

Press Release: October 21, 2021

SCB ANNOUNCED THIRD-QUARTER PROFIT OF BAHT 8.8 BILLION AND NINE-MONTH PROFIT OF BAHT 27.7 BILLION

Bangkok: Siam Commercial Bank and its subsidiaries reported consolidated net profit of Baht 8.8 billion for 3Q21, a 90.0% yoy increase from higher operating profit and lower provisions. Pre-provision operating profit increased 12.6% yoy to Baht 21.1 billion driven by strong non-interest income growth and effective cost management. Net profit for the first nine months of 2021 was Baht 27.7 billion, up 24.6% yoy from the same period last year.

For the third quarter of 2021, net interest income declined 0.8% yoy to Baht 23.5 billion, reflecting the pressure on net interest margin in the current low interest rate environment and weak economic growth.

Non-interest income increased 24.3% yoy to Baht 13.4 billion. Strong income growth in bancassurance and wealth management businesses, a rebound in trade activities, and higher gain on sale of assets had contributed to this increase.

Expenses increased slightly 0.4% yoy to Baht 15.8 billion as the Bank continued its strict cost control measures. The Bank's cost-to-income ratio for the third quarter was 42.8%.

The Bank set provisions at Baht 10.0 billion in the third quarter and Baht 30.1 billion in total for the first nine months.

Non-performing loan (NPL) ratio went up slightly to 3.89% at the end of September 2021 from 3.79% at the end of June 2021. The Bank maintained a high NPL coverage ratio at 137.6% as well as a strong capital adequacy ratio at 18.4%.

Arthid Nanthawithaya, Chairman of the Executive Committee and CEO, commented:

“The Bank’s steady growth despite the widespread impact of the COVID-19 pandemic reflected both our financial strength and our adaptability in this rapidly changing operating environment. We continue to focus on our critical role in helping our customers and society through our relief programs. In the third quarter, the Bank launched a comprehensive debt restructuring program following the Bank of Thailand’s framework to help customers recover from this crisis in a sustainable fashion. Moreover, the Bank also channeled additional assistance to consumers and SMEs through its food deliver platform, Robinhood. The Bank saw over 1.9 million of new digital users in the recent quarter, most of which were from Robinhood’s expanded user base. The Bank is committed to enhancing and deepening digital engagement and customer experience across multiple platforms and beyond banking services.”

SCB – Financial Highlight

Unit: Baht million	(Consolidated)				
	3Q21	% qoq	% yoy	9M21	% yoy
Income	36,910	1.2%	7.0%	111,132	2.5%
NII	23,533	0.2%	-0.8%	70,384	-4.0%
Non-NII	13,377	2.9%	24.3%	40,748	16.0%
Operating Expenses	15,813	2.8%	0.4%	46,290	-4.1%
Pre-Provision Operating Profit	21,097	0.0%	12.6%	64,841	7.8%
Expected credit loss	10,035	0.1%	-22.5%	30,071	-7.2%
Net Profit	8,818	0.0%	90.0%	27,720	24.6%
Loans	2,279,016	-0.8%	5.0%	2,279,016	5.0%
Total Assets	3,272,204	2.2%	1.5%	3,272,204	1.5%
Deposits	2,410,172	1.7%	0.1%	2,410,172	0.1%
ROE	8.3%	-0.1%	3.7%	8.8%	1.4%
ROA	1.1%	0.0%	0.5%	1.1%	0.1%
NIM on Earning Assets	3.02%	-0.02%	-0.10%	2.98%	-0.30%
Cost to Income Ratio	42.8%	0.6%	-2.9%	41.7%	-2.8%
Loan to Deposit Ratio	94.6%	-2.3%	4.4%	94.6%	4.4%
NPL%	3.89%	0.10%	0.57%	3.89%	0.57%
NPLs	107,071	2.8%	19.1%	107,071	19.1%
Coverage Ratio (Total Allowance to NPLs)	137.6%	-4.7%	-8.1%	137.6%	-8.1%
CAR	18.4%	0.5%	-0.3%	18.4%	-0.3%
Regulatory Capital	413,909	2.9%	3.0%	413,909	3.0%
Traditional Branches	797			797	
Investment Centers	6			6	
Business Centers	1			1	
Foreign Exchange Kiosks	42			42	
ATM Machines	9,085			9,085	

Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2021

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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. In addition, the information provided is preliminary and subject to change following the review of the financial results for the third quarter and first nine months ended September 30, 2021.

In the third quarter of 2021, the Bank continued to demonstrate performance resilience with significant growth in net profit, adequate coverage ratio, and a strong capital base despite the Thai economy being hard hit by the third wave of pandemic. The key drivers for operating growth remained to be wealth and bancassurance businesses coupled with cost control initiatives. The Bank is cautiously optimistic about asset quality based on the Bank's prudent approach throughout this crisis and the prospect of country reopening.

SCB has been proactively assisting affected customers in a variety of ways. The current focus is to work with customers in the relief program to identify and implement comprehensive debt restructuring solutions to ensure customers' long-term survival. Following the BOT's latest two-month payment holiday measure, the amount of relief loans rose qoq.

On September 22, 2021, the Bank announced a new vision to become the most admired financial technology group in ASEAN. To achieve this goal, SCB^x was set up as the group's mothership to set the group's strategic direction and allocate resources to maximize shareholder value.

Operating performance

For the third quarter of 2021, the Bank reported an operating profit of Baht 21.1 billion, up 12.6% from the same period of last year driven by higher non-NII. The higher operating profit, combined with a lower provisions of Baht 10.0 billion, led to a 90.0% increase in net profit to Baht 8.8 billion.

Non-NII for 3Q21 showed robust growth despite a prolonged soft lockdown throughout the country. The primary growth drivers were recurring income from wealth and bancassurance businesses and transactional banking activities as well as non-recurring items from mark-to-market gain from investments and gain on sale of written-off unsecured loans and non-performing assets.

