63)
Conversion of preferred shares to common shares	(92)	92	(36)	36	-	-	-	-	-	-	-	-
Liquidation of subsidiary	-	-	-	-	-	-	-	-	-	12,827	12,827	(118)
Capital contribution from a non-controlling interest of a newly incorporated subsidiary	-	-	-	-	-	-	-	-	-	-	-	132,000
Net profit/(loss)	-	-	-	-	-	-	-	-	-	27,217,602	27,217,602	(223,910)
Other comprehensive income/(loss)	-	-	-	-	(338,601)	1,256	143,088	(23,916)	(218,173)	-	(1,424,333)	(1,642,706)
Total comprehensive income/(loss)	-	-	-	-	(338,601)	1,256	143,088	(23,916)	(218,173)	-	25,793,069	25,574,896
Transfer to retained earnings	-	-	-	-	-	-	(56,420)	(344,699)	(401,119)	-	-	-
Balance at 31 December 2020	36,015	33,955,907	14,085	11,110,006	-	833,790	(528,799)	1,329,935	15,272,071	16,906,597	7,000,000	342,406,796

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Statement of changes in equity**

**Consolidated**

	Other reserves									
	Issued and paid-up share capital	Premium on share capital	Gains (losses) on retranslating the financial statements of available-for-sale investments	Changes in valuation reserve	Changes in surplus	Others	Total other reserves	Legal reserve	Retained earnings	Total
	Preferred shares	Common shares	Preferred shares	Common shares	Hedge reserve			Unappropriated	the company	owners of controlling interests
	<i>Note</i>									Total
<b>Year ended 31 December 2019</b>	<b>37,183</b>	<b>33,954,739</b>	<b>14,541</b>	<b>11,109,650</b>	<b>1,736,380</b>	<b>(345,268)</b>	<b>588,419</b>	<b>16,053,559</b>	<b>(2,364,511)</b>	<b>15,668,579</b>
<b>Balance at 1 January 2019</b>										
Dividend paid	32	-	-	-	-	-	-	-	(18,695,557)	-
Conversion of preferred shares to common shares		(1,076)	1,076	(420)	420	-	-	-	-	(18,695,557)
Liquidation of subsidiaries		-	-	-	-	-	-	-	-	-
Change in non-controlling interests without a change in control		-	-	-	-	-	-	-	(7,316)	(435)
Change in ownership interests in subsidiary with a loss in control		-	-	-	(18,068,789)	-	(3,196,882)	(5,340)	2,764,511	(18,906,500)
Net profit (loss)		-	-	-	-	-	-	-	40,436,350	40,436,350
Other comprehensive income (loss)		-	-	17,391,713	(184,787)	2,608,463	-	19,815,389	-	19,863,429
<b>Total comprehensive income (loss)</b>		-	-	<b>17,391,713</b>	<b>(184,787)</b>	<b>2,608,463</b>	<b>-</b>	<b>19,815,389</b>	<b>-</b>	<b>48,040</b>
Transfer to retained earnings		-	-	-	-	-	(407,533)	-	407,533	-
<b>Balance at 31 December 2019</b>	<b>36,607</b>	<b>33,955,815</b>	<b>14,121</b>	<b>11,100,070</b>	<b>1,459,304</b>	<b>(530,055)</b>	<b>15,648,686</b>	<b>-</b>	<b>16,169,335</b>	<b>7,000,000</b>
<b>Balance at 31 December 2019</b>										

The Siam Commercial Bank Public Company Limited and its Subsidiaries  
Statement of changes in equity

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries  
Statement of changes in equity

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(Mr. Arthid Nanthawithaya)

CEO & Chairman of Executive Committee

The accompanying notes form an integral part of the financial statements

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

**Statement of cash flows**

	<b>Consolidated</b>		<b>The Bank</b>	
	For the year ended		For the year ended	
	31 December		31 December	
	2020	2019	2020	2019
<i>(in thousand Baht)</i>				
<b>Cash flows from operating activities</b>				
Profit from operating before income tax expense	33,788,021	59,349,085	33,931,696	93,241,763
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>				
Depreciation and amortisation	10,171,344	6,063,727	9,707,606	5,756,554
Expected credit loss	49,907,274	-	49,555,821	-
Impairment loss on loans and debt securities	-	39,465,944	-	39,492,005
Impairment loss on properties for sale	1,566,315	209,811	1,566,315	146,326
Impairment loss on premises and equipment	241,220	-	241,220	-
Provisions expense	4,035,725	1,582,425	3,536,049	1,775,749
Gain on sale of premises and equipment	(6,547)	(11,892)	(6,547)	(11,735)
Loss from write-off of premises and equipment	218,038	83,989	215,789	79,334
(Gain) loss from sale of properties for sale	(1,013,599)	797,192	(1,013,599)	797,232
Net unrealised gain on financial instruments	(11,410,464)	-	(11,140,091)	-
Net loss on trading and foreign exchange transaction	-	19,810,689	-	20,283,328
Net gain on investments	(1,702,713)	(5,382,879)	(1,735,906)	(4,741,734)
Net gain on sale of investment in subsidiary	-	(24,023,848)	-	(61,899,788)
Share of loss (profit) from investment in associate	78,147	(30,756)	-	-
Net interest income	85,872,761	97,913,487	84,858,353	94,919,034
Dividend income	(96,898,918)	(99,401,545)	(96,589,727)	(90,633,039)
Proceeds from interest	(155,445)	(627,337)	(2,352,087)	(2,217,863)
Interest paid	107,140,204	137,119,241	106,763,134	125,714,196
Proceeds from dividend	(26,768,443)	(34,056,597)	(26,660,329)	(34,054,968)
Income tax paid	155,693	646,024	2,352,012	2,474,282
Profit from operating before changes in operating assets and liabilities	(20,660,020)	(11,224,200)	(20,015,139)	(8,500,374)
(Increase) decrease in operating assets	48,685,832	90,369,073	48,356,217	87,701,268
Interbank and money market items	(114,012,703)	(69,058,619)	(111,827,788)	(65,105,374)
Derivative assets	(18,397,660)	(47,502,011)	(18,531,538)	(46,213,750)
Investment in short-term securities	18,116,200	(14,132,432)	20,934,013	(14,022,028)
Loans to customers	(167,327,124)	(26,944,943)	(166,892,133)	(26,570,890)
Properties for sale	7,226,425	10,009,782	7,226,425	10,159,119
Other assets	(16,956,312)	(5,967,349)	(18,141,553)	(2,386,526)
<i>Increase (decrease) in operating liabilities</i>				
Deposits	261,030,230	(205,355)	273,290,669	(447,210)
Interbank and money market items	52,646,807	3,315,580	52,488,541	271,798
Liability payable on demand	(1,529,307)	(2,147,926)	(1,527,868)	(2,148,335)
Financial liabilities measured at fair value through profit or loss	(14,564)	-	-	-
Liabilities to deliver security	-	17,191	-	-
Derivative liabilities	17,178,497	25,967,327	17,632,046	25,586,308
Short-term debt issued and borrowings	(12,653,133)	(34,490,687)	(11,490,646)	(34,564,020)
Liabilities under insurance contracts	-	8,367,474	-	-
Other liabilities	(13,041,593)	36,208,076	(13,087,494)	29,926,870
<b>Net cash from (used in) operating activities</b>	<b>60,951,595</b>	<b>(26,194,819)</b>	<b>78,428,891</b>	<b>(37,812,770)</b>

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

**Statement of cash flows**

Note	Consolidated		The Bank	
	For the year ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
(in thousand Baht)				
<b>Cash flows from investing activities</b>				
Acquisition of instruments measured at fair value through other comprehensive income				
	(424,564,645)	-	(424,560,152)	-
Acquisition of available-for-sale securities				
	-	(289,452,773)	-	(289,452,773)
Proceeds from sale of instruments measured at fair value through other comprehensive income				
	393,056,095	-	393,056,095	-
Proceeds from sale of available-for-sale securities				
	-	250,943,397	-	270,714,376
Acquisition of instruments at amortised cost				
	(554,756)	-	(545,178)	-
Acquisition of held-to-maturity securities				
	-	(593,002)	-	(593,002)
Proceeds from redemption of instruments at amortised cost				
	1,053,903	-	1,053,903	-
Proceeds from redemption of held-to-maturity securities				
	-	10,973,407	-	3,112,997
Acquisition of general securities				
	-	(2,323,366)	-	(2,318,648)
Proceeds from sale of general investments				
	-	54,939	-	54,939
Acquisition of investments in subsidiaries				
	-	-	(18,292,500)	(348,000)
Proceeds from disposal of subsidiaries				
12.2	-	74,440,000	351,665	74,440,000
Proceeds from liquidation of subsidiaries				
	28,612	77,319	28,612	77,319
Acquisition of premises and equipment				
	(902,014)	(1,426,230)	(756,952)	(1,330,329)
Proceeds from sale of premises and equipment				
	59,824	169,842	39,105	10,070
Acquisition of intangible assets				
	(3,120,464)	(6,018,224)	(2,793,392)	(5,510,971)
Proceeds from sale of intangible assets				
	-	56,899	-	56,899
<b>Net cash (used in) from investing activities</b>				
	<b>(34,943,445)</b>	<b>36,902,208</b>	<b>(52,418,794)</b>	<b>48,912,877</b>
<b>Cash flows from financing activities</b>				
Proceeds from long-term debt issued				
	192,025	32,459,840	192,025	32,459,840
Repayment of long-term debt issued				
	(3,051,982)	(23,872,875)	(3,051,982)	(23,872,875)
Proceeds from long-term borrowings				
	7,270	116,203	7,270	116,203
Repayment of long-term borrowings				
	(89,864)	(80,755)	(89,864)	(80,755)
Repayment of long-term debenture				
	-	(20,000)	-	(20,000)
Payment of lease liabilities				
	(3,038,045)	-	(2,861,031)	-
Dividend paid to equity holders of the Bank				
32	(16,146,163)	(18,695,557)	(16,146,163)	(18,695,557)
Capital contribution from a non-controlling interest of a newly incorporated subsidiary				
	132,000	72,000	-	-
<b>Net cash used in financing activities</b>				
	<b>(21,994,759)</b>	<b>(10,021,144)</b>	<b>(21,949,745)</b>	<b>(10,093,144)</b>
Losses (gains) arising from translating the financial statements of foreign operations				
	2,993	(187,958)	17,937	-
<b>Net increase in cash</b>				
	<b>4,016,384</b>	<b>498,287</b>	<b>4,078,289</b>	<b>1,006,963</b>
<b>Cash at 1 January</b>				
	<b>47,615,159</b>	<b>47,116,872</b>	<b>47,450,329</b>	<b>46,443,366</b>
<b>Cash at 31 December</b>				
	<b>51,631,543</b>	<b>47,615,159</b>	<b>51,528,618</b>	<b>47,450,329</b>

(Mr. Arthid Nanthawithaya)  
CEO & Chairman of Executive Committee

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 18 February 2021.

## **1 General information**

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

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

The principal activities of the Bank are the provision of financial products and services through its Head Office and branch network in Thailand, its branches in Singapore, Hong Kong, Laos, Vietnam, China and Cayman Islands and its subsidiaries in Thailand, Singapore, Cambodia and Myanmar. Details of the Bank’s subsidiaries as at 31 December 2020 and 2019 are given in note 12.

## **2 Basis of preparation of the financial statements**

### **2.1 Statement of compliance**

The financial statements are prepared in accordance with Thai Financial Reporting Standards (“TFRS”), guidelines promulgated by the Federation of Accounting Professions and applicable rules and regulations of the Thai Securities and Exchange Commission; and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 21/2561 dated 31 October 2018, regarding to *Preparation and Announcement of Financial Statements of a Commercial Bank and a Holding Company that is the Parent Company of a Financial Group*.

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

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

- (1) The application of new TFRS;
- (2) The application of BoT’s notification number Sor Nor Sor 6/2563 dated 24 March 2020, regarding to *The investment in unit trust of fixed income fund for enhancing the liquidity of the money market*; and

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

Under the COVID-19 related circular, the BoT announced to support financial institution to proactively reschedule and restructure with the affected borrowers (both pre-emptive and trouble debt restructuring). Furthermore, BoT announced relief measures for financial institutions to classify loan's staging between 1 January 2020 to 31 December 2021 as follows:

- Non-NPL customer as of 1 January 2020 can be classified as performing or stage 1 immediately if the Bank believes that such customer can perform according to the restructuring plans.
- NPL customers as of 1 January 2019 can be classified as performing, or stage 1, immediately if they can adhere to repayment schedule specified in the restructuring plans for 3 consecutive months or 3 consecutive periods, whichever is longer.

During the year, Government of Thailand and the BoT also provided additional relief measures which are intended to help borrowers and industries that are affected by COVID-19 and Thai economic situations. Other significant relief measures include but not limited to the following:

- Granting 3 to 6 months principal and/or interest payment holiday
- Reduction of minimum credit card payment
- Providing soft loans programs through BoT and Government Savings Bank (GSB)
- Reduction of interest rate ceiling by 2 - 4% per annum for credit cards and personal loans.

As at 31 December 2020, approximately 18% of the Bank and its subsidiaries' loans to customers were under the financial relief program including in various segments and industries.

In addition, the Bank and its subsidiaries have not early adopted a number of new and revised TFRS, which are not yet effective for the current period in preparing these financial statements. The Bank and its subsidiaries have assessed the potential initial impact on the financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

**2.2 Functional and presentation currency**

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

**2.3 Use of judgments and estimates**

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

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**2.3.1 Judgments**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note 2.1	The application of BoT's COVID-19 related circular on loan staging relief measures. Non-NPL customer as of 1 January 2020 can be classified as performing or stage 1 immediately if the Bank believes that such customer can perform according to the restructuring plans.
Note 4.3.1.5, 5.1 and 14	Determining the criteria for assessing if there has been a significant increase in credit risk and expected credit loss models, including the choice of inputs relating to macroeconomic variables. This also involves expert credit judgment used by management in conjunction with internal and external information; and
Note 9, 10, 11 and 29	Determining the criteria for selecting the most appropriate fair value measurement approach and technique for financial instruments with significant unobservable inputs.

**2.3.2 Assumptions and estimation uncertainties**

Information about assumption and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 4.3.1.5, 5.1 and 14	Impairment of financial instruments: determination of inputs into the ECL measurement models and management overlay, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information; and
Note 9, 10, 11 and 29	Measurement of the fair value of financial instruments with significant unobservable inputs.

**3 Changes in accounting policies**

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

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

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**3.1 TFRS - Financial instruments standards**

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

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. The details of accounting policies are disclosed in note 4.

**3.1.1 Classification and measurement of financial assets and financial liabilities**

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

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

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

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

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

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

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

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

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*3.1.2 Impairment of financial assets*

TFRS 9 introduces lifetime expected credit loss (ECL) model whereas previously the Bank and its subsidiaries estimate allowance for doubtful account by analysing payment histories, future expectation of customer payment and compliance with the minimum allowance for doubtful accounts required based on the BoT's guideline. TFRS 9 requires considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets that are not measured at FVTPL consisted with financial assets that are debt instrument, lease receivables, financial guarantee and loan commitment issued except for investments in equity instruments.

The Bank and its subsidiaries have determined that the application of TFRS 9's impairment requirements at 1 January 2020 results in remeasurement and additional allowance for expected credit loss as follows:

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

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

*3.1.3 Derivative and hedge accounting*

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

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

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

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

**3.2 TFRS 16 Leases**

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

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

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

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

<i>Impact from the adoption of TFRS 16</i>	<b>Consolidated</b>	<b>The Bank</b>
	<i>(in million Baht)</i>	
<i>At 1 January 2020</i>		
Increase in premises and equipment	4,365	4,046
Increase in other liabilities	4,365	4,046
Incremental borrowing rate (% per annum)	2.0 - 5.3	2.0 - 3.1

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**4 Significant accounting policies**

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

**4.1 Basis of consolidation**

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the “Bank and its subsidiaries”) and the Bank and its subsidiaries’ interest in associate.

*Business combinations*

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

The acquisition date is the date on which control is transferred to the acquirer.

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

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

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

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

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

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

*Step acquisition*

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

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*Acquisitions from entities under common control*

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

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

*Subsidiaries*

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

*Non-controlling interests*

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

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

*Loss of control*

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

*Interests in equity-accounted investees*

The Bank and its subsidiaries' interests in equity-accounted investees comprise interests in associate.

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

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

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*Transactions eliminated on consolidation*

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

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

**4.2 Cash**

Cash includes cash in hand and cash on collection.

**4.3 Financial instruments**

**4.3.1 Accounting policies applicable from 1 January 2020**

**4.3.1.1 Recognition and initial measurement**

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

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

**4.3.1.2 Classification and subsequent measurement**

*Classification of financial assets*

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

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

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Bank and its subsidiaries may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Business model assessment of financial assets*

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

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

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Bank and its subsidiaries' continuing recognition of the assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

For the purposes of this assessment,

- “Principal” is defined as the fair value of the financial asset on initial recognition.
- “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

*Subsequent measurement and gains and losses of financial assets*

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI These assets are subsequently measured at fair value. Interest income, calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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*Classification, subsequent measurement and gains and losses of financial liabilities*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Bank and its subsidiaries record their obligations to return borrowed collateral, in the form of securities for private repurchase or securities borrowing and lending transactions where these securities are used to further borrow or lend in other transactions in financial liabilities measured at FVTPL.