Operating expenses in the third quarter of this year edged up marginally yoy and cost-to-income ratio stood at 42.8%. The Bank continues to manage its costs strictly.

Given the Bank's decision to focus on high quality loans since last year, loans grew by 1.1% on a year-to-date basis. Fierce market competition for quality customers and ample liquidity in the financial sector also contributed to this sluggish loan growth. The above factors and, to a limited extent, the impact from comprehensive debt restructuring resulted in a decline in NIM for the third quarter of this year to 3.02%.

Asset quality and impact from COVID-19

During the third wave of COVID-19, Thailand has experienced both high infection and hospitalization rates which have overwhelmed the healthcare system and caused a shortage in hospital beds. The daily infections peaked at 23,000 cases per day during mid-August and have come down to around 10,000 cases per day in early October.

The prolonged third wave prompted the government to impose a series of containment measures ranging from isolating identified clusters such as construction workers' camps to tightening restrictions in dark-red zones including Bangkok and its vicinity where business closure and night curfew were enforced. As infections ebbed, the government began to ease certain restrictions starting on September 1 by allowing partial reopening of some businesses, among others, shopping malls, fresh markets, domestic flights operating in and out of cities/provinces in dark-red zones. The government further lifted restrictions on October 1, such as shortening curfew hours in dark-red zone provinces, reopening schools that meet safety protocols, and allowing restaurants dine-in option before 9 pm.

In parallel with the government's effort, the BOT also issued several COVID-19 relief measures in the third quarter of this year which included a two-month debt moratorium for SME and retail customers in dark-red zones starting in July. Additional measures were announced on August 20 to address liquidity preservation and new money for SME and retail customers. Reduction of FIDF fee from 46 bps to 23 bps per year was also extended for another year until the end of 2022. The BOT has also urged banks to work with customers on long-term debt restructuring solutions and offered support by relaxing loan classification and provision requirements based on the extent of restructuring activity as announced on September 3 (see a summary of the BOT measures in the Appendix).

Throughout this crisis, helping customers has always been the Bank's key priority. Since 2Q20, the Bank has provided Baht 839 billion of relief loans to over 1.2 million customers. Relief loans climbed in 3Q21 following the BOT's new two-month debt moratorium measure for SME and retail customers in dark-red zones to Baht 464 billion or 20% of total loans, up from 16% in the prior quarter. Note that this amount includes Baht 124 billion of two-month debt holiday which should exit the program by the end of this year. Despite prolonged COVID-19 outbreak and lockdown in 3Q21, payment profile remained at the acceptable level.

Comprehensive debt restructuring solutions

The Bank has been proactively working with customers on comprehensive debt restructuring solutions. The key objective is to migrate affected customers in the relief program towards long-term solutions to increase their business and personal financial survival. The Bank's approach is in line with the BOT's measures announced on September 3 which urged banks to help affected customers develop long-term debt restructuring plans tailored to each individual customer's repayment ability and recovery pattern. According to the BOT, customers can be classified into two groups based on the complexity of their restructuring arrangements: those requiring only term extension and those with more extensive restructuring conditions to reduce debt repayment burden.

Based on each individual customer's operating circumstances (e.g. risk profile, projected cash-flows, industry/sector recovery trajectory), the Bank will offer a tailored solution that may include, among others, tenor extension, installment reprofiling, lower rates, step-up rates, etc. Furthermore, underwriting criteria may be lowered for certain cases when deemed necessary.

Customers who have undergone the comprehensive debt restructuring process will be closely monitored and are expected to recover at the same pace as, if not faster than, the country's overall recovery. According to the BOT measures, loans that have been restructured with extensive restructuring conditions to reduce debt repayment burden can be immediately reclassified to Stage 1 if they are non-NPLs prior to the restructuring; or can be reclassified to Stage 1 if they are NPLs but can perform according to the new terms for three consecutive months or three periods, whichever is longer. The Bank will follow the BOT guidelines on loan classification but will not fully leverage the relaxation.

The Bank aims to undertake comprehensive debt restructuring in the approximate amount of Baht 500 billion. The Bank expects that 50% of total comprehensive program can be completed by the end of this year. The lower expectation than initial forecast was due to some customers being able to service debt with their current payment schemes, difficulties in preparing and executing new contracts during the lockdown period, and the extension of the regulatory timeline to 2023.

The Bank's NPL ratio at the end of the third quarter increased slightly qoq to 3.89%. The Bank had prudently maintained a high level of provision at 175 bps in 3Q21. The Bank's coverage ratio remained high at 138%.

New strategic direction

Amid the rapidly changing consumer behaviours and environment, the success of an organization hinges on its agility and flexibility to grow new businesses. A new vision has been set to be **“the most admired financial technology group in ASEAN.”**

To achieve this vision, SCB^X, the new mothership, has been established to lead the strategic initiative to redeploy capital for value unlocking. The new group structure is designed to grant full autonomy to each subsidiary to drive their own business model, optimize their unique risk-return profile, attract new talents, and ultimately achieve superior shareholders' return. After obtaining shareholders' and regulatory approval, SCB^X will make a tender offer to the Bank's shareholders in a 1-for-1 share swap. Note that SCB^X will cancel this tender offer along with the reorganization plan if the share conversion rate turns out to be below 90%.

If and when the share swap is completed and SCB^X becomes the Bank's parent company, the Bank will then transfer Baht 70 billion to SCB^X as a one-off dividend payment. Part of this payment will be used to fund related business transfers as part of the reorganization. Specifically, unsecured lending business and some selected companies under SCB Bank will be transferred to SCB^X. The remaining amount will be kept at SCB^X to pay for business operations including new investments and future dividends.

Full details of the business restructuring are in the SET filing dated September 22, 2021.

Digital Initiatives

The Bank uses a multi-platform approach to provide digital lending services by offering access on both its own mobile banking platform (SCB EASY) and platforms of subsidiary companies. At the end of 3Q21, the number of digital users rose significantly to 18 million users from 16.1 users in the previous quarter with digital loans accounting for approximately 23% of total unsecured loans. With digital loans growing at a phenomenal rate of 85% yoy, digital revenue in 3Q21 surged 53% yoy and accounted for 4% of total income.

Recent digital initiatives are:

- Robinhood, a food delivery platform, brings merchants, customers, and delivery drivers together with no GP fees. Boosted by its no delivery fee campaign during the recent lockdown, Robinhood users almost doubled in just a quarter from 1.2 million to 2.2 million and the number of merchants skyrocketed to over 150,000. Robinhood plans to expand its geographical coverage to other provinces and its scope of services to include grocery orders from convenience stores. In addition, Robinhood plans to unveil its "Zero GP OTA" feature for hoteliers, featuring the same no GP fee policy.
- SCB Abacus, an alternative digital lending platform in Thailand, has raised USD 12 million in an oversubscribed Series A funding round with leading tech VCs. The company's flagship product, MoneyThunder, is a digital unsecured lending app targeted at emerging micro entrepreneurs with inconsistent income seeking working capital, as well as low-income earners in Thailand. As of September 2021, MoneyThunder has seen over 5 million app downloads.
- MONIX, Thailand's leading digital loan service provider for retail customers, recently launched a digital lending app called 'FINNIX' which has had more than 4 million downloads.

3Q21 and 9M21 Performance

Siam Commercial Bank reported (unreviewed) consolidated **net profit** of Baht 8,818 million for the third quarter of 2021, a 90.0% yoy increase from Baht 4,641 million in 3Q20. The main sources of this increase were higher net fee income, increased net gain on financial instruments measured at FVTPL and lower expected credit losses.

On a **quarter-on-quarter** basis, both net profit and operating profits were relatively stable qoq.

Net profit for the **first nine months of 2021** rose 24.6% yoy to Baht 27,720 million, compared with Baht 22,252 million in 9M20. Similar factors drove the yoy increase in the first nine months as for the recent quarter, namely higher net fee income, higher net gain on financial instruments measured at FVTPL, lower operating expenses and lower expected credit losses. These positive factors, however, were partly offset by lower NII and lower net gain on investments.

Table 1. Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	3Q21	% qoq	% yoy	9M21	% yoy
Net interest income	23,533	0.2%	-0.8%	70,384	-4.0%
Non-interest income	13,377	2.9%	24.3%	40,748	16.0%
Total operating income	36,910	1.2%	7.0%	111,132	2.5%
Operating expenses	15,813	2.8%	0.4%	46,290	-4.1%
Pre-provision operating profit	21,097	0.0%	12.6%	64,841	7.8%
Expected credit loss	10,035	0.1%	-22.5%	30,071	-7.2%
Income tax	2,286	-0.8%	89.9%	7,186	27.6%
Non-controlling interests	(42)	NM	NM	(136)	NM
Net profit (attributable to shareholders of the Bank)	8,818	0.0%	90.0%	27,720	24.6%
Other comprehensive income (loss)	(46)	NM	NM	(615)	NM
Total comprehensive income	8,772	-1.8%	234.1%	27,105	33.5%
ROAE	8.3%			8.8%	
ROAA	1.1%			1.1%	

NM denotes “not meaningful”

Table 2. Share Information

Unit: Baht	3Q21	% qoq	% yoy	9M21	% yoy
EPS	2.59	0.0%	90.0%	8.15	24.6%
BVPS	125.28	0.9%	4.9%	125.28	4.9%
Closing price	122.00	24.5%	87.7%	122.00	87.7%
Shares outstanding* (Million shares)	3,399	0.0%	0.0%	3,399	0.0%
Market capitalization (Baht billion)	414.7	24.5%	87.7%	414.7	87.7%

* Include both common and preferred shares

**Income statement for the third quarter and first nine months ended September 30, 2021
(Consolidated basis)**

Table 3. Net interest income

Consolidated Unit: Baht million	3Q21	% qoq	% yoy	9M21	% yoy
Interest income	27,739	0.3%	-2.9%	83,111	-7.7%
Loans	23,690	1.7%	0.0%	70,280	-5.8%
Interbank and money market	579	-12.4%	-18.0%	1,887	-29.7%
Hire purchase	2,845	-7.5%	-14.8%	8,995	-8.6%
Investments	608	1.1%	-28.4%	1,918	-32.9%
Others	17	87.0%	148.5%	32	-57.6%
Interest expenses	4,206	0.7%	-13.4%	12,728	-24.1%
Deposits	2,346	0.3%	-22.6%	7,203	-33.4%
Interbank and money market	212	16.4%	28.2%	575	-24.1%
Borrowings	227	1.3%	-12.1%	668	-40.3%
Contribution to the Deposit Protection Agency & FIDF	1,418	-1.0%	1.3%	4,274	5.4%
Others	2	193.7%	1.6%	7	-67.4%
Net interest income	23,533	0.2%	-0.8%	70,384	-4.0%

- **Net interest income** in 3Q21 fell 0.8% yoy to Baht 23,533 million despite loan growth at 5.0% yoy due to a 10 bps net interest margin (NIM) compression yoy from interest rate cuts last year and the Bank's strategy to shift towards high quality loans.
- On a **quarter-on-quarter** basis, net interest income increased slightly with improvement in loan yield by 3 bps qoq from a change in the quarterly loan mix although loan volume shrank 0.8% qoq.
- In the **first nine months of 2021**, net interest income decreased by 4.0% yoy to Baht 70,384 million. The effect from the 5.0% yoy loan growth was outweighed by NIM compression of 30 bps yoy from multiple interest rate cuts last year, a higher proportion of lower-yield soft loans, and the Bank's shift towards high quality loans.