*Reclassification*

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

*4.3.1.3 Derecognition*

*Derecognition of financial assets*

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

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

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

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

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

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

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

*Derecognition of financial liabilities*

The Bank and its subsidiaries derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Bank and its subsidiaries also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

*4.3.1.4 Modifications of financial assets and financial liabilities*

*Modifications of financial assets*

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

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

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

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

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

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

#### *Modifications of financial liabilities*

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

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

#### *4.3.1.5 Impairment of financial assets*

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

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

No impairment loss is recognised on equity investments.

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*Measurement of ECL*

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

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

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

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

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

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

Cash shortfalls are discounted using the effective interest rate.

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

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

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

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

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

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

- *Performing (Stage 1)*

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

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

- *Under-performing (Stage 2)*

When financial assets have an SICR since initial recognition, expected credit losses are recognised for possible default events over the lifetime of the financial assets. The Bank and its subsidiaries consider reasonable and supportable information that is relevant and available without undue cost or effort when assessing SICR. This includes both quantitative and qualitative information and analysis, based on the Bank and its subsidiaries’ historical experience and expert credit assessment and including forward-looking information.

Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk.

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

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

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

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- *Non-performing (Stage 3)*

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

Inputs into the assessment of whether a financial instrument is in default and their significant change may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Bank and its subsidiaries for regulatory capital purposes.

The Bank and its subsidiaries consider both qualitative and quantitative factors when determining a financial asset to be in default which can be evidenced by the observable data but not limited to the following events:

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

For individual qualitative consideration of large corporate loans that are credit-impaired, there will be additional procedures where the Bank's Special Business Function consolidates and presents the qualitative information and/or expected credit loss to the Quality Credit Assessment Committee to review and propose to the Credit Committee for approval for such staging and/or expected credit losses.

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

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

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

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

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

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

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

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, these factors must be resolved or operating results must be met by the conditions set by the Bank and its subsidiaries before loans are reclassified to stage 1.

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

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

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

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*Financial guarantee contracts held*

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

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

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

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

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

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

*Presentation of allowance for ECL in the statement of financial position*

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, the Bank and its subsidiaries separately present ECL of drawn component by deducting from the gross carrying amount while ECL of undrawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the other reserves.

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*Write-off of credit impaired instruments and reversal of impairment*

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

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

**4.3.1.6 Derivatives and hedge accounting**

*Derivatives held for risk management purposes and hedge accounting*

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

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

These hedging relationships are described below:

*Fair value hedges*

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

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

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

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

*Cash flow hedges*

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

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

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

**4.3.1.7 Securities purchased under reverse sale-and-repurchase agreements / Securities sold under sale-and-repurchase agreements**

The Bank and its subsidiaries enter into agreements to purchase securities or to sell securities back at certain dates in the future at fixed prices. Amounts paid for securities purchased subject to a resale commitment are presented as assets under the caption of "Interbank and money market items, net (assets)" or "Loans to customers", depending upon the type of its counterparty, in the statements of financial position, and the underlying securities are treated as collateral to such receivables. Securities sold subject to repurchase commitments are presented as liabilities under the caption of "Interbank and money market items (liabilities)" or "Debt issued and borrowings, net", depending upon the type of its counterparty, in the statements of financial position, at the amounts received from the sale of those securities, and the underlying securities are treated as collateral. The difference between the purchase and sale considerations is recognised as interest income or expenses, as the case may be, over the transaction periods.

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**4.3.2 Accounting policies applicable before 1 January 2020**

*Initial recognition*

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

**4.3.2.1 Investments**

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

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

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments are stated at fair value, with the valuation surplus or deficit on investments presented as a component of total shareholders' equity until realised upon disposition or sale of the underlying securities.

Debt securities that the Bank and its subsidiaries have the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at AMC, less impairment losses, if any. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in shareholders' equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

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

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

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

*Impairment of available-for-sale investments*

When a decline in the fair value of an available-for-sale investments has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit

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or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

*Calculation of recoverable amount*

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

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

*Reversal of impairment*

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

*Disposal of investments*

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

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

**4.3.2.2 Loans**

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

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

**4.3.2.3 Allowance for doubtful accounts**

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

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

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

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

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

#### *4.3.2.4 Troubled debt restructuring*

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

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

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

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

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

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**4.3.2.5 Derivatives**

Recognition of derivatives is as follows:

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

Derivatives for hedging: gains or losses resulting from the changes in fair values of contracts are recognised in accordance with the standard accounting treatment for income or expenses on hedged items as follows:

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

**4.3.2.6 Hedging**

*Cash flow hedges*

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

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

**4.4 Investments in subsidiaries and associate**

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

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

*Disposal of investments in the Bank's financial statements*

On disposal of an investment, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

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**4.5 Properties for sale**

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

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

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

**4.6 Premises and equipment**

*Recognition and measurement*

*Owned assets*

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

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

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

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

*Revalued assets*

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

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

*Reclassification to investment properties*

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

*Subsequent costs*

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

*Depreciation*

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

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

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

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

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

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**4.7 Goodwill and other intangible assets**

*Goodwill*

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

*Research and development*

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

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

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

*Other intangible assets*

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

*Subsequent expenditure*

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

*Amortisation*

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

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

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

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

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**4.8 Impairment of non-financial assets**

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

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

*Calculation of recoverable amount*

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

*Reversals of impairment*

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

**4.9 Liabilities to deliver security**

Liabilities to deliver security represents the Bank and its subsidiaries' liability to return collateral, in the form of securities for private repurchase or securities borrowing and lending transactions where these securities are used to further borrow or lend in other transactions.

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

**4.10 Contract liabilities**

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

**4.11 Employee benefits**

*Defined contribution plans*

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

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*Defined benefit plans*

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

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

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

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

*Other long-term employee benefits*

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

*Termination benefits*

Termination benefits are expensed when the Bank and its subsidiaries can no longer withdraw the offer of those benefits. Termination benefits are discounted.

*Short-term employee benefits*

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

**4.12 Provisions**

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

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##### **4.13 Fair value measurement**

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank and its subsidiaries have access at that date.

A number of the Bank and its subsidiaries accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Bank and its subsidiaries measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank and its subsidiaries use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank and its subsidiaries measure assets at a bid price and liabilities at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank and its subsidiaries determine that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

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

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Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

The Bank and its subsidiaries recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

**4.14 Share capital**

*Preferred shares*

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

*Common shares*

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

**4.15 Interest**

**4.15.1 Accounting policies applicable from 1 January 2020**

*Effective interest rate*

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

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

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

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

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

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*Calculation of interest income and expense*

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

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

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

**4.15.2 Accounting policies applicable before 1 January 2020**

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

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

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

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

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

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**4.16 Fee and service income**

**4.16.1 Accounting policies applicable from 1 January 2020**

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

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

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

**4.16.2 Accounting policies applicable before 1 January 2020**

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

**4.17 Long-term advances received from customer**

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

**4.18 Dividend income**

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

**4.19 Net gain on financial instruments measured at FVTPL**

Net gain on financial instruments comprises gains less losses related to trading, fair value changes, transfer of financial assets measured at FVTPL or foreign exchange differences.

**4.20 Contributions to the Deposit Protection Agency and Financial Institutions Development Fund**

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

**4.21 Offsetting**

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

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**4.22 *Financial guarantee and loan commitments***

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

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

**4.23 *Income tax***

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

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

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

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

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

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

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

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

**4.24 Earnings per share**

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

**4.25 Related parties**

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

**4.26 Segment reporting**

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

**4.27 Foreign currency**

*Foreign currency transactions*

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

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

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

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

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

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*Foreign operations*

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

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

**4.28 Leases**

**4.28.1 Accounting policies applicable from 1 January 2020**

At inception of a contract, the Bank and its subsidiaries assesses whether a contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset, the Bank and its subsidiaries uses the definition of a lease in TFRS 16.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the Bank and its subsidiaries allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank and its subsidiaries has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

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

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

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

*As a lessor*

At inception or on modification of a contract that contains a lease component and one or more additional lease or non-lease components, the Bank and its subsidiaries allocates the consideration in the contract to each component on the basis of their relative standalone prices.

When the Bank and its subsidiaries acts as a lessor, it determines at lease inception whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

When the Bank and subsidiaries are an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Bank and its subsidiaries apply the exemption, then it classifies the sub-lease as an operating lease.

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

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

**4.28.2 Accounting policies applicable before 1 January 2020**

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

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

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*Determining whether an arrangement contains a lease*

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

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

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

*Premium written and premium earned*

*Short-term insurance contracts*

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

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

*Long-term insurance contracts*

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

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

*Commissions and brokerage expenses*

Commissions and brokerage expenses are recognised as expenses when incurred.

*Benefits and claims expenses*

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

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##### *Reinsurance*

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

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

## 5 Financial risk management

##### *Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Bank and its subsidiaries' risk management framework. The Board has established at the Bank and, to the extent required, at its subsidiaries, the sub-board committees, e.g. Risk Oversight Committee, Executive Committee, Audit Committee and Technology Committee, which are collectively responsible for developing, implementing and monitoring the Bank and its subsidiaries' risk management policies in specified areas.

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

The Bank's Audit Committee is responsible for reviewing the adequacy of the Bank's internal control as well as the effectiveness of the Bank and its subsidiaries risk management implementation. The Bank's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

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

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

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**5.1 Credit risk**

Credit risk is the risk arising from a borrower and/or counterparty to financial instruments fails to meet its contractual obligations or to comply with conditions or contracts. Credit risk covers all types of financial products: transactions on-financial reporting such as loans, overdrafts, bills of exchange and other types of debts; and those off-financial reporting such as derivatives trading, letters of guarantee etc.

The Bank and its subsidiaries have significant credit risk management policies and frameworks which have been approved by the Board of Directors. For example:

- Credit Policy Guide
- Asset Classification and Provisioning for Financial Asset and Obligations that may be irrevocable and Write Off Policy
- Collateral and NPA Appraisal Policy
- Counterparty Risk Management Policy
- Country Risk Management Policy
- Model Risk Management Policy
- TFRS 9 Governance Policy

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

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

*Credit approval / credit review*

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

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

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

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

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

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

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

### **5.1.1 Maximum Exposure to Credit Risk**

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

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

	<b>Consolidated</b>			
	<b>Carrying amount</b>		<b>Average</b>	
	2020	2019	2020	2019
(in million Baht)				
<b>Credit risk exposure of on-financial reporting items*</b>				
Interbank and money market items, net	547,504	433,510	535,242	398,003
Derivative assets	86,830	63,132	83,880	56,209
Loans to customers and accrued interest receivables, net	2,130,308	2,002,461	2,042,493	2,033,627
Government and state enterprise securities	287,600	288,426	270,210	362,674
Corporate debt instruments	7,113	4,580	13,145	19,022
Foreign debt instruments	32,424	11,213	24,058	14,694
<b>Credit risk exposure of off-financial reporting items</b>				
Financial guarantee contracts	216,276	211,773	222,468	221,180
Unused bank overdrafts	201,324	184,954	195,744	186,246
Loan commitments	47,622	46,694	49,531	44,552
<b>Total maximum credit risk exposure</b>	<b><u>3,557,001</u></b>	<b><u>3,246,743</u></b>	<b><u>3,436,771</u></b>	<b><u>3,336,207</u></b>

\* The exposure to credit risk is net of allowance for expected credit loss

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

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**5.1.2 *Collateral held and other credit enhancements***

The Bank and its subsidiaries hold collateral and other credit enhancements against certain of its credit exposures. The main types of collateral held by the Bank and its subsidiaries are land, building and financial securities. Upon granting credit decision, the Bank assesses the Loss Given Default (LGD), which is dependent on loan-to-value (LTV) ratio (ratio of the gross amount of loan to the value of collateral). The value of collateral is appraised and reviewed in accordance to risk of each collateral type and staging of the borrowers. This will be appraised by either internal collateral valuation experts or external collateral valuation experts (approved by Securities Exchange Commission (SEC)) which is approved by the Collateral Appraisal Committee to ensure that the value is reliable and up to date. The collateral value used also takes into account the expected loss from legal execution and public auction, which vary based on risk of each collateral type. The Bank also set up a discount rate based on collateral type to calculate LTV ratio. According to the underwriting criteria, higher the risk of the customer, higher amount of collateral will be required. It would help to offer the risk of the customers in the view of risk-return of the program, or the Bank may lower the credit limit to an appropriate risk level.

*Derivatives and reverse sale-and-repurchase agreements*

The Bank and its subsidiaries mitigate the credit risk of derivative transactions and reverse sale-and-repurchase agreements by entering into master netting agreements and the bank's counterparty collateral agreement, of which collateral are held in the form of cash and marketable securities. Quantification of the collateral arrangements relating to these transactions is disclosed in note 28.

*Residential mortgage loans*

Mortgage loans is one of the types of loans, which is secured by collateral. However, the level of required collateral might be different by customer characteristics. Moreover, the BoT also considers LTV as one of the factors to calculate the Risk Weighted Asset (RWA) for Standardised Approach. The Bank manages the risk of higher LTV by allowing loans to customers who have a good scorecard rating.

As at 31 December 2020, consolidated and the Bank's LTV ratio of mortgage loan is approximately 71% (2019: 70%).

*Loans to corporate customers*

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

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

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**5.1.3 Information relating to ECL**

Inputs, assumptions and techniques used for estimating ECL are disclosed in note 4.3.1.5

*Incorporation of forward-looking information*

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

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

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

Scenario probability weighting	Consolidated 31 December 2020			The Bank 31 December 2020		
	Upside	Base	Downside	Upside	Base	Downside
	20	60	20	20	60	20

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

The future uncertain events from the impact of the COVID-19 are partly reflected in the forward-looking information of the Bank and its subsidiaries' ECL models since this impact remains uncertain and represents a material downside risk to the economy with mitigation from government and other support measures. The Bank and its subsidiaries apply long-term macroeconomic forward-looking information according to regulatory guidelines, including management overlay as a buffer against economic uncertainty.

*Management Overlay*

Management overlay are adjustment to the ECL balance as part of financial reporting process to reflect late updates adjustment including current market information, known model insufficiencies, expert credit judgment adjustment on forward-looking information, and economic risk.

The Bank and its subsidiaries have internal governance frameworks and controls in place to assess the appropriateness and completeness of management overlay. The aim of the Bank and its subsidiaries is to incorporate the management overlay adjustment to the ECL models, where possible, as part of the periodic model monitoring, model validation, and recalibration procedures.

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The Bank and its subsidiaries monitor the COVID-19 impact on credit risk exposures and uncertainties arising from the COVID-19 situation which could negatively affect the credit quality. As a result, management considered the impact from these uncertain events based on available information for individual customers and industry level and has recorded additional ECL as a management overlay. As at 31 December 2020, management overlay primarily covered macroeconomic downside risks and possible future deterioration in credit risk of loans to customers.

**5.1.4 Concentrations of credit risk**

The Bank and its subsidiaries monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans to customers is given in note 13.2 and 13.4.

**5.1.5 Credit quality analysis**

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

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

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

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

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

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

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Credit quality is ranked from credit grades that are grouped as Strong to Impaired. This quality is used to reflect the ability for customers to meet financial obligation where:

- Strong customers are those that have a good capacity to meet financial obligations.
- Fair customers are those that have a fairly acceptable capacity to meet financial obligations.
- Weak customers are those that have uncertain capability to meet financial obligations.
- Impaired customers are those whose credit were impaired primarily from owing more than 90 days overdue payments or have other indications which reflect the inability to repay.

The following tables set out information about the credit quality as at 31 December 2020 of loans to customers without taking into account collateral or other credit enhancement.

	<b>Consolidated</b>			
	Stage 1	Stage 2 (in million Baht)	Stage 3	Total
<b><i>Loans to customers</i></b>				
Strong	998,965	9,879	-	1,008,844
Fair	753,254	59,687	-	812,941
Weak	205,935	126,060	-	331,995
Impaired	-	-	101,462	101,462
<b>Total</b>	<b><u>1,958,154</u></b>	<b><u>195,626</u></b>	<b><u>101,462</u></b>	<b><u>2,255,242</u></b>

	<b>The Bank</b>			
	Stage 1	Stage 2 (in million Baht)	Stage 3	Total
<b><i>Loans to customers</i></b>				
Strong	997,415	9,879	-	1,007,294
Fair	752,341	59,673	-	812,014
Weak	204,515	125,772	-	330,287
Impaired	-	-	100,333	100,333
<b>Total</b>	<b><u>1,954,271</u></b>	<b><u>195,324</u></b>	<b><u>100,333</u></b>	<b><u>2,249,928</u></b>

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**5.2 Liquidity risk**

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

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

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

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

The Bank has a policy to maintain its daily liquidity ratio at 20% or higher, measured as liquid assets to deposits. As at 31 December 2020, the Bank's liquidity ratio stood at 32.6% of deposits (2019: 31.0%).

The Bank will disclose the Liquidity Coverage Ratio (LCR) information under the BoT notification number Sor Nor Sor 2/2561 dated 25 January 2018, regarding to *Liquidity coverage ratio disclosure standards* as follows:

Location of disclosure	The Bank's website under Investor Relations section at <a href="https://www.scb.co.th/en/investor-relations/financial-information.html">https://www.scb.co.th/en/investor-relations/financial-information.html</a>
Disclosure period requirement	Within 4 months after the year end date as indicated in the BoT's notification.
Latest information as at	30 June 2020

The disclosure for the year ended 31 December 2020 will be provided on or before 30 April 2021 on the Bank's website as noted above.

**Loans to deposits ratio**

As at 31 December 2020, Loans to Deposits Ratio (excluding loans and deposits from financial institutions) was 93.2% in the consolidated financial statements (2019: 97.9%).