Table 4. Yield and cost of funding

Consolidated Unit: Percentage	3Q21	2Q21	1Q21	4Q20	3Q20
Net interest margin	3.02%	3.04%	3.01%	3.02%	3.12%
Yield on earning assets	3.56%	3.59%	3.57%	3.63%	3.76%
Yield on loans	4.64%	4.61%	4.65%	4.84%	5.01%
Yield on interbank and money market	0.46%	0.51%	0.48%	0.46%	0.51%
Yield on investment	0.74%	0.86%	0.93%	0.99%	1.04%
Cost of funds ^{1/}	0.63%	0.64%	0.66%	0.70%	0.75%
Cost of deposits ^{2/}	0.63%	0.64%	0.66%	0.71%	0.76%

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

^{1/} Cost of funds = Interest expenses (including the contribution to DPA & FIDF) / Average interest-bearing liabilities.

^{2/} Cost of deposits includes the contribution to the Deposit Protection Agency and FIDF fee.

NIM went down yoy to 3.02% mainly from interest rate cuts last year. On a qoq basis, NIM decreased 2 bps from lower yield on investment (-12 bps) and lower yield on interbank and money market (-5 bps). However, these factors were partially offset by higher yield on loans (+3 bps). Table 19 on page 15 provides a detailed breakdown of loan yield by segment/product.

Table 5. Interest rate

SCB Interest Rates	Jan 4, 19	Aug 15, 19	Nov 8, 19	Feb 7, 20	Mar 24, 20	Apr 10, 20	May 25, 20	Feb 9, 21	Mar 12, 21
Lending rate (%)									
MLR	6.025	6.025	6.025	5.775	5.775	5.375	5.25	5.25	5.25
MOR	6.87	6.745	6.745	6.745	6.495	6.095	5.845	5.845	5.845
MRR	7.37	7.12	6.87	6.87	6.745	6.345	5.995	5.995	5.995
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.25	0.25
3-month deposits	0.90-1.15	0.90-1.15	0.65-0.90	0.60	0.50	0.50	0.375	0.37	0.32
6-month deposits	1.15-1.40	1.15-1.40	0.90-1.15	0.80	0.60	0.60	0.50	0.45	0.40
12-month deposits	1.40-1.65	1.40-1.65	1.15-1.40	0.90	0.65	0.65	0.50	0.45	0.40
* Excluding special campaigns which generally offer significantly higher rates but have different terms and conditions from the 3, 6, 12 month term deposits.									
	Mar 12, 14	Mar 11, 15	Apr 29, 15	Dec 19, 18	Aug 7, 19	Nov 6, 19	Feb 5, 20	Mar 23, 20	May 20, 20
Policy rate (%)	2.00	1.75	1.50	1.75	1.50	1.25	1.00	0.75	0.50

Table 6. Non-interest income

Consolidated	3Q21	% qoq	% yoy	9M21	% yoy
Unit: Baht million					
Net fee and service income	9,664	-1.5%	12.8%	29,915	18.9%
Fee and service income	12,161	-2.4%	12.9%	37,375	16.9%
Fee and service expenses	2,497	-5.8%	13.5%	7,460	9.6%
Net gain on financial instruments measured at FVTPL	2,502	-5.9%	75.8%	8,315	28.0%
Share of profit from investment in associate and joint ventures	46	21.0%	NM	495	NM
Dividend income	46	-41.0%	410.8%	150	0.5%
Other income	1,106	167.1%	161.3%	1,766	3.9%
Non-interest income excluding net gain on investments	13,364	2.8%	28.2%	40,642	21.6%
Net gain on investments	13	NM	-96.2%	106	-93.7%
Total non-interest income	13,377	2.9%	24.3%	40,748	16.0%

NM denotes "not meaningful"

- **Non-interest income** increased 24.3% yoy to Baht 13,377 million in 3Q21 largely due to higher recurring income from bancassurance business, wealth management business, and transactional banking activities that were higher than last year. Non-recurring income also increased yoy largely from gain on sale of written-off unsecured loans and gain from sale of NPA as well as higher net gain on financial instruments measured at FVTPL although net gain on investments were lower.
- On a **quarter-on-quarter** basis, non-interest income increased 2.9% qoq largely due to gain on sale of written-off unsecured loans and gain from sale of NPA. However, recurring income fell qoq particularly in bancassurance and lending related businesses as a consequence of weaker consumer sentiments amidst the worst wave of COVID-19 in 3Q21. However, fees from wealth management business increased qoq in line with investment market activities.
- In the **first nine months of 2021**, non-interest income increased 16.0% yoy to Baht 40,748 million. This increase was largely due to strong recurring income from bancassurance and wealth management, quarterly recognition of performance-linked compensation on bancassurance as well as higher gains on financial instruments measured at FVTPL in the investment portfolio of the Bank and its subsidiary.

Table 7. Non-interest income breakdown

Consolidated Unit: Baht million	3Q21	% qoq	% yoy	9M21	% yoy
Transactional banking *	3,080	7.7%	4.2%	8,862	-2.8%
Lending related **	1,233	-6.0%	-10.9%	3,850	-4.7%
Wealth management ***	2,672	10.2%	40.2%	8,342	44.7%
Bancassurance	3,613	-10.5%	22.3%	11,428	30.6%
Recurring income	10,598	-0.3%	15.2%	32,481	17.4%
Non-recurring and others	2,779	17.7%	78.3%	8,267	10.9%
Total non-interest income	13,377	2.9%	24.3%	40,748	16.0%