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As at 31 December 2020 and 2019, the expected cash flows to maturity counted from the date of statements of financial position (excluding derivatives contractual undiscounted cashflows which are disclosed in note 10) were summarised as follows:

	Consolidated						
	2020						
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	Total
<i>Financial assets</i>							
Cash	-	-	-	-	-	51,632	51,632
Interbank and money market items*	44,770	502,193	10	645	-	-	547,618
Financial assets measured at FVTPL	-	508	6,301	10,489	-	10,735	28,033
Investments, net	-	200,514	103,582	5,541	-	2,159	311,796
Loans to customers	181,231	564,574	762,355	645,620	101,462	-	2,255,242
Accrued interest receivables and undue interest receivables	-	13,198	-	-	1,310	-	14,508
<b>Total financial assets</b>	<b>226,001</b>	<b>1,280,987</b>	<b>872,248</b>	<b>662,295</b>	<b>102,772</b>	<b>64,526</b>	<b>3,208,829</b>
<i>Financial liabilities</i>							
Deposits	1,852,239	551,590	16,626	-	-	-	2,420,455
Interbank and money market items	18,111	122,555	47,629	10,196	-	-	198,491
Debt issued and borrowings	-	5,005	44,645	17,585	-	-	67,235
Other financial liabilities	-	3,081	71	-	-	-	3,152
<b>Total financial liabilities</b>	<b>1,870,350</b>	<b>682,231</b>	<b>108,971</b>	<b>27,781</b>	<b>-</b>	<b>-</b>	<b>2,689,333</b>
<b>Net liquidity gap</b>	<b>(1,644,349)</b>	<b>598,756</b>	<b>763,277</b>	<b>634,514</b>	<b>102,772</b>	<b>64,526</b>	<b>519,496</b>

\* Before deducting allowance for expected credit loss amounting to Baht 114 Million

	Consolidated						
	2019						
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	Total
<i>Financial assets</i>							
Cash	-	-	-	-	-	47,615	47,615
Interbank and money market items*	46,631	385,960	-	1,076	-	-	433,667
Investments, net	1,592	154,267	127,191	22,761	-	6,254	312,065
Loans to customers**	201,193	534,125	673,582	619,675	85,212	-	2,113,787
Accrued interest receivables	-	2,943	3	-	-	-	2,946
<b>Total financial assets</b>	<b>249,416</b>	<b>1,077,295</b>	<b>800,776</b>	<b>643,512</b>	<b>85,212</b>	<b>53,869</b>	<b>2,910,080</b>
<i>Financial liabilities</i>							
Deposits	1,454,491	678,672	26,262	-	-	-	2,159,425
Interbank and money market items	18,828	94,205	23,261	9,550	-	-	145,844
Debt issued and borrowings	-	19,663	42,918	15,371	-	-	77,952
Other financial liabilities	-	5,996	202	-	-	-	6,198
<b>Total financial liabilities</b>	<b>1,473,319</b>	<b>798,536</b>	<b>92,643</b>	<b>24,921</b>	<b>-</b>	<b>-</b>	<b>2,389,419</b>
<b>Net liquidity gap</b>	<b>(1,223,903)</b>	<b>278,759</b>	<b>708,133</b>	<b>618,591</b>	<b>85,212</b>	<b>53,869</b>	<b>520,661</b>

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

\*\* Net of deferred revenue

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<b>The Bank</b> 2020							
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	Total
(in million Baht)							
<b>Financial assets</b>							
Cash	-	-	-	-	-	51,529	51,529
Interbank and money market items*	38,958	500,236	10	-	-	-	539,204
Financial assets measured at FVTPL	-	494	6,109	10,487	-	6,017	23,107
Investments, net	-	200,789	103,582	5,541	-	2,147	312,059
Loans to customers	179,822	562,938	761,541	645,294	100,333	-	2,249,928
Accrued interest receivables and undue interest receivables	-	13,168	-	-	1,277	-	14,445
<b>Total financial assets</b>	<b>218,780</b>	<b>1,277,625</b>	<b>871,242</b>	<b>661,322</b>	<b>101,610</b>	<b>59,693</b>	<b>3,190,272</b>
<b>Financial liabilities</b>							
Deposits	1,861,630	551,524	16,626	-	-	-	2,429,780
Interbank and money market items	18,277	122,258	47,629	10,196	-	-	198,360
Debt issued and borrowings	-	4,571	44,645	17,585	-	-	66,801
Other financial liabilities	-	3,072	71	-	-	-	3,143
<b>Total financial liabilities</b>	<b>1,879,907</b>	<b>681,425</b>	<b>108,971</b>	<b>27,781</b>	<b>-</b>	<b>-</b>	<b>2,698,084</b>
<b>Net liquidity gap</b>	<b>(1,661,127)</b>	<b>596,200</b>	<b>762,271</b>	<b>633,541</b>	<b>101,610</b>	<b>59,693</b>	<b>492,188</b>

\* Before deducting allowance for expected credit loss amounting to Baht 96 million

<b>The Bank</b> 2019							
	At call	Within 1 year	1 - 5 years	Over 5 years	Non- Performing Loans	No maturity	Total
(in million Baht)							
<b>Financial assets</b>							
Cash	-	-	-	-	-	47,450	47,450
Interbank and money market items*	44,245	383,163	-	-	-	-	427,408
Investments, net	1,592	154,547	127,035	22,712	-	4,619	310,505
Loans to customers**	199,909	532,435	672,508	619,675	84,349	-	2,108,876
Accrued interest receivables	-	2,920	-	-	-	-	2,920
<b>Total financial assets</b>	<b>245,746</b>	<b>1,073,065</b>	<b>799,543</b>	<b>642,387</b>	<b>84,349</b>	<b>52,069</b>	<b>2,897,159</b>
<b>Financial liabilities</b>							
Deposits	1,451,285	678,942	26,262	-	-	-	2,156,489
Interbank and money market items	19,001	94,356	22,964	9,550	-	-	145,871
Debt issued and borrowings	-	18,067	42,918	15,371	-	-	76,356
Other financial liabilities	-	5,990	198	-	-	-	6,188
<b>Total financial liabilities</b>	<b>1,470,286</b>	<b>797,355</b>	<b>92,342</b>	<b>24,921</b>	<b>-</b>	<b>-</b>	<b>2,384,904</b>
<b>Net liquidity gap</b>	<b>(1,224,540)</b>	<b>275,710</b>	<b>707,201</b>	<b>617,466</b>	<b>84,349</b>	<b>52,069</b>	<b>512,255</b>

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

\*\* Net of deferred revenue

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**5.3 Market risk**

Market risk is the risk that the Bank and its subsidiaries income and/or shareholders' equity may be affected from the fluctuations of interest rates, foreign exchange rates and equity prices. The Bank and its subsidiaries classify market risk positions into Trading books and Non-Trading book. Trading books comprise trading transactions in the financial markets and short-term positions held for sale and/or trading or arbitrage, while Non-Trading book mainly comprise positions from Interest Rate Risk in Banking Book (IRRBB) and from Investment Risk Management.

The Bank and its Financial Group with material market risk exposures are required to have a Market Risk Policy or Trading Book Policy or Investment Policy for managing market risk. The policies must be submitted to the Group Risk Management Committee for reviewing prior to seek approval from Boards of Directors of respective companies. These policies must be reviewed at least once a year, or when deemed appropriate and/or upon any significant strategic or market change and materially affect these policies' compliance. The Bank and its Financial Group with material market risk exposure are required to set up an independent market risk management function which is responsible for measuring, evaluating, controlling, monitoring, and reporting market risk, as well as ensuring that market risk exposure stays below the predetermined limits.

To manage market risk exposures, the Bank and its Financial Group have adopted appropriate statistical and non-statistical tools for market risk assessment which depend on individual market risk characteristics and market risk positions. These tools include Value-at-Risk (VaR), stress testing, position size, sensitivity analysis, management action trigger, and others.

**5.3.1 Interest rate risk**

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

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

The Bank and its subsidiaries adopts various tools for interest rate risk management which includes risk tolerance limits for both the Trading book and Non-Trading book. For Trading book exposures, there are limits on Value-at-Risk (VaR), sensitivities to yield curve and basis shifts (basis point value), and stress testing. For Non-Trading book exposures, limits are determined based on impact assessment on Net Interest Income (NII) and Economic Value of Equity (EVE).

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As at 31 December 2020 and 2019, the Bank's interest rate risk exposures based on the results of the aforementioned tools are as follows:

*Risk of interest rate portfolio in Trading book*

	The Bank	
	2020	2019
	<i>(in million Baht)</i>	
Aggregate 1-year historical Value-at-Risk (VaR)*	83.0	40.5

\* With 99% confidence level and 1-day holding period (in normal market situations)

The Bank has disclosed the VaR figures for interest rate risk in Trading book at the Bank level only as the VaR for interest rate risk in Trading book of other subsidiaries within its Financial Group are not significant and the exposure at the consolidated level does not materially differ from the Bank level.

*Interest rate risk in Banking book*

Impact on Net interest Income (NII) in the event that interest rates rise by 1%

<i>Currency</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
THB	(2,317)	(1,219)	(2,453)	(1,250)
USD	(66)	(219)	(57)	(222)
EURO and other foreign currencies	158	92	160	92
<b>Total impact on net interest income</b>	<b>(2,225)</b>	<b>(1,346)</b>	<b>(2,350)</b>	<b>(1,380)</b>
<b>Change in net interest income (%)</b>	<b>(2.40)</b>	<b>(1.40)</b>	<b>(2.55)</b>	<b>(1.43)</b>

Impact on Economic Value of Equity (EVE) in the event that interest rates rise by 1%

<i>Currency</i>	Consolidated		The Bank	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
THB	(17,679)	(14,369)	(17,674)	(14,369)
USD	52	(334)	61	(334)
EURO and other foreign currencies	(9)	(7)	(4)	(7)
<b>Total impact on economic value of equity</b>	<b>(17,636)</b>	<b>(14,710)</b>	<b>(17,617)</b>	<b>(14,710)</b>
<b>Change in total capital (%)</b>	<b>(4.40)</b>	<b>(3.92)</b>	<b>(4.41)</b>	<b>(4.33)</b>

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*Interest rate repricing analysis*

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

	Consolidated							Total	
	2020								
	At call	3 months	Repricing within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non- Performing Loans	Non- interest bearing		
<b>Financial assets</b>									
Cash	-	-	-	-	-	-	51,632	51,632	
Interbank and money market items *	9,198	501,520	2,596	10	-	-	34,294	547,618	
Financial assets measured at FVTPL	-	9	499	6,301	10,489	-	10,735	28,033	
Investments, net	-	119,709	80,805	103,582	5,541	-	2,159	311,796	
Loans to customers	976,594	481,950	191,301	437,850	66,085	101,462	-	2,255,242	
<b>Total financial assets</b>	<b>985,792</b>	<b>1,103,188</b>	<b>275,201</b>	<b>547,743</b>	<b>82,115</b>	<b>101,462</b>	<b>98,820</b>	<b>3,194,321</b>	
<b>Financial liabilities</b>									
Deposits	1,773,785	256,710	285,258	11,937	-	-	92,765	2,420,455	
Interbank and money market items	10,768	127,362	9,770	43,276	196	-	7,119	198,491	
Debt issued and borrowings	-	48,537	18,495	186	17	-	-	67,235	
<b>Total financial liabilities</b>	<b>1,784,553</b>	<b>432,609</b>	<b>313,523</b>	<b>55,399</b>	<b>213</b>	<b>-</b>	<b>99,884</b>	<b>2,686,181</b>	
<b>Difference</b>	<b>(798,761)</b>	<b>670,579</b>	<b>(38,322)</b>	<b>492,344</b>	<b>81,902</b>	<b>101,462</b>	<b>(1,064)</b>	<b>508,140</b>	

\* Before deducting allowance for expected credit loss amounting to Baht 114 million

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

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

\*\* Net of deferred revenue

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<b>The Bank</b> 2020								
	At call	3 months	Repricing within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non- Performing Loans	Non- interest bearing	Total
<b>Financial assets</b>								
Cash	-	-	-	-	-	-	51,529	51,529
Interbank and money market items *	10,947	499,428	2,341	10	-	-	26,478	539,204
Financial assets measured at FVTPL	-	-	494	6,109	10,487	-	6,017	23,107
Investments, net	-	119,709	81,080	103,582	5,541	-	2,147	312,059
Loans to customers	975,185	480,843	190,772	437,036	65,759	100,333	-	2,249,928
<b>Total financial assets</b>	<b>986,132</b>	<b>1,099,980</b>	<b>274,687</b>	<b>546,737</b>	<b>81,787</b>	<b>100,333</b>	<b>86,171</b>	<b>3,175,827</b>
<b>Financial liabilities</b>								
Deposits	1,784,006	256,645	285,256	11,937	-	-	91,936	2,429,780
Interbank and money market items	10,894	127,095	9,740	43,276	196	-	7,159	198,360
Debt issued and borrowings	-	48,253	18,345	186	17	-	-	66,801
<b>Total financial liabilities</b>	<b>1,794,900</b>	<b>431,993</b>	<b>313,341</b>	<b>55,399</b>	<b>213</b>	<b>-</b>	<b>99,095</b>	<b>2,694,941</b>
<b>Difference</b>	<b>(808,768)</b>	<b>667,987</b>	<b>(38,654)</b>	<b>491,338</b>	<b>81,574</b>	<b>100,333</b>	<b>(12,924)</b>	<b>480,886</b>

\* Before deducting allowance for expected credit loss amounting to Baht 96 million

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

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

\*\* Net of deferred revenue

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**5.3.2 Foreign exchange risk**

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

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

As at 31 December 2020 and 2019, the Bank's foreign exchange risk based on the results of the aforementioned tools are as follows:

	<b>The Bank</b>	
	2020	2019
	(in million US Dollars)	
Net open long (short) position (US Dollar equivalent)	(14.1)	(25.3)
<i>Risk of foreign exchange rate portfolio in Trading book</i>		
	<b>The Bank</b>	
	2020	2019
	(in million Baht)	
Aggregate 1-year historical Value-at-Risk (VaR)*	9.1	7.6

\* With 99% confidence level and 1-day holding period (in normal market situations)

As at 31 December 2020 and 2019, majority of the Bank's foreign currency exposures is in US Dollar.

The Bank has disclosed the Net open long (short) position and VaR for foreign exchange risk at the Bank level only as the Net open long (short) position and VaR for foreign exchange risk of other subsidiaries within its Financial Group are not significant and the exposure at the consolidated level does not materially differ from the Bank level.

**5.3.3 Equity price risk**

Equity price risk is the risk arising from changes in the price of equities or common stock that may cause volatility in earning or fluctuations in the value of financial assets. The Bank and its subsidiaries have policies to manage the risk by maintaining long-term equity investments and investing in growth potential equities and/or those intended to support the business. The Bank has established the policy that only companies within the Financial Group that are engaged in the financial business with specific supervisory bodies and those permitted to engage in portfolio management can initiate action with respect to equity investments, as allowed under applicable regulations. The Bank has closely managed and monitored market situations to provide information for management to monitor the risk to the Bank. (Further details of equity investments are provided under note 9 and 11 and further details on fair value of equity investments and framework are provided under note 29).

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## 6 Maintenance of capital fund

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

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by BoT. As announced by BoT in circulars dated 8 November 2012 and 7 May 2019, the Bank is required to calculate its Capital Fund in accordance with Basel III.

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

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

	<b>Basel III Consolidated Supervision</b>	
	<b>2020</b>	<b>2019</b>
	<i>(in million Baht)</i>	
<b>Tier 1 capital</b>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	334,705	307,655
Other comprehensive income	14,468	13,973
Capital deduction items on CET1	(24,253)	(21,052)
<b>Total Tier 1 capital</b>	<b>377,036</b>	<b>352,692</b>
<b>Tier 2 capital</b>		
General provisions	23,875	22,514
<b>Total Tier 2 capital</b>	<b>23,875</b>	<b>22,514</b>
<b>Total capital funds</b>	<b>400,911</b>	<b>375,206</b>
<b>Total risk-weighted assets</b>	<b>2,197,668</b>	<b>2,075,492</b>

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<b>Basel III</b> <b>Consolidated Supervision</b>				
	2020	2019		
	The BoT's regulation minimum requirement*	Capital ratio of the Financial Group	The BoT's regulation minimum requirement*	Capital ratio of the Financial Group
	(%)		(%)	
Total capital funds / Total risk-weighted assets	12.0	18.2	11.5	18.1
Total Tier 1 capital / Total risk-weighted assets	9.5	17.1	9.0	17.0
Total CET 1 / Total risk-weighted assets	8.0	17.1	7.5	17.0
Total Tier 2 capital / Total risk-weighted assets		1.1		1.1

\* The BoT requires commercial banks to maintain an additional buffer on top of minimum regulatory required Common Equity Tier 1 consists of conservative buffer of 2.50% and D-SIB buffer of 0.5% in 2019 with a step-up to 1.0% in 2020 onwards

	2020	2019	
	(in million Baht)		
Capital after deducting capital add-on arising from Single Lending Limit	400,911	375,206	
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)	18.2	18.1	

<b>Basel III</b> <b>The Bank</b>		
	2020	2019
	(in million Baht)	
<b>Tier 1 capital</b>		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	332,326	271,824
Other comprehensive income	14,157	13,632
Capital deduction items on CET1	<u>(23,109)</u>	<u>(20,260)</u>
<b>Total Tier 1 capital</b>	<b><u>375,490</u></b>	<b><u>317,312</u></b>
<b>Tier 2 capital</b>		
General provisions	24,015	22,432
<b>Total Tier 2 capital</b>	<b><u>24,015</u></b>	<b><u>22,432</u></b>
<b>Total capital funds</b>	<b><u>399,505</u></b>	<b><u>339,744</u></b>
<b>Total risk-weighted assets</b>	<b>2,201,154</b>	<b>2,060,169</b>

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	<b>Basel III</b>		<b>The Bank</b>	
	2020	2019	The BoT's regulation	The BoT's regulation
	minimum requirement*	Capital ratio of the Bank (%)	minimum requirement*	Capital ratio of the Bank (%)
Total capital funds / Total risk-weighted assets	12.0	18.1	11.5	16.5
Total Tier 1 capital / Total risk-weighted assets	9.5	17.0	9.0	15.4
Total CET 1 / Total risk-weighted assets	8.0	17.0	7.5	15.4
Total Tier 2 capital / Total risk-weighted assets		1.1		1.1

\* The BoT requires commercial banks to maintain an additional buffer on top of minimum regulatory required Common Equity Tier 1 consists of conservative buffer of 2.50% and D-SIB buffer of 0.5% in 2019 with a step-up to 1.0% in 2020 onwards.

	2020	2019 (in million Baht)
Capital after deducting capital add-on arising from Single Lending Limit	399,505	339,744
Capital ratio after deducting capital add-on arising from Single Lending Limit (%)	18.1	16.5

Disclosures of capital maintenance information under the BoT notification number Sor Nor Sor 4/2556 dated 2 May 2013, regarding to *Disclosure Requirement on Capital Adequacy for a Commercial Bank*, BoT notification number Sor Nor Sor 14/2562 dated 7 May 2019, regarding to *Disclosure requirement on Capital Adequacy for a Commercial Bank (Volume 2)*, the BoT notification number Sor Nor Sor 5/2556 dated 2 May 2013, regarding to *Disclosure Requirement on Capital Adequacy for a Financial Group* and the BoT notification number Sor Nor Sor 15/2562 dated 7 May 2019, regarding to *Disclosure Requirement on Capital Adequacy for a Financial group (Volume 2)*, were as follows:

Location of disclosure	The Bank's website under Investor Relations section at <a href="https://www.scb.co.th/en/investor-relations/financial-information.html">https://www.scb.co.th/en/investor-relations/financial-information.html</a>
Disclosure period requirement	Within 4 months after the year end date as indicated in the BoT's notification
Latest information as at	30 June 2020

The disclosure for the year ended 31 December 2020 will be provided on or before 30 April 2021 on the Bank's website as noted above.

*Capital management*

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

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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**7 Classification of financial assets and financial liabilities**

	<b>Consolidated</b>			
	2020			
	Financial instruments measured at FVTPL	Financial instruments measured at FVOCI	Financial instruments in equity instruments designated at FVOCI	Total
<i>(in million Baht)</i>				
<i>Financial assets</i>				
Cash	-	-	-	51,632
Interbank and money market items, net	-	-	-	547,504
Financial assets measured at FVTPL	28,033	-	-	28,033
Derivative assets	86,830	-	-	86,830
Investments, net	-	302,378	2,159	311,796
Loans to customers and accrued interest receivables, net	-	-	-	2,130,308
<b>Total</b>	<b>114,863</b>	<b>302,378</b>	<b>2,159</b>	<b>2,130,308</b>
				<b>3,156,103</b>
<i>Financial liabilities</i>				
Deposits	-	-	-	2,420,455
Interbank and money market items	-	-	-	198,491
Liabilities payable on demand	-	-	-	10,267
Financial liabilities measured at FVTPL	4	-	-	4
Derivative liabilities	79,272	-	-	79,272
Debt issued and borrowings	-	-	-	67,235
<b>Total</b>	<b>79,276</b>	<b>-</b>	<b>-</b>	<b>2,696,448</b>
				<b>2,775,724</b>

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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<b>The Bank</b>			
2020			
		Financial instruments measured at FVTPL	Financial instruments measured at FVOCI
<i>Financial assets</i>			
Cash	-	-	51,529
Interbank and money market items, net	-	-	539,108
Financial assets measured at FVTPL	23,107	-	-
Derivative assets	87,095	-	-
Investments, net	-	302,378	2,147
Loans to customers and accrued interest receivables, net			7,534
<b>Total</b>	<b>110,202</b>	<b>302,378</b>	<b>2,147</b>
			<b>2,125,942</b>
			<b>2,724,113</b>
			<b>3,138,840</b>
<i>Financial liabilities</i>			
Deposits	-	-	2,429,780
Interbank and money market items	-	-	198,360
Liabilities payable on demand	-	-	10,267
Derivative liabilities	79,776	-	-
Debt issued and borrowings	-	-	66,801
<b>Total</b>	<b>79,776</b>	<b>-</b>	<b>2,705,208</b>
			<b>2,784,984</b>

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**8 Interbank and money market items, net (Assets)**

	<b>Consolidated</b>		<b>The Bank</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>(in million Baht)</i>			
<b><i>Domestic items</i></b>				
Bank of Thailand and Financial Institutions Development Fund	497,883	366,783	497,883	366,783
Commercial banks	17,492	30,386	12,816	30,251
Other financial institutions*	2,704	3,125	4,453	3,125
<b>Total</b>	<b>518,079</b>	<b>400,294</b>	<b>515,152</b>	<b>400,159</b>
<i>Add accrued interest receivables and undue interest receivables</i>	35	85	34	85
<i>Less allowance for expected credit loss / allowance for doubtful accounts</i>	(87)	(100)	(87)	(100)
<b>Total domestic items</b>	<b>518,027</b>	<b>400,279</b>	<b>515,099</b>	<b>400,144</b>
<b><i>Foreign items**</i></b>				
US Dollar	22,702	28,540	17,347	22,436
Japanese Yen	507	357	507	357
Euro	357	277	357	277
Other currencies	5,932	4,098	5,805	4,087
<b>Total</b>	<b>29,498</b>	<b>33,272</b>	<b>24,016</b>	<b>27,157</b>
<i>Add accrued interest receivables and undue interest receivables</i>	6	16	2	7
<i>Less allowance for expected credit loss / allowance for doubtful accounts</i>	(27)	(57)	(9)	(57)
<b>Total foreign items</b>	<b>29,477</b>	<b>33,231</b>	<b>24,009</b>	<b>27,107</b>
<b>Total domestic and foreign items</b>	<b>547,504</b>	<b>433,510</b>	<b>539,108</b>	<b>427,251</b>

\* Other financial institutions represent financial institutions other than above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

\*\* Certain amount of this item had restrictions (*Note 33*).

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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**9 Financial assets measured at fair value through profit or loss**

	<b>Consolidated</b> 2020 Fair value (in million Baht)	<b>The Bank</b> 2020 Fair value
Government and state enterprise securities	10,458	10,446
Corporate debt instruments	6,730	6,644
Foreign debt instruments	352	203
Domestic equity instruments	4,167	2,029
Foreign equity instruments	6,326	3,785
<b>Total</b>	<b>28,033</b>	<b>23,107</b>

**10 Derivatives**

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

1. Forward exchange contracts which are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Currency and interest rate swaps which are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies and may also involve the exchange of related interest payments.

2. Interest rate swaps which are agreements that involve the exchange of interest obligations for a specified period without exchanging the underlying or notional principal.
3. Equity derivatives which are agreements that determined values based on level of the underlying equity's price or price of equity group or Equity Index.
4. Commodity derivatives which are a purchase or a sale of an underlying product or the exchange of cash flow calculated from a reference volume of product multiplied by the agreed price within a period of time and conditions as agreed in the contract.

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

As at 31 December 2020 and 2019, on a consolidated and the Bank basis, 100.0% and 99.7% of derivatives are over-the-counter derivative transactions. The notional amount of derivatives based on types of contracts were as follows:

	<b>Consolidated</b> 2020			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	Total
Forward exchange contracts	1,366,426	306,833	150,056	1,823,315
Interest rate swap contracts	484,015	1,071,790	396,224	1,952,029
Equity derivatives	8,995	3,224	505	12,724
Commodity derivatives	195	-	-	195

	<b>Consolidated</b> 2019			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	Total
Forward exchange contracts	1,514,411	325,721	133,240	1,973,372
Interest rate swap contracts	727,590	1,094,745	339,845	2,162,180
Equity derivatives	8,619	386	-	9,005
Commodity derivatives	103	-	-	103

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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	<b>The Bank</b>			
	2020			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	Total
Forward exchange contracts	1,366,426	306,833	150,056	1,823,315
Interest rate swap contracts	484,015	1,071,790	396,224	1,952,029
Equity derivatives	9,749	6,448	505	16,702
Commodity derivatives	195	-	-	195

	<b>The Bank</b>			
	2019			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	Total
Forward exchange contracts	1,514,416	325,721	133,240	1,973,377
Interest rate swap contracts	727,590	1,094,745	339,845	2,162,180
Equity derivatives	8,925	386	-	9,311
Commodity derivatives	103	-	-	103

**10.1 Derivatives held for trading**

Type of risk	<b>Consolidated</b>					
	2020		2019		Fair value	Notional amount
	Fair value Assets	Fair value Liabilities	Fair value Assets	Fair value Liabilities		
Foreign exchange rate	41,649	36,856	1,736,115	34,989	31,308	1,939,519
Interest rate	38,356	41,502	1,894,959	27,119	30,293	2,102,688
Equity derivatives	370	195	6,959	481	265	9,005
Commodity derivatives	8	8	195	4	4	103
<b>Total</b>	<b>80,383</b>	<b>78,561</b>	<b>3,638,228</b>	<b>62,593</b>	<b>61,870</b>	<b>4,051,315</b>

Type of risk	<b>The Bank</b>					
	2020		2019		Fair value	Notional amount
	Fair value Assets	Fair value Liabilities	Fair value Assets	Fair value Liabilities		
Foreign exchange rate	41,649	36,856	1,736,115	34,989	31,308	1,939,524
Interest rate	38,356	41,502	1,894,959	27,119	30,293	2,102,688
Equity derivatives	635	699	10,937	632	316	9,311
Commodity derivatives	8	8	195	4	4	103
<b>Total</b>	<b>80,648</b>	<b>79,065</b>	<b>3,642,206</b>	<b>62,744</b>	<b>61,921</b>	<b>4,051,626</b>

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**10.2 Derivatives held for risk management in designated of hedge relationship**

*Fair value hedges*

Type of risk	Consolidated and the Bank		
	2020		
	Fair value Assets	Liabilities (in million Baht)	Notional amount
Interest rate	5,042	-	57,070
<b>Total</b>	<b>5,042</b>	<b>-</b>	<b>57,070</b>

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

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

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

As at 31 December 2020, there were no source of ineffectiveness in these hedging relationships and there is no net gain (loss) hedging.

**10.3 Derivatives held for risk management not designated of hedge relationship**

Type of risk	Consolidated and the Bank					
	2020		2019			
	Fair value Assets	Liabilities	Notional amount (in million Baht)	Carrying amount Assets	Carrying amount Liabilities	Notional amount
Foreign exchange rate	1,196	711	87,200	84	63	33,853
Interest rate*	-	-	-	455	4	59,492
Equity derivatives	209	-	5,765	-	-	-
<b>Total</b>	<b>1,405</b>	<b>711</b>	<b>92,965</b>	<b>539</b>	<b>67</b>	<b>93,345</b>

\* Carrying amount as at 31 December 2019 for interest rate swap contracts held for other risk management are accrued interest receivables or payables based on the contracts. Accrued interest receivables are presented as a part of "Other assets" and accrued interest payables are presented as a part of "Other liabilities" in the consolidated and the Bank's financial statements.

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

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**11 Investments, net**

**11.1 Classified by type of investments**

	<b>Consolidated</b> 2020 AMC	<b>The Bank</b> 2020 AMC (in million Baht)
<b><i>Investments in debt instruments measured at AMC</i></b>		
Government and state enterprise securities	7,072	7,061
Corporate debt instruments	-	316
Foreign debt instruments	234	204
Less allowance for expected credit loss	(47)	(47)
<b>Total</b>	<b>7,259</b>	<b>7,534</b>
 <b><i>Investments in debt instruments measured at FVOCI</i></b>		
Government and state enterprise securities	270,088	270,088
Corporate debt instruments	394	394
Foreign debt instruments	31,896	31,896
<b>Total</b>	<b>302,378</b>	<b>302,378</b>
 <b>Allowance for expected credit loss</b>	 <b>(40)</b>	 <b>(40)</b>
 <b><i>Investments in equity instruments designated at FVOCI</i></b>		
Domestic non-marketable equity instruments	2,154	2,143
Foreign non-marketable equity instruments	5	4
<b>Total</b>	<b>2,159</b>	<b>2,147</b>
 <b>Total investments, net</b>	 <b>311,796</b>	 <b>312,059</b>
 <b><i>Trading securities</i></b>		
Government and state enterprise securities	22,072	22,040
Corporate debt securities	4,550	4,374
Domestic equity securities	3,192	1,592
<b>Total</b>	<b>29,814</b>	<b>28,006</b>

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	<b>Consolidated</b> 2019 Fair value (in million Baht)	<b>The Bank</b> 2019 Fair value (in million Baht)
<b><i>Available-for-sale securities</i></b>		
Government and state enterprise securities	258,768	258,768
Foreign debt securities	10,999	10,999
Domestic equity securities	949	928
Foreign equity securities	24	23
<b>Total</b>	<b>270,740</b>	<b>270,718</b>
<b><i>Held-to-maturity securities</i></b>		
Government and state enterprise securities	7,586	7,575
Corporate debt securities	30	326
Foreign debt securities	214	214
<b>Total</b>	<b>7,830</b>	<b>8,115</b>
<b><i>General investments</i></b>		
Domestic non-marketable equity securities	724	707
Foreign non-marketable equity securities	3,192	3,192
<b>Total</b>	<b>3,916</b>	<b>3,899</b>
<i>Less allowance for impairment</i>	(235)	(233)
<b>Total</b>	<b>3,681</b>	<b>3,666</b>
<b>Total investments, net</b>	<b>312,065</b>	<b>310,505</b>

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

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

\* Net of allowance for impairment

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

	<b>Consolidated</b> 2020			<b>The Bank</b> 2020		
	Number of Companies	Fair value (in million Baht)	Number of Companies	Fair value (in million Baht)		
Others	9	3,500	8	2,007		
<b>Consolidated</b> 2019						
	Number of Companies	Cost (in million Baht)	Number of Companies	Cost (in million Baht)	<b>The Bank</b> 2019	
	9	343	8	343		

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

As at 31 December 2020, the consolidated and the Bank's aggregate cost of investments in companies with problems in their financial position and operating results amounting to Baht 279 million and Baht 276 million, respectively. These investments have zero fair value at reporting date (2019: aggregate cost of Baht 276 million and Baht 273 million, respectively with full provision for diminution in the value of securities equal to the amount by which the cost exceeds the market value of respective securities).

**12 Investments in subsidiaries and associate, net**

**12.1 Classified by type of investments in subsidiaries and associate**

Associate	Type of business	Type of share	<b>Consolidated</b>			
			Direct and indirect shareholding		Investment value	
			2020	2019	Cost method	Equity method
Sahaviriy Steel Industries PCL		Common	40.2	40.2	-	-
Total investments in associate, net						78
						<u>78</u>

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	Type of business	Type of share	Direct shareholding		The Bank		Dividend income for the year	
			2020	2019	Investment value cost method	2020	2019	2020
			(%)					2019
<b>Subsidiaries</b>								
SCB 10X Co., Ltd.*	Holding company	Common	100.0	-	13,300	-	-	-
Siam Commercial Myanmar Ltd. *	Banking	Common	100.0	-	4,513	-	-	-
Cambodian Commercial Bank Ltd.	Banking	Common	100.0	100.0	2,688	2,688	-	100
SCB Securities Co., Ltd.	Securities	Common	100.0	100.0	2,207	2,207	469	185
SCB-Julius Baer Securities Co., Ltd.	Securities	Common	60.0	60.0	1,080	1,080	-	-
SCB Training Centre Co., Ltd.	Training center	Common	100.0	100.0	390	390	-	-
SCB Asset Management Co., Ltd.	Asset management	Common	100.0	100.0	222	222	1,527	1,353
Monix Co., Ltd.*	Digital lending	Common	60.0	-	198	-	-	-
SCB Protect Co., Ltd.**	Insurance broker	Common	100.0	100.0	183	2	1	-
Rutchayothin Assets Management Co., Ltd.	Asset management	Common	100.0	100.0	25	25	-	-
SCB Plus Co., Ltd.	Collection	Common	100.0	100.0	1	1	227	350
SCB Abacus Co., Ltd. *****	Data analytics and digital lending	Common	-	100.0	-	250	-	-
Sor. Or. Kor. PCL ***	Commercial	Common	-	99.7	-	583	-	-
							<u>2,224</u>	<u>1,988</u>
<b>Indirect subsidiaries</b>								
Mahisorn Co., Ltd. ****	Property management	Common	-	-	-	-		
Digital Ventures Co., Ltd. *****	Financial technology and venture capital	Common	-	-	-	-		
SCB Abacus Co., Ltd. *****	Data analytics and digital lending	Common	-	-	-	-		
Purple Ventures Co., Ltd. *****	E-Commerce and digital services	Common	-	-	-	-		
SCB-Julius Baer (Singapore) Pte. Ltd. *****	Securities	Common	-	-	-	-		
<b>Associate</b>								
Sahaviriya Steel Industries PCL	Steel industry	Common	40.2	40.2	-	-		
Total					24,807	7,448		
Less allowance for impairment					(147)	(720)		
<b>Total investments in subsidiaries and associate, net</b>					<u>24,660</u>	<u>6,728</u>		

\* Newly established in 2020

\*\* The Company's authorised share capital was additionally issued and paid-up in amounting to Baht 1 million and Baht 180 million in February and June 2020, respectively.