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

** Including loan related fee and credit cards

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

Table 8. Operating expenses

Consolidated Unit: Baht million	3Q21	% qoq	% yoy	9M21	% yoy
Employee expenses	7,157	1.2%	-6.2%	22,247	-6.9%
Premises and equipment expenses	2,507	2.2%	-21.9%	8,003	-15.2%
Taxes and duties	892	-3.3%	-5.7%	2,734	-4.1%
Directors' remuneration	32	90.9%	7.9%	78	-10.6%
Other expenses	5,226	6.4%	32.8%	13,228	10.2%
Total operating expenses	15,813	2.8%	0.4%	46,290	-4.1%
Cost to income ratio	42.8%			41.7%	

- **Operating expenses** increased slightly by 0.4% yoy to Baht 15,813 million in 3Q21 due to higher other expenses from higher impairment of foreclosed properties and marketing campaigns of the Bank's subsidiary. However, this was mostly offset by a decline in employee expenses following the voluntary early retirement programs done in 2020 and a decrease in premises and equipment expenses from the streamlining of the branch network in 2020.
- On a **quarter-on-quarter** basis, operating expenses rose 2.8% qoq largely from higher other expenses namely in the impairment of foreclosed properties.
- In the **first nine months of 2021**, operating expenses decreased 4.1% yoy to Baht 46,290 million with the Bank's continued cost control measures as well as realized cost reduction benefits from accelerated digital migration.

The Bank's cost-to-income ratio was 42.8% in 3Q21, and 41.7% for the first nine months of 2021 which was within the low-to-mid 40s target owing to the Bank's strict cost discipline. With uneven and uncertain income outlook for the remaining of the year, the Bank will continue to exercise strict control over discretionary expenses although operating expenses tend to be seasonally higher in the fourth quarter.

Table 9. Expected credit loss (ECL)

Consolidated Unit: Baht million	3Q21	% qoq	% yoy	9M21	% yoy
Expected credit loss	10,035	0.1%	-22.5%	30,071	-7.2%
Credit cost (bps)	175			177	

- In 3Q21, the Bank set aside **expected credit losses** in the amount of Baht 10,035 million, or 175 bps of total loans. This amount not only took into account the pro-cyclicality of forward-looking Expected Credit Loss (ECL) models as required by the TFRS 9 framework, but also included management overlay given the current deteriorating economic environment.

Balance sheet as of September 30, 2021 (Consolidated basis)

As of September 30, 2021, the Bank's total assets increased 1.5% yoy to Baht 3,272 billion largely due to loan growth of 5.0% yoy and an increase of financial assets measured at FVTPL despite a decline in interbank and money market items and investments. Details on consolidated balance sheets are provided in the following sections:

Table 10. Net loans and accrued interest receivables

Consolidated Unit: Baht million	Sep 30, 21	Jun 30, 21	Dec 31, 20	Sep 30, 20
Total loans	2,279,016	2,296,617	2,255,242	2,170,777
<i>Add</i> Accrued interest receivables and undue interest receivables	13,943	13,446	14,508	12,708
Total loans and accrued interest receivables and undue interest receivables	2,292,959	2,310,063	2,269,750	2,183,485
<i>Less</i> Unamortised modification losses	(6,831)	(2,920)	(2,124)	(2,457)
<i>Less</i> Allowance for expected credit loss	(141,228)	(141,780)	(137,318)	(125,694)
Total loans and accrued interest receivables, net	2,144,899	2,165,363	2,130,308	2,055,334

Table 11. Loans by segments

Consolidated Unit: Baht million	Sep 30, 21	Jun 30, 21	% qoq	Dec 31, 20	% ytd	Sep 30, 20	% yoy
Corporate	815,088	845,133	-3.6%	844,089	-3.4%	779,967	4.5%
SME	405,097	395,616	2.4%	368,622	9.9%	370,192	9.4%
Retail	1,058,831	1,055,868	0.3%	1,042,531	1.6%	1,020,618	3.7%
Housing loans*	692,822	685,574	1.1%	671,401	3.2%	663,616	4.4%
Auto loans	225,923	229,970	-1.8%	229,448	-1.5%	225,887	0.0%
Unsecured loans	131,767	135,262	-2.6%	138,541	-4.9%	127,788	3.1%
Other loans	8,318	5,062	64.3%	3,141	164.8%	3,327	150.0%
Total loans	2,279,016	2,296,617	-0.8%	2,255,242	1.1%	2,170,777	5.0%

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

Total loans increased by 5.0% yoy and 1.1% ytd but decreased 0.8% qoq at the end of September 2021. Changes in loan volume by customer segments are as follows:

- **Corporate** loans increased by 4.5% yoy but fell 3.6% qoq and 3.4% ytd. Loan repayment and the Bank's shifted focus to higher quality corporate loans both contributed to the negative qoq and ytd growth.
- **SME** loans grew 9.4% yoy, 2.4% qoq and 9.9% ytd with more lending targeted at high-quality existing small SMEs as well as soft loans to qualified customers. The Bank's primary focus for this segment has been to ensure adequate relief efforts for qualified customers who have experienced cashflow difficulties during the pandemic. Given this objective, the Bank has proactively provided financial assistance in the form of relief programs, comprehensive debt restructuring and soft loans which contributed to the observed loan growth of this segment.
- **Retail** loans increased 3.7% yoy, 0.3% qoq and 1.6% ytd. Below are details of changes in retail loan volume by sub-segment.
 - **Housing loans** increased 4.4% yoy, 1.1% qoq and 3.2% ytd largely due to demand in high-end housing developments coupled with the effect of payment holiday for customers under the Bank's relief programs.
 - **Auto loans** stayed relatively flat yoy but fell 1.8% qoq and 1.5% ytd. Reasons for the qoq decrease were loan repayment, weak demand for used cars while supply of new cars was impacted by global supply chain issues. Similar factors were also at play for the ytd decrease.
 - **Unsecured loans** (personal loans and credit card receivables) increased 3.1% yoy but fell 2.6% qoq and 4.9% ytd. The qoq and ytd decreases reflected the seasonality pattern of credit card spending which normally peaks at year end on top of the effect from the third wave of COVID-19 in the first nine months of 2021 which has made customers more cautious with their spending.