\*\*\* The Company was liquidated in March 2020

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

\*\*\*\*\* Subsidiary of SCB 10X Co., Ltd. (100% shareholding) (2019: subsidiary of SCB Securities Co., Ltd. (100% shareholding))

\*\*\*\*\* Subsidiary of SCB 10X Co., Ltd. (100% shareholding) (2019: subsidiary of Siam Commercial Bank PCL. (100% shareholding))

\*\*\*\*\* Subsidiary of SCB 10X Co., Ltd. (100% shareholding) which was newly established in 2020

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

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

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**12.2 *Divestment in SCB Life Assurance PCL***

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

**12.3 *Interest in unconsolidated structured entities arising in the normal course of business***

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

The provision of funds is in the form of loans which are on normal business terms. These loans are managed in the same way as all other loans. The outstanding loans to these structured entities as at 31 December 2020 and 2019 amounted to Baht 6,617 million and Baht 6,737 million, respectively.

**13 Loans to customers and accrued interest receivables, net**

**13.1 *Classified by type of loans***

	<b>Consolidated 2020</b>	<b>The Bank 2020</b>
	<i>(in million Baht)</i>	
Overdrafts	75,860	75,358
Loans	1,516,779	1,514,092
Bills	355,069	354,412
Hire purchase receivables	229,417	229,417
Others	78,117	76,649
Total loans to customers	2,255,242	2,249,928
<i>Add accrued interest receivables and undue interest receivables</i>	<i>14,508</i>	<i>14,445</i>
Total loans to customers and accrued interest receivables and undue interest receivables	2,269,750	2,264,373
<i>Less unamortised modification loss</i>	<i>(2,124)</i>	<i>(2,124)</i>
<i>Less allowance for expected credit loss</i>	<i>(137,318)</i>	<i>(136,307)</i>
<b>Total</b>	<b>2,130,308</b>	<b>2,125,942</b>

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	<b>Consolidated</b> 2019 (in million Baht)	<b>The Bank</b> 2019
Overdrafts	95,888	95,365
Loans	1,399,240	1,396,175
Bills	321,640	321,640
Hire purchase receivables	252,000	252,000
Others	78,099	76,775
<i>Less</i> deferred revenue	<u>(33,080)</u>	<u>(33,079)</u>
Total loans to customers, net	2,113,787	2,108,876
<i>Add</i> accrued interest receivables	<u>2,946</u>	<u>2,920</u>
Total loans to customers and accrued interest receivables, net	2,116,733	2,111,796
<i>Less</i> allowance for doubtful accounts		
- Allowance established per BoT regulations		
- Individual approach	(58,631)	(57,990)
- Collective approach	(8,546)	(8,546)
- Allowance established in excess of BoT minimum regulations	(43,973)	(43,969)
<i>Less</i> revaluation allowance for debt restructuring	<u>(3,122)</u>	<u>(3,122)</u>
<b>Total</b>	<b><u>2,002,461</u></b>	<b><u>1,998,169</u></b>

**13.2 Classified by residence of customer**

	<b>Consolidated</b> 2020 (in million Baht)	<b>The Bank</b> 2020 2019*
Domestic	2,181,215	2,049,016
Foreign	<u>74,027</u>	<u>64,771</u>
<b>Total</b>	<b><u>2,255,242</u></b>	<b><u>2,113,787</u></b>
<b>Total</b>	<b><u>2,249,928</u></b>	<b><u>2,108,876</u></b>

\* Net of deferred revenue

**13.3 Classified by stages**

	<b>Consolidated</b> 2020 (in million Baht)	<b>The Bank</b> 2020
Stage 1	1,969,341	1,965,429
Stage 2	197,637	197,334
Stage 3	102,772	101,610
<b>Total *</b>	<b><u>2,269,750</u></b>	<b><u>2,264,373</u></b>

\* Includes accrued interest receivables and undue interest receivables

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

\* Net of cash and near cash collateral

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

\*\*\* Excludes revaluation allowance for troubled debt restructuring

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

\* Net of cash and near cash collateral

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

\*\*\* Excludes revaluation allowance for troubled debt restructuring

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**13.4 Classified by business types and stages**

	Consolidated				The Bank			
	2020				2020			
	Stage 1	Stage 2	Stage 3	Total *	Stage 1	Stage 2	Stage 3	Total *
(in million Baht)								
Agriculture and mining	12,518	1,336	3,455	17,309	12,518	1,336	3,455	17,309
Manufacturing and commercial	512,761	62,987	43,837	619,585	511,292	62,699	43,577	617,568
Real estate and construction	155,503	18,059	17,561	191,123	155,459	18,059	16,757	190,275
Utilities and services	352,384	23,182	11,171	386,737	352,203	23,182	11,171	386,556
Housing loans	494,524	46,925	15,793	557,242	494,464	46,925	15,793	557,182
Others	430,464	43,137	9,645	483,246	428,335	43,123	9,580	481,038
<b>Total *</b>	<b>1,958,154</b>	<b>195,626</b>	<b>101,462</b>	<b>2,255,242</b>	<b>1,954,271</b>	<b>195,324</b>	<b>100,333</b>	<b>2,249,928</b>

\* Excludes accrued interest receivables and undue interest receivables

	Consolidated						The Bank					
	2019						2019					
	Normal	Special Mention	Sub-Standard	Doubtful	Loss	Total *	Normal	Special Mention	Sub-Standard	Doubtful	Loss	Total *
(in million Baht)												
Agriculture and mining	12,726	387	125	165	3,417	16,820	12,668	387	125	165	3,417	16,762
Manufacturing and commercial	499,219	22,273	12,163	5,921	15,325	554,901	496,853	22,037	12,163	5,921	15,325	552,299
Real estate and construction	152,772	4,214	9,734	484	2,594	169,798	152,762	4,214	9,734	484	1,789	168,983
Utilities and services	353,755	3,382	1,803	1,155	3,183	363,278	353,755	3,382	1,803	1,155	3,183	363,278
Housing loans	515,944	12,122	6,086	6,850	3,386	544,388	515,895	12,122	6,086	6,850	3,386	544,339
Others	429,295	22,486	6,243	3,246	3,332	464,602	427,966	22,486	6,243	3,246	3,274	463,215
<b>Total *</b>	<b>1,963,711</b>	<b>64,864</b>	<b>36,154</b>	<b>17,821</b>	<b>31,237</b>	<b>2,113,787</b>	<b>1,959,899</b>	<b>64,628</b>	<b>36,154</b>	<b>17,821</b>	<b>30,374</b>	<b>2,108,876</b>

\* Excludes accrued interest receivables

**13.5 Non-Performing Loans**

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

	Consolidated		The Bank	
	2020	2019	2020	2019
(in million Baht)				
Non-Performing Loans* (net of allowance for expected credit loss / allowance for doubtful accounts)	42,864	42,761	42,558	42,498
% of Non-Performing Loans to total loans (net)	1.6	1.7	1.6	1.7
Non-Performing Loans* (gross)	101,462	85,212	100,333	84,349
% of Non-Performing Loans to total loans	3.7	3.4	3.6	3.4

\* See note 2.1 for application on loans to customers subject to relief programmes

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During the year ended 31 December 2020, the Bank sold and transferred right to receive debt payments to a number of Asset Management Companies with a total amount of Baht 13,387 million.

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

**13.6 Loans to customers having problems with financial position and operating results**

	Consolidated and the Bank							
	2020				2019			
	No. of companies	Loans and accrued interest	Allowance for expected credit loss	Loans and accrued interest	No. of companies	Loans and accrued interest	Allowance for doubtful accounts	(in million Baht)
<i>Listed companies</i>								
identified for delisting	2	7,881	6,971	5,855	2	8,408	3,810	3,103
Delisted company	1	8,307	3,775	3,049	-	-	-	-

**13.7 Hire purchase receivables**

	Consolidated and the Bank				
	2020				
	Within 1 year	1-5 years	Over 5 years	Total	(in million Baht)
<i>Total gross investment under hire purchase contracts</i>					
<i>Less unearned interest income</i>	63,216	180,703	18,423	262,342	
				(32,925)	
<i>Present value of minimum lease payments</i>					
<i>Less allowance for expected credit loss</i>				229,417	
				(7,879)	
<i>Hire purchase receivables, net</i>					
				<u>221,538</u>	

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

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**14 Allowance for expected credit loss**

	12-month ECL	Lifetime ECL, not credit- impaired	Lifetime ECL, credit- impaired	Consolidated <i>(in million Baht)</i>
<b><i>Interbank and money market items</i></b>				
As at 1 January 2020	133	-	-	133
Changes from stage reclassification	20	(20)	-	-
Changes from remeasurement of ECL	58	27	-	85
New interbank and money market items	29	-	-	29
Derecognition	(132)	-	-	(132)
Others	(1)	-	-	(1)
<b>As at 31 December 2020</b>	<b>107</b>	<b>7</b>	<b>-</b>	<b>114</b>
<b><i>Investments in debt instruments</i></b>				
As at 1 January 2020	18	-	-	18
Change from stage reclassification	(21)	21	-	-
Changes from remeasurement of ECL	91	26	-	117
New investments in debt instruments	16	-	-	16
Derecognition	(62)	-	-	(62)
Others	(1)	(1)	-	(2)
<b>As at 31 December 2020</b>	<b>41</b>	<b>46</b>	<b>-</b>	<b>87</b>
<b><i>Loans to customers</i></b>				
As at 1 January 2020	27,096	30,929	51,433	109,458
Changes from stage reclassification	24,653	(32,223)	7,570	-
Changes from remeasurement of ECL	(7,934)	35,240	18,815	46,121
New loan to customers	6,348	2,078	332	8,758
Derecognition	(1,801)	(5,388)	(7,756)	(14,945)
Write-off	-	-	(12,051)	(12,051)
Others	16	(20)	(19)	(23)
<b>As at 31 December 2020</b>	<b>48,378</b>	<b>30,616</b>	<b>58,324</b>	<b>137,318</b>
<b><i>The Bank</i></b>				
	12-month ECL	Lifetime ECL, not credit- impaired	Lifetime ECL, credit- impaired	Total
<b><i>Interbank and money market items</i></b>				
As at 1 January 2020	132	-	-	132
Changes from stage reclassification	20	(20)	-	-
Changes from remeasurement of ECL	40	27	-	67
New interbank and money market items	29	-	-	29
Derecognition	(132)	-	-	(132)
<b>As at 31 December 2020</b>	<b>89</b>	<b>7</b>	<b>-</b>	<b>96</b>

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	<b>The Bank</b>			
	12-month ECL	Lifetime ECL, not credit-impaired	Lifetime ECL, credit-impaired	Total
<i><b>Investments in debt instruments</b></i>				
As at 1 January 2020	18	-	-	18
Changes from stage reclassification	(21)	21	-	-
Changes from remeasurement of ECL	91	26	-	117
New investment in debt instruments	16	-	-	16
Derecognition	(62)	-	-	(62)
Others	(1)	(1)	-	(2)
<b>As at 31 December 2020</b>	<b>41</b>	<b>46</b>	<b>-</b>	<b>87</b>

	<b>Loans to customers</b>			
	12-month ECL	Lifetime ECL, not credit-impaired	Lifetime ECL, credit-impaired	Total
<i>As at 1 January 2020</i>				
As at 1 January 2020	27,026	30,913	50,777	108,716
Changes from stage reclassification	24,664	(32,176)	7,512	-
Changes from remeasurement of ECL	(8,129)	34,969	18,566	45,406
New loan to customers	6,301	2,072	309	8,682
Derecognition	(1,605)	(5,222)	(7,634)	(14,461)
Write-off	-	-	(12,020)	(12,020)
Others	13	(19)	(10)	(16)
<b>As at 31 December 2020</b>	<b>48,270</b>	<b>30,537</b>	<b>57,500</b>	<b>136,307</b>

	<b>Consolidated</b>						
	2019						
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Allowance established in excess of BoT regulations	Total
<i>(in million Baht)</i>							
As at 1 January 2019	20,661	3,500	12,831	4,318	17,902	40,193	99,405
Bad debt and doubtful accounts	(256)	540	6,787	2,035	26,640	3,390	39,136
Bad debts written off	-	-	-	-	(27,779)	-	(27,779)
Others	(2)	-	-	-	-	390	388
<b>As at 31 December 2019</b>	<b>20,403</b>	<b>4,040</b>	<b>19,618</b>	<b>6,353</b>	<b>16,763</b>	<b>43,973</b>	<b>111,150</b>

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

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**15 Modified loans to customers and troubled debt restructuring**

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

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

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

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

During the year ended 31 December 2020, the Bank and its subsidiaries have modified loans that have not resulted in derecognition, while they had a loss allowance measured at an amount equal to lifetime ECL as follows:

	<b>Consolidated and the Bank (in million Baht)</b>	
<b><i>Loans modified during the year ended 31 December 2020</i></b>		
Outstanding before modification*	22,825	
Net modification loss	<u>(1,054)</u>	
<b><i>Loans modified since initial recognition</i></b>		
Outstanding of loans to customers amount at the end of reporting date that have previously modified for which loss allowance has changed during the period from measured amount equal to lifetime expected credit losses to an amount equal to 12-month expected credit losses	<u>491</u>	

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

During the years ended 31 December 2020 and 2019, troubled debt restructuring was as follows:

	<b>Consolidated and the Bank</b>							
	Outstanding debts							
	No. of accounts		Before debt restructuring		After debt restructuring		Modification loss / Loss on debt restructuring	
	2020	2019	2020	2019	2020	2019	2020	2019
<i>(in million Baht)</i>								
Troubled debt restructuring	5,868	11,630	8,922	21,621	8,679	21,495	243	158

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

	<b>Consolidated and the Bank</b>		<b>2019</b>
	<b>2020</b>	<b>No. of accounts</b>	
	<b>Outstanding balances (in million Baht)</b>	<b>No. of accounts</b>	<b>Outstanding balances (in million Baht)</b>
Restructured loans which were classified as NPL	7,804	13,871	1,926
Restructured loans which were not classified as NPL	-	-	21,078
<b>Total</b>	<b>7,804</b>	<b>13,871</b>	<b>23,004</b>
			<b>40,970</b>

***Revaluation allowance for debt restructuring***

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

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

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

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

	<b>For the year ended 31 December</b>		<b>2019</b>
	<b>2020</b>	<b>(Unaudited)</b>	
	<b>(Audited)</b>	<b>(in million Baht)</b>	
<b>Cash flows from operating activities</b>			
(Loss) profit from operating before income tax expense		(6)	23
<i>Adjustments to reconcile profit from operating before income tax to cash receipts (payments) from operating activities</i>			
Reversal impairment loss on loans and debt securities		-	(32)
Net interest expenses		4	7
Losses from operating before changes in operating assets and liabilities		(2)	(2)
<i>Decrease (increase) in operating assets</i>			
Intercompany and money market items		17	(10)
Investments		-	58
<i>(Decrease) increase in operating liabilities</i>			
Debt issued and short-term borrowings		(14)	(44)
Accrued expense		(1)	1
Other liabilities		-	(3)
Net cash from operating activities		-	-
Net increase in cash		-	-
Cash at 1 January		-	-
<b>Cash at 31 December</b>		<b>-</b>	<b>-</b>

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**17 Properties for sale, net**

	<b>Consolidated</b>			
	<b>2020</b>			
	<b>Beginning balance</b>	<b>Additions/ Transfer in</b>	<b>Disposals/ Transfer out</b>	<b>Ending balance</b>
Foreclosed assets				
- Immovable assets	15,154	1,904	(1,714)	15,344
- Movable assets	684	2,333	(2,605)	412
Total foreclosed assets	15,838	4,237	(4,319)	15,756
Others	1,240	1,163	(526)	1,877
Total properties for sale	17,078	5,400	(4,845)	17,633
<i>Less allowance for impairment</i>	(436)	(1,631)	570	(1,497)
<b>Total properties for sale, net</b>	<b>16,642</b>	<b>3,769</b>	<b>(4,275)</b>	<b>16,136</b>
	<b>Consolidated</b>			
	<b>2019</b>			
	<b>Beginning balance</b>	<b>Additions/ Transfer in</b>	<b>Disposals/ Transfer out</b>	<b>Ending balance</b>
Foreclosed assets				
- Immovable assets	11,690	4,419	(955)	15,154
- Movable assets	630	5,750	(5,696)	684
Total foreclosed assets	12,320	10,169	(6,651)	15,838
Others	1,689	1,231	(1,680)	1,240
Total properties for sale	14,009	11,400	(8,331)	17,078
<i>Less allowance for impairment</i>	(559)	(210)	333	(436)
<b>Total properties for sale, net</b>	<b>13,450</b>	<b>11,190</b>	<b>(7,998)</b>	<b>16,642</b>
	<b>The Bank</b>			
	<b>2020</b>			
	<b>Beginning balance</b>	<b>Additions/ Transfer in</b>	<b>Disposals/ Transfer out</b>	<b>Ending balance</b>
Foreclosed assets				
- Immovable assets	14,837	1,904	(1,714)	15,027
- Movable assets	684	2,333	(2,605)	412
Total foreclosed assets	15,521	4,237	(4,319)	15,439
Others	1,240	1,163	(495)	1,908
Total properties for sale	16,761	5,400	(4,814)	17,347
<i>Less allowance for impairment</i>	(368)	(1,631)	570	(1,429)
<b>Total properties for sale, net</b>	<b>16,393</b>	<b>3,769</b>	<b>(4,244)</b>	<b>15,918</b>

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

	<b>The Bank</b> 2019		
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out
	(in million Baht)		
Foreclosed assets			
- Immovable assets	11,683	4,109	(955)
- Movable assets	630	5,750	(5,696)
Total foreclosed assets	12,313	9,859	(6,651)
Others	1,689	1,231	(1,680)
Total properties for sale	14,002	11,090	(8,331)
Less allowance for impairment	(556)	(145)	333
<b>Total properties for sale, net</b>	<b>13,446</b>	<b>10,945</b>	<b>(7,998)</b>

During the year ended 31 December 2020, the Bank and its subsidiaries recognised gain or loss on sale of properties for sale in the consolidated and the Bank's statement of profit or loss amounting to Baht 1,014 million (2019: 797 million).

At 31 December 2020 and 2019, all of the foreclosed immovable assets were appraised by internal appraisers.

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**18 Premises and equipment, net**

**Consolidated**  
**2020**

		Cost	Recognition of right-of-use assets on initial application of TFRS 16	Adjusted balance at 1 January 2020	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance <i>(in million Baht)</i>	Depreciation	Disposals	Ending balance	Allowance for impairment	Net balance
<b>Land</b>													
Cost	5,734	-	5,734	-	(307)	5,427	-	-	-	-	(127)	5,300	
Appraisal*	12,634	-	12,634	-	(347)	12,287	-	-	-	-	-	12,287	
<b>Premises and building improvements</b>													
Cost	20,179	-	20,179	476	(607)	20,048	(9,281)	(732)	445	(9,568)	(156)	10,324	
Appraisal*	9,002	-	9,002	-	(250)	8,752	(2,821)	(327)	97	(3,051)	-	5,701	
Equipment	19,205	-	19,205	481	(797)	18,889	(14,363)	(1,943)	741	(15,565)	(204)	3,120	
Others	782	-	782	382	(634)	530	(8)	(7)	1	(14)	-	516	
<b>Right-of-use assets</b>													
Office building	-	584	581	(55)	1,110	-	(480)	5	(475)	-	-	635	
ATM	-	993	993	120	-	1,113	-	(741)	-	(741)	-	372	
Vehicle	-	592	592	91	-	683	-	(307)	-	(307)	-	376	
Booth	-	46	46	30	-	76	-	(23)	-	(23)	-	53	
Branch	-	2,142	2,142	924	-	3,066	-	(1,447)	-	(1,447)	-	1,619	
Others	-	8	8	-	(1)	7	-	(1)	-	(1)	-	6	
<b>Total</b>	<b>67,536</b>	<b>4,365</b>	<b>71,901</b>	<b>3,085</b>	<b>(2,998)</b>	<b>71,988</b>	<b>(26,473)</b>	<b>(6,008)</b>	<b>1,289</b>	<b>(31,192)</b>	<b>(487)</b>	<b>40,309</b>	

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

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

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2020 amounted to Baht 18,718 million (2019: Baht 18,079 million).

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

The Bank 2020										Accumulated depreciation		
		Cost										
		Recognition of right-of-use assets on initial application of IFRS 16	Adjusted balance at 1 January 2020	Additions/ Transfer in	Disposals/ Transfer out	Transfer to investment properties	Beginning balance (in million Baht)	Ending balance	Depreciation	Disposals	Transfer to investment properties	Allowance for impairment
Land	Cost	5,648	-	5,648	-	(301)	(1)	5,346	-	-	(127)	5,219
	Appraisal*	12,142	-	12,142	-	(347)	(222)	11,573	-	-	-	11,573
Premises and building improvements	Cost	19,754	-	19,754	413	(570)	(79)	19,518	(8,970)	(703)	417	14
	Appraisal*	8,906	-	8,906	-	(250)	-	8,656	(2,784)	(327)	97	-
Equipment	18,777	-	18,777	406	(793)	-	18,390	(14,062)	(1,894)	739	-	(15,217)
Others	786	-	786	379	(631)	-	534	-	-	-	-	534
Right-of-use assets	Office building	-	358	358	195	-	-	553	-	(338)	-	-
	ATM	-	992	992	120	-	-	1,112	-	(740)	-	(740)
	Vehicle	-	501	501	86	-	-	587	-	(266)	-	(266)
	Booth	-	46	46	30	-	-	76	-	(23)	-	(23)
	Branch	-	2,142	2,142	924	-	-	3,066	-	(1,447)	-	(1,447)
	Others	-	7	7	-	-	-	6	(1)	(1)	-	5
<b>Total</b>	<b>66,013</b>	<b>4,046</b>	<b>70,059</b>	<b>2,553</b>	<b>7</b>	<b>(1)</b>	<b>(302)</b>	<b>69,417</b>	<b>(25,816)</b>	<b>(5,739)</b>	<b>14</b>	<b>(487)</b>
												<b>38,642</b>

\* Appraisal values are based on valuations completed in 2015.

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

The Bank						
2019						
	Beginning balance	Additions/ Transfer in	Cost Disposals/ Transfer out	Ending balance	Beginning balance (in million Baht)	Accumulated depreciation Depreciation Disposals
Land						
Cost	5,512	346	(210)	5,648	-	-
Appraisal *	12,144	-	(2)	12,142	-	-
Premises and building						
improvements						
Cost	19,731	319	(296)	19,754	(8,411)	(698)
Appraisal *	8,961	-	(55)	8,906	(2,468)	(333)
Equipment	19,198	618	(1,039)	18,777	(13,105)	(1,986)
Others	440	830	(484)	786	-	-
<b>Total</b>	<b>65,986</b>	<b>2,113</b>	<b>(2,086)</b>	<b>66,013</b>	<b>(23,984)</b>	<b>(3,017)</b>

\* Appraisal values are based on valuations completed in 2015.

The gross amount of the Bank's fully depreciated premises and equipment that were still in use as at 31 December 2020 amounted to Baht 18,225 million (2019:  
*Baht 17,700 million*).

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**19 Goodwill and other intangible assets, net**

**Consolidated**

2020

	Beginning balance	Additions/ Transfer in	Cost	Disposals/ Transfer out	Ending balance	Beginning balance (in million Baht)	Amortisation	Disposals	Accumulated amortisation (in million Baht)	Ending balance	Allowance for impairment	Net balance
Goodwill	1,270	-	1,270	-	-	-	-	-	-	-	-	1,270
Software licenses	23,407	4,830	28,221	(16)	(9,918)	(4,110)	-	8	(14,020)	(3)	-	14,198
Software under installation	4,409	134	3,017	(1,526)	-	-	-	-	-	-	-	3,017
Others	123	-	116	(7)	(19)	(23)	-	7	(35)	-	-	81
<b>Total</b>	<b>29,209</b>	<b>4,964</b>	<b>32,624</b>	<b>(1,549)</b>	<b>(9,937)</b>	<b>(4,133)</b>	<b>(9,937)</b>	<b>15</b>	<b>(14,055)</b>	<b>(3)</b>	<b>-</b>	<b>18,566</b>

**Consolidated**

2019

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

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2020 amounted to Baht 5,556 million (2019: Baht 5,014 million).

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

The Bank 2020						
	Cost	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance (in million Baht)	Accumulated amortisation
Goodwill	1,270	-	-	1,270	-	1,270
Software licenses	22,427	4,569	(7)	26,989	(9,607)	13,522
Software under installation	4,361	-	(1,474)	2,887	-	2,887
<b>Total</b>	<b>28,058</b>	<b>4,569</b>	<b>(1,481)</b>	<b>31,146</b>	<b>(9,607)</b>	<b>(3,863)</b>

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

The gross amount of the Bank's fully amortised intangible assets that were still in use as at 31 December 2020 amounted to Baht 5,409 million (2019: Baht 4,854 million).

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**20 Deferred tax**

	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019 (in million Baht)	2020	2019
Deferred tax assets	4,505	2,005	4,240	1,809
Deferred tax liabilities	(132)	(139)	-	-
<b>Net</b>	<b>4,373</b>	<b>1,866</b>	<b>4,240</b>	<b>1,809</b>
 <b>Consolidated</b> (Charged) / Credited to:				
At 1 January 2020*		Profit or loss	Other Comprehensive income	At 31 December 2020
 (in million Baht)				
<b><i>Deferred tax assets</i></b>				
Financial assets measured at FVTPL	29	2	-	31
Derivative assets	144	(97)	-	47
Investments	1	(1)	-	-
Investments in subsidiaries and associate	159	(115)	-	44
Loans to customers and accrued interest receivables	4,409	547	-	4,956
Properties for sale	151	(22)	-	129
Other intangible assets	18	(1)	-	17
Other assets	40	(11)	-	29
Provisions	2,273	933	356	3,562
Other liabilities	1,163	26	-	1,189
<b>Total</b>	<b>8,387</b>	<b>1,261</b>	<b>356</b>	<b>10,004</b>
<b><i>Deferred tax liabilities</i></b>				
Financial assets measured at FVTPL	(127)	(215)	-	(342)
Investments	(1,005)	462	49	(494)
Loans to customers and accrued interest receivables	(649)	649	-	-
Properties for sales	-	-	(24)	(24)
Premises and equipment	(4,927)	297	30	(4,600)
Other intangible assets	-	(3)	-	(3)
Other assets	(238)	70	-	(168)
<b>Total</b>	<b>(6,946)</b>	<b>1,260</b>	<b>55</b>	<b>(5,631)</b>
<b>Net</b>	<b>1,441</b>	<b>2,521</b>	<b>411</b>	<b>4,373</b>

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

	<b>The Bank</b> (Charged) / Credited to:	At 1 January 2020*	Profit or loss	Other comprehensive income	At 31 December 2020
<b><i>Deferred tax assets</i></b>					
Derivative assets	144	(97)	-	47	
Investments in subsidiaries and associate	159	(115)	-	44	
Loans to customers and accrued interest receivables	4,386	553	-	4,939	
Properties for sale	150	(22)	-	128	
Other intangible assets	1	(1)	-	-	
Other assets	40	(40)	-	-	
Provisions	2,200	920	346	3,466	
Other liabilities	1,088	(19)	-	1,069	
<b>Total</b>	<b>8,168</b>	<b>1,179</b>	<b>346</b>	<b>9,693</b>	
<b><i>Deferred tax liabilities</i></b>					
Financial assets measured at FVTPL	(127)	(183)	-	(310)	
Investments	(997)	456	49	(492)	
Loans to customers and accrued interest receivables	(649)	649	-	-	
Premises and equipment	(4,782)	302	-	(4,480)	
Other intangible assets	-	(3)	-	(3)	
Other assets	(238)	70	-	(168)	
<b>Total</b>	<b>(6,793)</b>	<b>1,291</b>	<b>49</b>	<b>(5,453)</b>	
<b>Net</b>	<b>1,375</b>	<b>2,470</b>	<b>395</b>	<b>4,240</b>	

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

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

***Income tax recognised in profit or loss***

<i>For the year ended 31 December</i>	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019	2020	2019
	<i>(in million Baht)</i>			
<b>Current tax expense</b>				
Current year	9,315	20,958	8,626	19,495
<b>Deferred tax expense</b>				
Movements in temporary differences	(2,521)	(1,860)	(2,470)	(1,703)
<b>Total income tax expense</b>	<b>6,794</b>	<b>19,098</b>	<b>6,156</b>	<b>17,792</b>

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

***Income tax recognised in other comprehensive income***

<i>For the year ended 31 December</i>	<b>Consolidated</b>			2019	
	Before tax	2020 Tax income (expense)	Net of tax (in million Baht)	Before tax	Tax expense
Losses on investments in debt instruments at FVOCI	(423)	85	(338)	-	-
Gains on remeasuring available-for-sale	-	-	-	21,921	(4,384)
Changes in hedge reserve	-	-	-	3,288	(657)
Gains on investments designated at FVOCI	179	(36)	143	-	-
Change in Revaluation surplus - land	(30)	6	(24)	-	-
Actuarial (losses) gains on defined benefit plans	<u>(1,780)</u>	<u>356</u>	<u>(1,424)</u>	<u>60</u>	<u>(12)</u>
<b>Total</b>	<b><u>(2,054)</u></b>	<b><u>411</u></b>	<b><u>(1,643)</u></b>	<b><u>25,269</u></b>	<b><u>(5,053)</u></b>
					<b><u>20,216</u></b>

<i>For the year ended 31 December</i>	<b>The Bank</b>			2019	
	Before tax	2020 Tax income (expense)	Net of tax (in million Baht)	Before tax	Tax expense
Losses on investments in debt instruments at FVOCI	(423)	85	(338)	-	-
Gains on remeasuring available-for-sale	-	-	-	5	(1)
Gains on investments designated at FVOCI	179	(36)	143	-	-
Actuarial losses on defined benefit plans	<u>(1,732)</u>	<u>346</u>	<u>(1,386)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>(1,976)</u></b>	<b><u>395</u></b>	<b><u>(1,581)</u></b>	<b><u>5</u></b>	<b><u>(1)</u></b>
					<b><u>4</u></b>

***Reconciliation of effective tax rate***

<i>For the year ended 31 December</i>	<b>Consolidated</b>			2019	
	Rate (%)	2020 (in million Baht)	Rate (%)	2019 (in million Baht)	
Profit before income tax expense		<u>33,788</u>		<u>59,349</u>	
Income tax using the Thai corporation tax rate	20.0	6,758	20.0	11,870	
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>36</u>		<u>7,228</u>	
<b>Total</b>	<b><u>20.1</u></b>	<b><u>6,794</u></b>	<b><u>32.2*</u></b>	<b><u>19,098</u></b>	

\* Effective tax rate includes gain from sale of investment in subsidiary as disclosed in note 12.2

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<i>For the year ended 31 December</i>	<b>The Bank</b>			
	2020 Rate (%)	2020 (in million Baht)	2019 Rate (%)	2019 (in million Baht)
Profit before income tax expense		<u>33,932</u>		<u>93,242</u>
Income tax using the Thai corporation tax rate	20.0	6,786	20.0	18,648
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>(630)</u>		<u>(856)</u>
<b>Total</b>	<b>18.1</b>	<b>6,156</b>	<b>19.1</b>	<b>17,792</b>

## 21 Other assets, net

	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019 (in million Baht)	2020	2019
Collateral per Credit Support Annex	17,760	9,740	17,760	9,740
Securities business receivables and receivables from clearing house	3,951	2,266	-	-
Accrued service income	7,601	2,360	7,913	2,071
Prepaid expenses	2,099	2,992	2,336	3,196
Receivables from sale of NPL	1,796	-	1,796	-
Sundry receivables	1,945	1,436	3,588	1,544
Accrued interest on investment and interest rate derivatives	1,041	1,300	1,038	1,300
Others	6,572	6,181	5,747	4,647
<b>Total</b>	<b>42,765</b>	<b>26,275</b>	<b>40,178</b>	<b>22,498</b>

## 22 Deposits

### 22.1 Classified by type of deposits

	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019 (in million Baht)	2020	2019
At call	93,336	77,549	92,507	76,201
Savings	1,758,903	1,376,942	1,769,123	1,375,084
Fixed				
- Less than 6 months	114,006	110,568	113,941	111,037
- 6 months and less than 1 year	169,547	244,694	169,546	244,495
- Over 1 year	284,663	349,672	284,663	349,672
<b>Total</b>	<b>2,420,455</b>	<b>2,159,425</b>	<b>2,429,780</b>	<b>2,156,489</b>

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**22.2 Classified by currency and residence of customer**

	Consolidated					
	2020		Total (in million Baht)	2019		Total
	Domestic	Foreign		Domestic	Foreign	
Baht	2,373,950	1,028	2,374,978	2,121,405	971	2,122,376
US Dollar	26,751	12,983	39,734	19,739	12,893	32,632
Other currencies	2,689	3,054	5,743	2,298	2,119	4,417
<b>Total</b>	<b>2,403,390</b>	<b>17,065</b>	<b>2,420,455</b>	<b>2,143,442</b>	<b>15,983</b>	<b>2,159,425</b>

	The Bank					
	2020		Total (in million Baht)	2019		Total
	Domestic	Foreign		Domestic	Foreign	
Baht	2,388,865	995	2,389,860	2,125,045	936	2,125,981
US Dollar	26,751	7,429	34,180	19,739	6,355	26,094
Other currencies	2,689	3,051	5,740	2,298	2,116	4,414
<b>Total</b>	<b>2,418,305</b>	<b>11,475</b>	<b>2,429,780</b>	<b>2,147,082</b>	<b>9,407</b>	<b>2,156,489</b>

**23 Interbank and money market items (Liabilities)**

	Consolidated		The Bank		2019
	2020	2019	2020	2019	
<i>Domestic items</i>					
Bank of Thailand and Financial Institutions Development Fund	15,467	-	15,467	-	
Commercial banks	90,886	72,176	90,886	72,027	
Specialised financial institutions*	59,441	40,483	59,441	40,483	
Other financial institutions**	25,226	25,386	25,433	25,536	
<b>Total domestic items</b>	<b>191,020</b>	<b>138,045</b>	<b>191,227</b>	<b>138,046</b>	
<i>Foreign items</i>					
US Dollar	3,500	4,794	3,449	4,967	
Euro	401	46	402	46	
Other currencies	3,570	2,959	3,282	2,812	
<b>Total foreign items</b>	<b>7,471</b>	<b>7,799</b>	<b>7,133</b>	<b>7,825</b>	
<b>Total domestic and foreign items</b>	<b>198,491</b>	<b>145,844</b>	<b>198,360</b>	<b>145,871</b>	

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

\*\* Other financial institutions represent financial institutions other than above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited.