Table 12. Deposits breakdown

Consolidated Unit: Baht million	Sep 30, 21	Jun 30, 21	% qoq	Dec 31, 20	% ytd	Sep 30, 20	% yoy
Demand	108,670	114,953	-5.5%	93,336	16.4%	107,959	0.7%
Savings	1,792,522	1,733,415	3.4%	1,758,903	1.9%	1,720,816	4.2%
Fixed	508,979	520,675	-2.2%	568,216	-10.4%	577,866	-11.9%
Less than 6 months	108,439	112,793	-3.9%	114,006	-4.9%	119,045	-8.9%
6 months and up to 1 year	162,434	168,987	-3.9%	169,547	-4.2%	145,437	11.7%
Over 1 year	238,106	238,895	-0.3%	284,663	-16.4%	313,384	-24.0%
Total deposits	2,410,172	2,369,043	1.7%	2,420,455	-0.4%	2,406,641	0.1%
CASA - Current & Savings Accounts (%)	78.9%	78.0%		76.5%		76.0%	
Gross loans to deposits ratio	94.6%	96.9%		93.2%		90.2%	
Liquidity ratio (Bank-only)	31.9%	30.3%		32.6%		35.4%	

As of September 30, 2021, total **deposits** increased slightly 0.1% yoy and 1.7% qoq but fell 0.4% ytd. The yoy and qoq increases came mainly from higher saving deposits, pushing CASA to 78.9% at the end of September 2021 from 78.0% at the end of June 2021 and 76.5% at the end of last year. Gross loans to deposits ratio decreased to 94.6% at the end of September 2021 from 96.9% at the end of June 2021 as a result of higher deposit growth qoq while loan volume contracted qoq.

The Bank's daily liquidity ratio of 31.9%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Table 13. Investment Classification

Consolidated
Unit: Baht million

Investments	Sep 30, 21	Jun 30, 21	% qoq	Dec 31, 20	% ytd	Sep 30, 20	% yoy
Financial assets measured at FVTPL	99,688	50,335	98.0%	28,033	255.6%	43,431	129.5%
Investments in debt securities measured at amortised cost	7,543	7,430	1.5%	7,259	3.9%	7,319	3.1%
Investments in debt securities measured at FVOCI	252,619	237,199	6.5%	302,378	-16.5%	303,896	-16.9%
Investments in equity securities measured at FVOCI	1,736	1,736	0.0%	2,159	-19.6%	2,159	-19.6%
Net investment *	261,898	246,365	6.3%	311,796	-16.0%	313,374	-16.4%
Investment in associate	645	509	26.8%	-	100.0%	-	100.0%
Total	362,231	297,208	21.9%	339,828	6.6%	356,805	1.5%

* Net investments comprise investments measured at amortised cost and measured at FVOCI

Investments at the end of September 2021 increased 1.5% yoy, 21.9% qoq and 6.6% ytd from higher financial assets measured at FVTPL, primarily in government and state enterprise securities, foreign debt securities and partly foreign equity instruments.

Statutory Capital

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

Furthermore, in 2017 the Bank has been designated by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which results 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.

Table 14. Minimum regulatory capital requirement

	2016	2017	2018	2019	2020	2021
Common Equity Tier 1	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Tier 1 capital	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Total capital	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
<u>Additional buffers</u>						
Capital Conservation Buffer	0.625%	1.25%	1.875%	2.50%	2.50%	2.50%
D-SIB Buffer	-	-	-	0.50%	1.00%	1.00%
Common Equity Tier 1	5.125%	5.75%	6.375%	7.50%	8.00%	8.00%
Tier 1 capital	6.625%	7.25%	7.875%	9.00%	9.50%	9.50%
Total capital	9.125%	9.75%	10.375%	11.50%	12.00%	12.00%

The Bank incorporates both current and anticipated regulatory changes into its long-term capital management plan well in advance. 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 September 2021.

Table 15. Total capital

Unit: Baht million, %	Consolidated			Bank-only		
	Sep 30, 21	Dec 31, 20	Sep 30, 20	Sep 30, 21	Dec 31, 20	Sep 30, 20
Statutory Capital						
Common Equity Tier 1/ Tier 1	389,464	377,036	378,602	387,025	375,490	376,849
Tier 2 capital	24,445	23,875	23,251	24,422	24,015	23,279
Total capital	413,909	400,911	401,853	411,447	399,505	400,128
Risk-weighted assets	2,247,368	2,197,668	2,145,282	2,223,862	2,201,154	2,138,817
Capital Adequacy Ratio	18.4%	18.2%	18.7%	18.5%	18.1%	18.7%
Common Equity Tier 1/ Tier 1	17.3%	17.1%	17.6%	17.4%	17.0%	17.6%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

At the end of September 2021, the Bank's consolidated common equity Tier 1/Tier 1 capital increased yoy, mainly as a result of appropriation of net profit which was partly offset by dividend payment of Baht 7.8 billion (Baht 2.30 per share) and interim dividend of Baht 4.9 billion (Baht 1.43 per share). This strong capital position not only helps the Bank weather the current economic downturn but also makes it possible to continue giving assistance to customers during this pandemic.

Asset Quality

At the end of September 2021, **gross NPLs** (on a consolidated basis) increased 19.1% yoy and 2.8% qoq to Baht 107.1 billion. **Gross NPL ratio** increased to 3.89% from 3.79% at the end of June 2021, 3.68% at the end of December 2020 and 3.32% at the end of September 2020. The qoq increase in NPLs was mainly from qualitative classification of corporate customers and the normal flow of auto

loans after the debt holiday relief program ended. The Bank also continuously manages its NPL portfolio using debt restructuring, NPL sales and write-offs. Prudence aside, the Bank's approach is also justifiable on the ground that the reported NPL numbers (e.g. gross NPLs, gross NPL ratio and new NPLs) may not fully reflect current economic conditions as the true severity is masked by the BOT's relief measures.