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**24 Debt issued and borrowings**

	Interest rate (%)	Year of maturity	Domestic	2020 Foreign	Total (in million Baht)	Domestic	2019 Foreign	Total
<b>Debentures</b>								
- US Dollar	0.00* - 4.40, float**	2021 - 2029	431	56,985	57,416	597	57,171	57,768
- Baht	0.00* - 1.00	2021	4,130	-	4,130	18,292	-	18,292
<b>Structured notes</b>								
- Baht	0.07 - 15.00	2021	434	-	434	1,596	-	1,596
Others	0.92 - 5.53	2021 - 2026	213	-	213	296	-	296
<b>Total</b>			<b>5,208</b>	<b>56,985</b>	<b>62,193</b>	<b>20,781</b>	<b>57,171</b>	<b>77,952</b>
Hedge			-	5,042	5,042	-	-	-
<b>Total</b>			<b>5,208</b>	<b>62,027</b>	<b>67,235</b>	<b>20,781</b>	<b>57,171</b>	<b>77,952</b>

\* Zero coupon debenture

\*\* USD 1M LIBOR

	Interest rate (%)	Year of maturity	Domestic	2020 Foreign	Total (in million Baht)	Domestic	2019 Foreign	Total
<b>Debentures</b>								
- US Dollar	0.00* - 4.40, float**	2021 - 2029	431	56,985	57,416	597	57,171	57,768
- Baht	0.00* - 1.00	2021	4,130	-	4,130	18,292	-	18,292
Others	0.92 - 5.53	2021 - 2026	213	-	213	296	-	296
<b>Total</b>			<b>4,774</b>	<b>56,985</b>	<b>61,759</b>	<b>19,185</b>	<b>57,171</b>	<b>76,356</b>
Hedge			-	5,042	5,042	-	-	-
<b>Total</b>			<b>4,774</b>	<b>62,027</b>	<b>66,801</b>	<b>19,185</b>	<b>57,171</b>	<b>76,356</b>

\* Zero coupon debenture

\*\* USD 1M LIBOR

**25 Provisions**

	Consolidated 2020	2019	The Bank 2020	2019 (in million Baht)
Allowance for expected credit loss of loan commitments and financial guarantee contracts	5,399	-	5,303	-
Employee benefit obligations	9,005	7,998	8,535	7,635
Reserve for reward points	3,355	3,283	3,355	3,280
Others	138	129	138	82
<b>Total</b>	<b>17,897</b>	<b>11,410</b>	<b>17,331</b>	<b>10,997</b>

***Employee benefits obligations***

The Bank and its subsidiaries operate a number of post-employment benefit and other long-term employee benefits. All benefit plans are unfunded.

	Consolidated 2020	2019	The Bank 2020	2019 (in million Baht)
Severance Payment benefits scheme (“SP”)	7,591	7,131	7,180	6,796
Other schemes (“Others”)	1,414	867	1,355	839
<b>Total</b>	<b>9,005</b>	<b>7,998</b>	<b>8,535</b>	<b>7,635</b>

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***Defined benefit plan and other long-term employee benefits***

The Bank and its subsidiaries operate a defined benefit plan and other long-term employee benefits based on the requirement of Thai Labour Protection Act B.E 2541 (1998) and the Bank and its subsidiaries' policy. These benefits will be provided once the employees fulfill the policy requirements or when employees retire based on pensionable remuneration and length of service. The defined benefit plans and other long-term employee benefits expose actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.

***Present value of the defined benefit plan and other long-term employee benefits***

	<b>Consolidated</b>			
	2020		2019	
	SP	Others (in million Baht)	SP	Others
At 1 January	7,131	867	5,499	861
<b>Included in profit or loss:</b>				
Past service cost	-	-	1,366	-
Current service cost	598	40	582	42
Interest on obligation	203	28	206	28
Actuarial losses	-	15	-	-
	<b>801</b>	<b>83</b>	<b>2,154</b>	<b>70</b>
<b>Included in other comprehensive income:</b>				
Actuarial losses (gains)				
- Demographic assumptions	933	74	8	-
- Financial assumptions	784	464	(23)	-
- Experience adjustment	(415)	(60)	(45)	-
	<b>1,302</b>	<b>478</b>	<b>(60)</b>	<b>-</b>
<b>Others</b>				
Benefits paid	(1,643)	(14)	(236)	(44)
Decrease from sale of subsidiary	-	-	(226)	(20)
	<b>(1,643)</b>	<b>(14)</b>	<b>(462)</b>	<b>(64)</b>
<b>At 31 December</b>	<b>7,591</b>	<b>1,414</b>	<b>7,131</b>	<b>867</b>

	<b>The Bank</b>			
	2020		2019	
	SP	Others (in million Baht)	SP	Others
At 1 January	6,796	839	5,043	816
<b>Included in profit or loss:</b>				
Past service cost	-	-	1,264	-
Current service cost	535	37	515	37
Interest on obligation	195	27	192	26
Employees transfer to subsidiaries	(33)	(4)	-	-
Actuarial losses	-	14	-	-
	<b>697</b>	<b>74</b>	<b>1,971</b>	<b>63</b>

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	<b>The Bank</b>			
	2020 SP	Others	2019 SP	Others
	(in million Baht)			
<b>Included in other comprehensive income:</b>				
Actuarial losses (gains)				
- Demographic assumptions	908	73	-	-
- Financial assumptions	748	446	-	-
- Experience adjustment	(380)	(64)	-	-
	<b>1,276</b>	<b>455</b>	<b>-</b>	<b>-</b>
<b>Others</b>				
Benefits paid	(1,589)	(13)	(218)	(40)
<b>At 31 December</b>	<b>7,180</b>	<b>1,355</b>	<b>6,796</b>	<b>839</b>

***Principal actuarial assumptions***

	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019	2020	2019
	(%)			
Discount rate	0.3 - 1.6	1.5 - 3.3	1.6	3.3
Future salary growth	2.0 - 11.0	1.0 - 10.0	5.0 - 7.0	5.5 - 10.0
Medical cost trend rate	4.0	4.0	4.0	4.0
Employee turnover	0.0 - 20.0	0.0 - 24.0	2.0 - 12.0	3.5 - 12.0

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

***Sensitivity analysis***

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefit obligation by the amounts shown below.

<b><i>Effect to the employee benefit obligation</i></b>	<b>Consolidated</b>			
	1% increase in assumption		1% decrease in assumption	
	2020	2019	2020	2019
(in million Baht)				
Discount rate	(1,099)	(830)	1,338	1,003
Future salary growth	1,006	762	(861)	(656)

<b><i>Effect to the employee benefit obligation</i></b>	<b>The Bank</b>			
	1% increase in assumption		1% decrease in assumption	
	2020	2019	2020	2019
(in million Baht)				
Discount rate	(1,047)	(802)	1,276	971
Future salary growth	954	730	(816)	(629)

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Post-employee benefit and other long-term employee benefits expenses included in the statement of profit or loss for the year ended 31 December 2020 and 2019 were as follows:

	Consolidated		The Bank	
	2020	2019	2020	2019
	(in million Baht)			
Defined contribution plans	1,268	1,295	1,157	1,159
Defined benefit plans and other long-term employee benefits	884	2,224	771	2,034
<b>Total</b>	<b>2,152</b>	<b>3,519</b>	<b>1,928</b>	<b>3,193</b>

## 26 Other liabilities

	Note	Consolidated		The Bank	
		2020	2019	2020	2019
(in million Baht)					
Accrued expenses		17,873	32,313	17,480	31,374
Deferred income from Distribution					
Agreement	12.2	16,243	17,425	16,243	17,425
Other payable per Credit Support Annex		7,379	10,065	7,379	10,065
Other payables		5,146	7,702	5,164	7,707
Unsettled remittance transaction		3,806	5,732	3,806	5,732
Accrued interest payable		3,155	6,213	3,145	6,203
Securities business payables and payables to clearing house		3,311	1,854	-	-
Lease liabilities*		3,090	-	2,599	-
Withholding tax payable		941	770	822	696
Marginal deposits		285	633	269	612
Others		11,573	11,671	11,478	11,194
<b>Total</b>		<b>72,802</b>	<b>94,378</b>	<b>68,385</b>	<b>91,008</b>

\* As at 31 December 2020 the amount recorded was calculated from total undiscounted lease liabilities of Baht 4,046 million and Baht 3,513 million in the consolidated and the Bank's financial statements, respectively.

## 27 Advance received from electronic payment

In accordance with the BoT notification number Sor Nor Chor 7/2561 dated 16 April 2018, regarding to *Regulations on Service Business relating to Electronic Money (E-Money)* and Sor Nor Chor 2/2562 dated 20 December 2019 regarding to *Regulations on Service Business relating to Electronic Fund Transfer (EFT)*, the Bank had advances received from E-Money and EFT as at 31 December 2020 in the amount of Baht 2,251 million.

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**28 Offsetting of financial assets and financial liabilities**

The Bank and its subsidiaries currently hold financial instruments agreements which do not meet the criteria for offsetting in the Consolidated and the Bank's statement of financial position because such agreements are created in the way that the parties have to agree a right of set-off the agreed amounts that is enforceable only following and event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. For derivatives, the rights to call collateral are agreed by both parties with specific call frequency and threshold. According to the agreements, the Bank and its subsidiaries receive and give collateral in form of cash and marketable securities. The details of significant offsetting of financial assets and financial liabilities are as follow:

**Consolidated and the Bank**

2020

	Gross amount	Amount offset in statements of financial position	Net amount presented in statements of financial position	Related amounts not offset in statement of financial position - Amount eligible for offsetting per contracts which does not meet accounting standards' conditions	Net amount	Items in statement of financial position	Note
<i>Financial assets</i>							
Reverse sale-and-repurchase	149,380	-	149,380	149,380	-	Interbank and money market items, net (Assets)	8
Derivative assets	<u>35,665</u>	<u>-</u>	<u>35,665</u>	<u>3,206</u>	<u>32,459</u>	Derivative assets	10
<b>Total</b>	<b><u>185,045</u></b>	<b><u>-</u></b>	<b><u>185,045</u></b>	<b><u>152,586</u></b>	<b><u>32,459</u></b>		
<i>Financial liabilities</i>							
Sale-and-repurchase	98,850	-	98,850	98,850	-	Interbank and money market items (Liabilities)	23
Derivatives liabilities	<u>43,941</u>	<u>-</u>	<u>43,941</u>	<u>11,729</u>	<u>32,212</u>	Derivative liabilities	10
<b>Total</b>	<b><u>142,791</u></b>	<b><u>-</u></b>	<b><u>142,791</u></b>	<b><u>110,579</u></b>	<b><u>32,212</u></b>		

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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**29 Fair value of financial assets and financial liabilities**

**29.1 Financial assets and financial liabilities measured at fair value**

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

	<b>Consolidated</b> 2020 Fair value (in million Baht)			
	Level 1	Level 2	Level 3	Total
<b><i>Financial assets</i></b>				
<b>Financial assets measured at FVTPL</b>	<b>4,158</b>	<b>17,386</b>	<b>6,489</b>	<b>28,033</b>
<b>Derivative assets</b>				
- Foreign exchange rate	-	42,845	-	42,845
- Interest rate	-	43,398	-	43,398
- Others	-	587	-	587
<b>Total</b>	<b>-</b>	<b>86,830</b>	<b>-</b>	<b>86,830</b>
<b>Investments, net</b>				
- Investments in debt instruments measured at FVOCI	-	302,378	-	302,378
- Investments in equity instruments designated at FVOCI	-	-	2,159	2,159
<b>Total</b>	<b>-</b>	<b>302,378</b>	<b>2,159</b>	<b>304,537</b>
<b>Total financial assets</b>	<b>4,158</b>	<b>406,594</b>	<b>8,648</b>	<b>419,400</b>
<b><i>Financial liabilities</i></b>				
<b>Financial liabilities measured at FVTPL</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>Derivative liabilities</b>				
- Foreign exchange rate	-	37,567	-	37,567
- Interest rate	-	41,502	-	41,502
- Others	-	203	-	203
<b>Total</b>	<b>-</b>	<b>79,272</b>	<b>-</b>	<b>79,272</b>
<b>Total financial liabilities</b>	<b>4</b>	<b>79,272</b>	<b>-</b>	<b>79,276</b>

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	<b>The Bank</b> 2020 Fair value (in million Baht)			
	Level 1	Level 2	Level 3	Total
<b><i>Financial assets</i></b>				
<b>Financial assets measured at FVTPL</b>	<b>2,020</b>	<b>17,293</b>	<b>3,794</b>	<b>23,107</b>
<b>Derivative assets</b>				
- Foreign exchange rate	-	42,845	-	42,845
- Interest rate	-	43,398	-	43,398
- Others	-	852	-	852
<b>Total</b>	<b>-</b>	<b>87,095</b>	<b>-</b>	<b>87,095</b>
<b>Investments, net</b>				
- Investments in debt instruments measured at FVOCI	-	302,378	-	302,378
- Investments in equity instruments designated at FVOCI	-	-	2,147	2,147
<b>Total</b>	<b>-</b>	<b>302,378</b>	<b>2,147</b>	<b>304,525</b>
<b>Total financial assets</b>	<b>2,020</b>	<b>406,766</b>	<b>5,941</b>	<b>414,727</b>
<b><i>Financial liabilities</i></b>				
<b>Derivative liabilities</b>				
- Foreign exchange rate	-	37,567	-	37,567
- Interest rate	-	41,502	-	41,502
- Others	-	707	-	707
<b>Total financial liabilities</b>	<b>-</b>	<b>79,776</b>	<b>-</b>	<b>79,776</b>

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

**29.2 Financial assets and financial liabilities not measured at fair value**

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

	<b>Consolidated</b>		<b>The Bank</b>	
	2020		2020	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
<i>(in million Baht)</i>				
<b><i>Financial assets</i></b>				
Investments in debt instruments measured at AMC	7,259	8,110	7,534	8,385
<b><i>Financial assets</i></b>				
	<b>Consolidated</b>		<b>The Bank</b>	
	2019		2019	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2
<i>(in million Baht)</i>				
Derivative assets	84	151	84	151
Held-to-maturity securities	7,830	8,717	8,115	9,002
<b><i>Financial liabilities</i></b>				
Derivative liabilities	63	48	63	48

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

Interbank and money market items (Assets): Fair value calculated based on present value of estimated cash flows, using the current interest rate in the money market. The fair value has no significant difference with the carrying amount.

Financial assets measured at FVTPL and investments: The following methodologies are used to determine the fair value of securities held by the Bank.

- The fair value of debt securities is estimated based on the Thai Bond Market Association's last average bid price for identical or similar instruments in active markets or other inputs that are observable market data. In situations where no auction prices are available, the fair value is estimated based on the last executed price. For debt instruments with no active market price, the fair value is estimated based on the yield curve of debt securities plus a risk premium.
- The fair value of listed private sector equity instruments and listed unit trust is estimated by using the bidding prices at The Stock Exchange of Thailand on the last business day of the period.
- The fair value of non-marketable equity instruments is measured based on different measurement approach that is most appropriate to the investee's business i.e. current adjusted book value, latest round funding price and other valuation models.
- The fair value of non-listed unit trusts is estimated based on the net asset value at the reporting date.
- The fair value of foreign debt and equity instruments listed on foreign stock exchanges is estimated by using the bid prices at such exchanges as of the last business day of the period. The fair value of non-listed foreign debt and equity instruments is determined based on values quoted by reliable international financial institutions.

Derivatives:

The fair values of derivatives are obtained from quoted market prices in active markets, where available. Fair values for over-the-counter derivatives are derived using broker quotes in active markets. Fair values of derivatives in an illiquid market are obtained using an average price quoted from several reliable sources, valuation technique and a benchmark price of instruments which have similar characteristics, as appropriate. In the case of derivative assets, fair values are also reflected the credit risk of counterparty.

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- |  |  |
|--|--|
| Loans to customers and accrued interest receivables: | <ul style="list-style-type: none"> <li>- For variable-rate loans that are repriced frequently and have no significant change in credit risk, fair values are based on carrying amount.</li> <li>- The fair values of other loans are estimated using discounted cash flow analyses, using market interest rates or the fair value of collateral. There is no significant difference with the carrying amount.</li> </ul> |
| Deposits:  | <ul style="list-style-type: none"> <li>- The fair value of deposits which are payable on demand by the depositor are equal to the carrying amount.</li> <li>- Fair values for fixed-deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar deposits.</li> </ul>  |
| Interbank and money market items (Liabilities):      | <ul style="list-style-type: none"> <li>- The fair value has no significant difference with the carrying amount.</li> </ul>   |
| Liabilities payable on demand:                       | <ul style="list-style-type: none"> <li>- The fair value is approximated based on its carrying amount.</li> </ul>   |
| Financial liabilities measured at FVTPL:             | <ul style="list-style-type: none"> <li>- The fair value is calculated based on valuation models using market data obtained from reliable sources.</li> </ul>   |
| Debt issued and borrowings:                          | <ul style="list-style-type: none"> <li>- The fair value of short-term borrowings maturing within 90 days approximated its carrying amount.</li> <li>- Fair values of other borrowings are estimated using discounted cash flow analyses based on the Bank's current borrowing rates for similar types of borrowing arrangements.</li> </ul>  |

### **30 Share capital**

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

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

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

Reserves comprise:

*Appropriations of profit and/or retained earnings*

**Legal reserve**

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

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

*Other components of equity*

**Translation differences**

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

**Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

**Fair value reserve of 2020**

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI; and
- the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

**Fair value reserve of 2019**

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

**Revaluation reserve**

The revaluation reserve comprises the cumulative net change in the valuation of premises and equipment included in the financial statements at valuation until such premises and equipment are sold or otherwise disposed of.