In addition to the provisioning required by the ECL models to match weakening macro-economic factors as discussed in the "Expected credit loss (ECL)" section, additional provisions may also be needed to cover a potential rise in NPLs at the end of the relief program for loans that cannot be commercially restructured. At the end of September 2021, the Bank's **coverage ratio** was 137.6%, down 4.7% points from the end of June 2021 and 3.1% points from the end of 2020 as a result of higher NPLs. However, the Bank's loan loss reserve as a percentage of total loans (LLR %) was at 6.5%, up 0.6% yoy and 0.2% qoq as a result of a decline in total loans.

Table 16. Asset quality

Unit: Baht million, %	Sep 30, 21	Jun 30, 21	Dec 31, 20	Sep 30, 20
Consolidated				
Non-Performing Loans (Gross NPLs)	107,071	104,110	101,462	89,909
Gross NPL ratio	3.89%	3.79%	3.68%	3.32%
<u>Gross NPL ratio by segment/product</u>				
Corporate	4.55%	3.87%	3.99%	3.86%
SME	10.96%	11.51%	11.47%	9.13%
Retail	2.42%	2.45%	2.45%	2.55%
Housing loans	2.79%	2.97%	3.22%	3.36%
Auto loans	1.56%	1.15%	1.49%	1.46%
Total allowance*	147,359	148,187	142,813	131,031
Total allowance to NPLs (Coverage ratio)	137.6%	142.3%	140.8%	145.7%
Credit cost (Quarterly, bps)	175	175	257	240
Bank-only				
Non-Performing Loans (Gross NPLs)	105,962	102,943	100,333	88,768
Gross NPL ratio	3.86%	3.75%	3.64%	3.28%

* Total allowance include loans, interbank and loan commitments, and financial guarantee contracts.

Loan Classification and Allowance for Expected Credit Losses

Under TFRS 9, loans are classified into 3 stages based on changes in credit quality since initial recognition. Loans and allowance for expected credit losses at the end of September 2021, June 2021, December 2020, and September 2020 were classified as follows:

Table 17. Loan and allowance for expected credit losses by stages

Consolidated Unit: Baht million	Sep 30, 21		Jun 30, 21		Dec 31, 20		Sep 30, 20	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,448,821	45,273	2,463,739	56,499	2,460,277	50,733	2,418,919	46,966
Stage 2 (Underperforming)	196,906	40,732	180,098	32,602	195,736	33,481	200,932	30,758
Stage 3 (Non performing)	107,071	61,355	104,110	59,086	101,462	58,598	89,909	53,307
Total	2,752,798	147,359	2,747,947	148,187	2,757,476	142,813	2,709,760	131,031

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

Table 18. New NPLs by segment/product (%)

	2021			2020				2019			
	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19
Total loans	0.55%	0.44%	0.53%	0.75%	0.73%	0.45%	0.58%	0.73%	1.02%	0.54%	0.50%
Corporate	0.58%	0.01%	0.08%	0.51%	0.51%	0.14%	0.11%	0.22%	1.77%	0.25%	0.12%
SME	0.42%	1.14%	1.21%	2.90%	2.46%	0.85%	1.12%	1.97%	0.90%	0.75%	0.99%
Housing loans	0.38%	0.43%	0.80%	0.54%	0.75%	0.55%	0.78%	0.78%	0.77%	0.83%	0.76%
Auto loans	1.11%	0.49%	0.52%	0.45%	0.10%	0.25%	1.20%	0.85%	0.72%	0.68%	0.61%
New NPLs (Baht billion)	15.2	12.1	14.6	20.7	19.8	11.9	15.2	18.2	26.2	13.4	12.3

New NPL formation was at 0.55% in 3Q21, an increase qoq from 0.44% in 2Q21 primarily from qualitative downgrade of some corporate customers and normal flow of auto loans.

Sources and Uses of Funds

As of September 30, 2021, deposits accounted for 73.7% of SCB's funding base. Other major sources of funds were: 13.1% from shareholders' equity, 5.9% from interbank borrowings, and 2.3% from debt issuance. Uses of funds for this same period were: 69.6% for loans, 15.5% for interbank and money markets lending, 11.1% for investments in securities, and 1.3% held in cash.

Table 19. Additional Financial Information

Consolidated Unit: Baht million, %	Sep 30, 21	Jun 30, 21	% qoq	Sep 30, 20	% yoy
Debt issued and borrowings	76,139	70,663	7.7%	71,632	6.3%
Debentures	64,385	60,828	5.8%	64,787	-0.6%
Structured notes	8,068	5,596	44.2%	1,017	693.3%
Others	150	173	-13.3%	236	-36.4%
Hedge accounting adjustment	3,536	4,066	-13.0%	5,592	-36.8%
	3Q21	2Q21	3Q20	9M21	9M20
Yield on loans by segment					
Yield on loans	4.64%	4.61%	5.01%	4.66%	5.25%
Corporate	3.05%	2.99%	3.38%	3.05%	3.73%
SME	5.71%	5.35%	5.52%	5.50%	5.95%
Retail	5.68%	5.85%	6.22%	5.83%	6.28%
Housing loans	4.52%	4.60%	4.92%	4.58%	4.93%
Auto loans	4.97%	5.32%	6.02%	5.24%	5.90%
Credit card ^{1/}	14.34%	13.42%	15.64%	14.04%	15.87%
Speedy	15.23%	16.89%	18.69%	17.03%	19.65%
Auto loans portfolio					
New car	57.9%	57.8%	56.1%	57.9%	56.1%
Used car	23.9%	24.1%	25.6%	23.9%	25.6%
My car, My cash	18.2%	18.1%	18.3%	18.2%	18.3%
NPL reduction methodology					
Repayments, auctions, foreclosures and account closed	34.5%	34.0%	46.5%	36.6%	48.2%
Debt restructuring	9.3%	12.7%	10.3%	10.4%	6.3%
NPL sales ^{2/}	21.5%	14.1%	24.3%	19.0%	20.6%
Write off	34.7%	39.2%	18.9%	34.0%	24.9%

^{1/} Revolving only

^{2/} The Bank sold NPLs of Baht 2.6 billion in 3Q21, 1.7 billion in 2Q21, Baht 2.3 billion in 3Q20, Baht 6.9 billion in 9M21 and Baht 9.2 billion in 9M20.