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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### 32 Dividends

The dividends paid by the Bank to the shareholders are as follows:

	Approval date	Payment schedule	Dividend rate per share (Baht)	Amount (in million Baht)
<b>2020</b>				
Interim dividend 2019 (special)	17 January 2020	14 February 2020	0.75	2,549
Annual dividend 2019	24 March 2020	22 April 2020	4.00	13,597
<b>Total</b>			<b>4.75</b>	<b>16,146</b>
<b>2019</b>				
Annual dividend 2018	4 April 2019	3 May 2019	4.00	13,597
Interim dividend 2019	15 August 2019	13 September 2019	1.50	5,099
<b>Total</b>			<b>5.50</b>	<b>18,696</b>

### 33 Assets pledged as collateral and under restriction

	Consolidated		The Bank	
	2020	2019 (in million Baht)	2020	2019
Securities pledged as collateral for repurchase	57,130	58,793	57,130	58,793
Deposits under restriction of oversea subsidiaries and branch	1,037	1,165	392	95
Others	86	90	75	79
<b>Total</b>	<b>58,253</b>	<b>60,048</b>	<b>57,597</b>	<b>58,967</b>

### 34 Contingent liabilities

	Consolidated		The Bank	
	2020	2019 (in million Baht)	2020	2019
Avals to bills	5,184	6,233	5,184	6,233
Guarantees of loans	5,507	8,037	5,142	7,270
Liability under unmatured import bills	11,409	12,138	11,328	11,987
Letters of credit	33,354	27,255	33,252	27,138
Other contingencies				
- Unused bank overdrafts	201,324	184,954	200,613	184,182
- Other guarantees	160,822	158,110	159,862	157,071
- Receivables / payables from investments	15,849	9,109	15,849	9,109
- Others	105,061	105,487	105,061	105,487
<b>Total</b>	<b>538,510</b>	<b>511,323</b>	<b>536,291</b>	<b>508,477</b>

As at 31 December 2020, the Bank had commitments of Baht 3 million, in connection with finance companies whose operations were closed down permanently by the Ministry of Finance on 8 December 1997 (2019: Baht 3 million).

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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**35 Related parties**

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

**35.1 Assets, liabilities and contingencies**

	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019	2020	2019
	(in million Baht)			
Subsidiaries				
Investments	-	-	316	326
Loans*	-	-	690	-
Other assets	-	-	2,924	749
Deposits	-	-	14,915	3,690
Interbank and money market items (assets)	-	-	1,750	-
Interbank and money market items (liabilities)	-	-	233	174
Debt issued and borrowings	-	-	-	100
Other liabilities	-	-	743	804
Contingencies (Notional amount)	-	-	4,502	1,906
Associate				
Loans*	8,307	8,387	8,307	8,387
Contingencies (Notional amount)	267	108	267	108
Major shareholders (more than 10% ownership)				
Deposits	9,039	9,481	9,039	9,481
Directors and key executive officers				
Loans*	107	111	107	111
Deposits	1,523	1,519	1,523	1,519
Entities in which the directors, management or close members of their families have significant influence				
Loans*	19,911	23,710	19,911	23,710
Deposits	42,692	16,128	42,692	16,128
Contingencies (Notional amount)	2,293	7,771	2,293	7,771

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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**35.2 Income and expenses**

	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019	2020	2019
	(in million Baht)			
Subsidiaries*				
Interest income	-	-	17	9
Interest expenses	-	-	32	72
Fee and service income and other income	-	-	4,116	8,273
Fee and service expenses and other expenses	-	-	3,170	3,367
Dividend income	-	-	2,225	1,988
Net gain on financial instruments measured at fair value through profit or loss	-	-	258	138
Associate				
Interest income	254	55	254	55
Interest expenses	236	210	236	210
Net (losses) gain on financial instruments measured at fair value through profit or loss	(8)	121	(8)	121
Major shareholders (more than 10% ownership)				
Interest expenses	134	81	134	81
Other expenses	32	32	32	32
Entities in which the directors, management or close members of their families have significant influence				
Interest income	333	207	333	207
Interest expenses	212	242	212	242
Other expenses	275	145	275	111

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

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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**36 Key management personnel compensation**

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

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

	<b>Consolidated</b>		<b>The Bank</b>	
	2020	2019	2020	2019
	(in million Baht)			
Short-term employee benefits	2,440	1,984	1,912	1,574
Post-employment benefits and others	51	79	38	52
Termination benefits	70	-	70	-
Other long-term employee benefits	4	-	-	-
<b>Total</b>	<b>2,565</b>	<b>2,063</b>	<b>2,020</b>	<b>1,626</b>

**37 Leases**

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

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

***Future minimum lease payments***

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

***Amount recognised in profit or loss***

	Consolidated 2019	The Bank 2019
	(in million Baht)	
Lease expense	6,129	5,873

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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## 38 Segment information

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

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

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	Corporate Segment	SME Segment	Retail Segment	Consolidated 2020			
				Insurance Segment (in million Baht)	Others	Elimination	Total
Loans to customers	840,842	369,422	1,037,983	-	7,685	(690)	2,255,242
Total assets	790,920	312,548	1,049,623	-	1,173,695	(48,402)	3,278,384
Total liabilities	736,094	199,759	1,579,608	-	373,762	(22,669)	2,866,554

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

\* Net of deferred revenue

### 39 Financial position and results of operations classified by domestic and foreign business

#### 39.1 Financial position classified by domestic and foreign business

	Domestic business	Foreign business	Consolidated			
			Total (in million Baht)	Domestic business	Foreign business	Total
Total assets	3,260,009	18,375	3,278,384	2,887,037	76,709	2,963,746
Interbank and money market items, net (Assets)	536,471	11,033	547,504	421,587	11,923	433,510
Financial assets measured at FVTPL	28,033	-	28,033	-	-	-
Investments, net *	310,183	1,613	311,796	310,536	1,607	312,143
Loans to customers and accrued interest receivables, net	2,112,258	18,050	2,130,308	1,984,799	17,662	2,002,461
Deposits	2,407,254	13,201	2,420,455	2,148,020	11,405	2,159,425
Interbank and money market items (Liabilities)	194,032	4,459	198,491	140,652	5,192	145,844
Debt issued and borrowings	5,208	62,027	67,235	20,781	57,171	77,952

\* Includes net investments in subsidiaries and associate

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
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	The Bank					
	Domestic business	Foreign business	Total	Domestic business (in million Baht)	2019	
				Foreign business	Total	
Total assets	3,270,536	9,906	3,280,442	2,885,151	67,296	2,952,447
Interbank and money market items, net (Assets)	533,434	5,674	539,108	421,438	5,813	427,251
Financial assets measured at FVTPL	23,107	-	23,107	-	-	-
Investments, net *	335,136	1,583	336,719	315,656	1,576	317,232
Loans to customers and accrued interest receivables, net	2,110,615	15,327	2,125,942	1,983,270	14,899	1,998,169
Deposits	2,422,169	7,611	2,429,780	2,151,661	4,828	2,156,489
Interbank and money market items (Liabilities)	194,265	4,095	198,360	140,975	4,896	145,871
Debt issued and borrowings	4,774	62,027	66,801	19,185	57,171	76,356

\* Includes net investments in subsidiaries and associate

### **39.2 Results of operations classified by domestic and foreign business**

	Consolidated							
	2020				2019			
	Domestic business	Foreign business	Elimination	Total	Domestic business (in million Baht)	Foreign business	Elimination	Total
Interest income	116,986	2,035	(650)	118,371	133,886	4,653	(3,514)	135,025
Interest expenses	(19,139)	(2,983)	650	(21,472)	(34,652)	(4,486)	3,514	(35,624)
Net interest income (expense)	97,847	(948)	-	96,899	99,234	167	-	99,401
Net fee and service income	36,484	102	-	36,586	29,537	133	-	29,670
Other operating income	11,308	26	(52)	11,282	12,998	5	-	13,003
Net gain on sale of investment in subsidiary	-	-	-	-	24,024	-	-	24,024
Other operating expenses	(63,773)	(609)	52	(64,330)	(70,004)	(534)	-	(70,538)
Expected credit loss	(46,480)	(169)	-	(46,649)	-	-	-	-
Impairment loss	-	-	-	-	(36,019)	(192)	-	(36,211)
Profit (loss) before income tax expense	35,386	(1,598)	-	33,788	59,770	(421)	-	59,349
Income tax expense	(6,712)	(82)	-	(6,794)	(19,036)	(62)	-	(19,098)
Net profit (loss)	<b>28,674</b>	<b>(1,680)</b>	<b>-</b>	<b>26,994</b>	<b>40,734</b>	<b>(483)</b>	<b>-</b>	<b>40,251</b>

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	The Bank							
	2020			2019			Domestic business (in million Baht)	Foreign business
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Interest income	116,821	1,782	(649)	117,954	125,321	4,361	(3,511)	126,171
Interest expenses	(19,084)	(2,929)	649	(21,364)	(34,617)	(4,432)	3,511	(35,538)
Net interest income (expense)	97,737	(1,147)	-	96,590	90,704	(71)	-	90,633
Net fee and service income	32,995	35	-	33,030	30,793	54	-	30,847
Other operating income	13,182	(10)	-	13,172	13,924	(12)	-	13,912
Net gain on sale of investment in subsidiary	-	-	-	-	61,900	-	-	61,900
Other operating expenses	(62,174)	(387)	-	(62,561)	(67,396)	(417)	-	(67,813)
Expected credit loss	(46,397)	98	-	(46,299)	-	-	-	-
Impairment loss	-	-	-	-	(36,050)	(187)	-	(36,237)
Profit (loss) before income tax expense	35,343	(1,411)	-	33,932	93,875	(633)	-	93,242
Income tax expense	(6,109)	(48)	-	(6,157)	(17,773)	(19)	-	(17,792)
Net profit (loss)	<u>29,234</u>	<u>(1,459)</u>	<u>-</u>	<u>27,775</u>	<u>76,102</u>	<u>(652)</u>	<u>-</u>	<u>75,450</u>

#### 40 Interest income

	Consolidated		The Bank	
	2020	2019	2020	2019
	(in million Baht)			
Interbank and money market items	3,336	5,737	3,291	5,352
Investments and trading transactions	622	484	584	482
Investments in debt securities	3,102	12,349	3,103	4,966
Loans	98,208	102,864	97,873	101,779
Hire purchase	13,022	13,461	13,022	13,461
Others	81	130	81	131
<b>Total</b>	<b><u>118,371</u></b>	<b><u>135,025</u></b>	<b><u>117,954</u></b>	<b><u>126,171</u></b>

#### 41 Interest expenses

	Consolidated		The Bank	
	2020	2019	2020	2019
	(in million Baht)			
Deposits	13,708	20,062	13,620	20,034
Interbank and money market items	926	1,601	907	1,637
Contributions to Deposit Protection Agency	5,470	10,116	5,470	10,115
Debt issued				
- Debentures	1,341	2,889	1,341	2,872
- Subordinated debentures	-	660	-	660
Borrowings	1	76	-	-
Others	26	220	26	220
<b>Total</b>	<b><u>21,472</u></b>	<b><u>35,624</u></b>	<b><u>21,364</u></b>	<b><u>35,538</u></b>

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

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**42 Net fee and service income**

	Consolidated 2020	2019	Consolidated 2020	The Bank 2019
	(in million Baht)			
Fee and service income				
- Acceptances, avals and guarantees	1,408	1,472	1,394	1,457
- ATM, Debit cards, Credit Cards and other banking electronic	11,625	14,471	11,639	14,490
- Insurance commission and bancassurance related income	12,042	3,337	11,980	6,643
- Others	<u>20,546</u>	<u>19,823</u>	<u>16,008</u>	<u>16,585</u>
Total fee and service income	<u>45,621</u>	<u>39,103</u>	<u>41,021</u>	<u>39,175</u>
Fee and service expenses	<u>(9,035)</u>	<u>(9,433)</u>	<u>(7,991)</u>	<u>(8,328)</u>
<b>Net fee and service income</b>	<b><u>36,586</u></b>	<b><u>29,670</u></b>	<b><u>33,030</u></b>	<b><u>30,847</u></b>

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

	Consolidated 2020	The Bank 2020
	(in million Baht)	
Foreign currencies and foreign exchange derivatives	5,845	5,941
Interest rate derivatives	698	698
Debt instruments	230	175
Equity instruments	887	542
Others	<u>2</u>	<u>2</u>
<b>Total</b>	<b><u>7,662</u></b>	<b><u>7,358</u></b>

**44 Net gain on trading and foreign exchange transactions**

	Consolidated 2019	The Bank 2019
	(in million Baht)	
Foreign currencies and foreign currency related derivatives	5,275	5,231
Interest rate derivatives	460	460
Debt instruments	842	718
Equity instruments	238	169
Others	<u>2</u>	<u>2</u>
<b>Total</b>	<b><u>6,817</u></b>	<b><u>6,580</u></b>

**45 Net gain on investments**

	Consolidated 2020	The Bank 2020
	(in million Baht)	
Investment in debt instruments measured at FVOCI	1,701	1,701
Others	<u>2</u>	<u>35</u>
<b>Total</b>	<b><u>1,703</u></b>	<b><u>1,736</u></b>

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	<b>Consolidated</b>	<b>The Bank</b>
	2019	2019
	(in million Baht)	
Available-for-sale securities	4,331	3,542
Held-to-maturity securities	(143)	-
General investments	1,101	1,102
Others	94	98
<b>Total</b>	<b>5,383</b>	<b>4,742</b>

**46 Other expenses**

	<b>Consolidated</b>	<b>The Bank</b>
	2020	2019
	(in million Baht)	
Marketing expenses	5,353	7,063
Other service fees	2,512	2,952
Amortisation of intangible assets	4,133	2,864
Others	4,275	5,752
<b>Total</b>	<b>16,273</b>	<b>18,631</b>
	<b>18,204</b>	<b>20,656</b>

**47 Expected credit loss**

	<b>Consolidated</b>	<b>The Bank</b>
	2020	2020
	(in million Baht)	
Expected credit loss		
- Interbank and money market items	(19)	(36)
- Investment in debt instruments measured at FVOCI	26	26
- Investment in debt instruments measured at AMC	43	43
- Loans to customers and accrued interest receivables *	44,001	43,723
- Loan commitments and financial guarantee contracts	440	385
Modification loss	2,158	2,158
<b>Total</b>	<b>46,649</b>	<b>46,299</b>

\* Net of bad debts recovery

**48 Impairment loss on loans and debt securities**

	<b>Consolidated</b>	<b>The Bank</b>
	2019	2019
	(in million Baht)	
Interbank and money market items	(90)	(90)
Loans to customers *	36,143	36,169
Loss on debt restructuring	158	158
<b>Total</b>	<b>36,211</b>	<b>36,237</b>

\* Net of bad debts recovery

**The Siam Commercial Bank Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the year ended 31 December 2020**

**49 Basic earnings per share**

	<b>Consolidated</b>	<b>The Bank</b>	
	2020	2019	2020
	<i>(in million Baht /million shares)</i>		
Profit attributable to common shareholders of the Bank (basic)	27,218	40,436	27,775
Number of common and preferred shares outstanding	3,399	3,399	3,399
<b>Earnings per share (basic) (in Baht)</b>	<b>8.01</b>	<b>11.90</b>	<b>8.17</b>
			<b>22.20</b>

**50 Events after the reporting period**

- 50.1 On 8 January 2021, SCB 10X Co., Ltd. which is the Bank's subsidiary and a company under SCB Financial Group, has incorporated a new subsidiary under the name Token X Co., Ltd. (100% shareholding) and registered with the Department of Business Development, Ministry of Commerce. The Company has a registered capital of Baht 50 million. The Company's key objective is to operate the Initial Coin Offering Portal (ICO Portal).
- 50.2 On 13 January 2021, the Bank registered the conversion of 1,000 preferred shares to 1,000 common shares with the Ministry of Commerce.
- 50.3 On 29 January 2021 at the local time of Thailand (or 28 January 2021 at the local time of New York, the United States of America), the Bank has acquired 45,837,074 ordinary shares in Dean & DeLuca, Inc. (D&D Inc.), a company incorporated in the United States of America, which is equal to 26.49% of total issued and paid up shares of D&D Inc. pursuant to the debt-to-equity conversion in respect of the total loan provided by the Bank to D&D Inc. totaling USD 45,837,074 (with full provision), under the business reorganisation process in the Bankruptcy Court of the United States of America (Chapter 11). The total investment value is estimated to be equal to 1 Baht.
- 50.4 The Board of Director's Meeting held on 18 February 2021 passed a resolution on the dividend payment from the year 2020 to the shareholders of the Bank at the rate of Baht 2.30 per share, totalling Baht 7,818 million. The resolution will be proposed to seek an approval from the Annual General Meeting of Shareholders on 8 April 2021. Dividend payout ratio is 28.1% based on 2020 net profit on the Bank only basis. This is the maximum dividend payment permitted by the BoT according to circular letter number Tor Por Tor For Nor Sor (23) Wor 1236/2563 dated 12 November 2020, regarding to *Dividend Distribution Policies to Strengthen Capital during the Coronavirus Pandemic*.



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