APPENDIX

Relief Measures by the Bank of Thailand (BOT)

BOT Measures for Non-Retail Customers

Key measures	Effective Date
Measures for SMEs under the Royal Decree's relief program <ul style="list-style-type: none">• 6-month loan payment holiday for all companies with Baht 100 million or lower credit lines• Soft loans to provide liquidity for customers with Baht 500 million or lower credit lines at a concessional interest rate of 2% per annum	May to Oct 2020 (extended to Dec 2021)
DR BIZ program <ul style="list-style-type: none">• Coordinate assistance and debt relief for customers with multiple creditors• Standardized debt solution that creditors have agreed upon to facilitate quick and comprehensive debt restructuring decisions	September 1, 2020
Financial rehabilitation measures to support business recovery <ul style="list-style-type: none">• Business recovery loans in the amount of Baht 250 billion• Debt settlement through asset transfers with buy-back options worth Baht 100 billion (Asset warehousing)	April 10, 2021 (2-year measure)
Debt moratorium for 2 months <ul style="list-style-type: none">• 2-month payment holiday for SME customers affected by the government's COVID-19 measures	July 1 – August 31, 2021
Measures to maintain and provide new liquidity to SMEs <ul style="list-style-type: none">• Revised regulations regarding special loans for SMEs<ul style="list-style-type: none">- Increase credit limits- Increase individual credit guarantee rate and lower guarantee fees Measures to support existing debt restructuring facilities of financial institutions that assist debtors by offering targeted, long-term debt restructuring tailored to specific debtors. Relaxed asset classification rules and provisioning criteria based on the degree of support provided to debtors	September 3, 2021

BOT Measures for Retail Customers

Key measures	Effective Date
<p>BOT Relief Measures Phase 1</p> <ul style="list-style-type: none"> • Grant principal and/or interest payment holiday of 3-6 months for all term loans • 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 	April 1, 2020
<p>BOT Relief Measures Phase 2</p> <ul style="list-style-type: none"> • Reduce interest rate ceiling by 2-4% per annum • Increase credit card, revolving loans, and installment loan limits (during Aug 1 – Dec 21, 2021) 	August 1, 2020 – October 31, 2021 (extended to Jun 30, 2021)
<p>Debt consolidation</p> <ul style="list-style-type: none"> • Allow customers with mortgages to consolidate unsecured personal loans under the same collaterals • Available to customers who have mortgage loans (non-NPLs) and unsecured loans (both non-NPLs and NPLs) with the same bank • Interests charged on unsecured loans capped at the Minimum Retail Rate (MRR) 	September 1 – December 31, 2020
<p>BOT Relief Measures Phase 3</p> <ul style="list-style-type: none"> • <i>Revolving and installment loans</i>: Relieve debt burden by extending repayment period and lowering interest rate • <i>Car title loans</i>: Include a payment holiday option and, for severely affected borrowers, a repurchase option • <i>Auto and motorcycle leases</i>: Ensure that effective interest rate (EIR) over the lease period does not exceed initial interest rate with interest adjustment during the payment holiday. Severely affected borrowers are to be offered a repurchase option. • <i>Mortgages and home equity loans</i>: Offer principal payment holiday, partial interest payment option, step-up repayment schedule based on borrowers' ability to pay and debt consolidation 	May 17 – December 31, 2021
<p>Debt moratorium for 2 months</p> <ul style="list-style-type: none"> • 2-month payment holiday for retail customers affected by the government's COVID-19 measures. 	July 1 – August 31, 2021
<p>Measures to maintain and provide new liquidity to retail debtors</p> <ul style="list-style-type: none"> • Temporarily relax regulations on credit card loans, supervised personal loans and digital personal loans 	September 3, 2021

<ul style="list-style-type: none"> - Increase credit limits on credit card and personal loans to two times monthly income for those with monthly income below Baht 30,000 - Extend the period of reduced minimum percentage credit card payment, which was lowered to 5% during the previous relief phase, until the end of 2022 - Increase credit limits on digital personal loans from the Baht 20,000 limit to Baht 40,000 and extend the maximum maturity from 6 months to 12 months. <p>Measures to support existing debt restructuring facilities of financial institutions that assist debtors by offering targeted, long-term debt restructuring tailored to specific debtors. Relaxed asset classification rules and provisioning criteria based on the degree of support provided to the debtors</p>	
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More details can be found on the BOT website at www.bot.or.th.

Credit Ratings

Credit Ratings of Siam Commercial Bank PCL

September 30, 2021

Moody's Investors Service

Outlook	Stable
Bank deposits	Baa1/P-2
Senior unsecured MTN	(P) Baa1
Other short term	(P) P-2

S&P Global Ratings

Counterparty Credit Rating	BBB+/A-2
Outlook	Negative
Senior Unsecured (Long Term)	BBB+
Senior Unsecured (Short Term)	A-2

Fitch Ratings

Foreign Currency

Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F2
Outlook	Stable
Senior Unsecured	BBB
Viability Rating	bbb

National

Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable