

**SCB**  
ไทยพาณิชย์



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## Management Discussion and Analysis

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For the fourth quarter and the year ended December 31, 2021

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## 1. Executive Summary

Amid severe economic headwinds and significant operating challenges stemming from the COVID-19 pandemic, Siam Commercial Bank and its subsidiaries reported a consolidated net profit (based on audited financial statements) of Baht 27.2 billion, a 33% decrease yoy. The decline in net profit was mainly due to higher provisions. Pre-provision operating profit, however, grew 12% yoy to Baht 80.4 billion (excluding the one-time gain on sale of shares in SCB Life recorded in the previous year), mainly the result of resilient non-interest income growth and effective operating cost control.

Net interest income fell by 3% yoy to Baht 96.9 billion largely due to the impact of lower interest rates from multiple rate cuts in the first half of the year. Total loans grew by 7% yoy with higher loan demand from corporate customers and extension of soft loans to business customers.

Non-interest income increased 12% yoy to Baht 47.9 billion (excluding the one-time gain on sale of shares in SCB Life last year). Given the gradual resumption of economic activities following the easing of restrictions at the end of June 2020, revenue from bancassurance and wealth management businesses continued its growth momentum.

Expenses declined 9% yoy to Baht 64.3 billion largely from the Bank's effective cost control measures. As a result, the cost-to-income ratio improved to 44% in 2020, compared to 49% in the previous year (excluding one-time items in 2019).

To strengthen the balance sheet against the potential economic impact of the COVID-19 pandemic, the Bank set aside provisions of Baht 46.6 billion, a 29% increase yoy.

Non-performing loan (NPL) ratio rose to 3.68% at the end of 2020 from 3.41% at the end of 2019, largely from qualitative loan downgrades of customers severely affected by the pandemic. Nonetheless, NPL coverage remained at a high level of 141% and the Bank's capital adequacy ratio remained strong at 18.2%.

## 2. Thailand's Economic Outlook

### Thailand's Economy in 2021 and Outlook for 2022

**The Thai economy grew by 1.1% in 2021 based on EIC's estimate as recovery momentum accelerated after the easing of lockdown and border restrictions** during the last quarter. With the pandemic situation improving and vaccine rollout gaining traction (64% of the population fully vaccinated at the end of December), the government began to relax restrictions and allow economic activity in various sectors to resume, particularly tourism for both Thai and foreign visitors. Furthermore, the government continued to inject liquidity into the economy with additional stimulus measures, such as Kon La Kreung Phase 3, extra handout for state welfare cardholders, and SMEs job retention schemes. These additional stimulus measures were expected to translate into higher domestic spending around the end of 2021 to early 2022. Moreover, Thai exports have been robust due to global trade expansion, despite intermittent slowdowns from COVID-19 outbreaks in trading partners and supply bottlenecks causing manufacturing disruptions. Overall, Thai exports rose as high as 17.1% in 2021.

**EIC revised its GDP growth forecast for 2022 down from 3.4% to 3.2%, considering the effects of Omicron on tourism and overall sentiment in early 2022.** The Thai economy will still be on a path of slow but steady recovery, making a modest rebound in line with increased vaccination rates both domestically and globally which facilitate resumption of economic activity. Exports will likely continue to grow steadily at 3.4% following a positive trend in global economic growth and international trade, especially exports to emerging economies which have recently shown accelerated growth. The tourism industry is expected to see gradual recovery, though not without a risk of being derailed by Omicron. In the base scenario where havoc wreaked by Omicron is limited to the first quarter, the number of tourist arrivals is expected to reach 5.9 million in 2022. However, in the worst-case scenario, the number of foreign visitors could plunge to 2.6 million if countries around the world reimpose travel restrictions and in particular if China postpones its re-opening to 2023.

**Domestic spending will likely pick up in 2022 given Thailand's vaccination progress which helps restores economic activity.** Consumption will be elevated in the short term from pent-up demand among affluent consumers and government stimulus measures which is unlikely to be phased out anytime soon. However, recent concerns over the Omicron variant may dampen household spending, and possible localized public health measures to control sporadic outbreaks may directly hurt domestic expenditure. An overall rebound in domestic spending will proceed only slowly as scarring effects continue to cloud recovery outlook, especially on a fragile labor market. Unemployment rose to 2.3% in 3Q21, marking a new pandemic high and the highest reading since 2007. The number of underemployed and furloughed workers also increased significantly. EIC expects a sluggish recovery for the Thai labor market which has been plagued by 1) labor market slack from a large pool of unemployed and underemployed workers, 2) a decline in SMEs' hiring capacity, and 3) skills mismatch worsened by a dramatic shift in employment landscape during the pandemic. Slow labor market recovery will hinder household's earning capacity and debt management ability, which will put pressure on household spending in the medium term.

**In 2022, overall growth contribution from government spending will likely decline from the previous year as fiscal budget shrinks** and only half of the fund from the 500-billion loan decree remains. However, higher fiscal budget is critically needed to remedy economic scars and to prepare for heightened downside risks. Not only should the government consider additional borrowing, but the increased budget should be targeted toward economic transformation and growth-oriented investment by focusing on upskilling and reskilling the workforce, promoting digital technology adoption among SMEs, and exploring new industries to accommodate post-pandemic economic landscape and consumer demand. With the national debt ceiling set at 70% of GDP, current public debt level is considered manageable given a low interest rate environment and Thailand's high liquidity. However, the government should come up with a convincing medium-term plan for national debt reduction and communicate it clearly to the public if confidence in its fiscal stability were to be maintained.

**In the area of monetary policy, EIC expects the Monetary Policy Committee (MPC) to keep policy rate at 0.5% throughout 2022** and prioritize increasing the effectiveness of its policies and measures to ensure even access to liquidity and debt resolution. Despite potential rate hikes by other central banks to address inflation, EIC does not expect the MPC to feel pressured to follow suit because of two reasons. First, the Thai economy is still fragile while inflation seems tame. Although inflation is on the rise, it will still be within the Bank of Thailand's inflation target of 1-3% range in 2022 with headline inflation forecasted at 1.6%. In addition, the recent uptick in inflation was mainly driven by supply-side factors following rising oil and raw materials prices, while demand-side pressure was limited as GDP was still below its potential level. Secondly, Thailand's external stability remains solid, backed by large foreign reserve which currently is triple the size of the country's short-term external debt. Therefore, the risk that widening interest rate differentials will trigger massive capital outflows or sharp baht depreciation is more muted compared to economically vulnerable countries, such as Brazil or Russia, that might require swift and substantial interest rate increases to maintain financial stability. Thus, EIC expects policy rate to remain at 0.5% throughout 2022, with the first rate hike likely to be in 2023 when the economy returns to the pre-pandemic level. The Bank of Thailand will instead focus on the effectiveness of policy transmission by tweaking rules and measures, especially those pertaining to credit risk mitigation mechanism, to channel more liquidity to households and SMEs, in conjunction with supporting financial institutions in their efforts to provide tailored debt restructuring solutions to their customers.

**EIC expects the Thai baht to slightly strengthen against the US dollar at the end of 2022.** The Thai currency will likely follow a non-linear path where the baht will initially weaken in the first half of 2022 due to the effects of Omicron on tourism and domestic economic activity as well as the pressure from the Fed's tightening monetary policy. However, the baht will likely make a modest net gain and end the year at 32-33 baht to the US dollar for three following reasons. First, the Thai economy is poised to regain momentum following the country's re-opening after domestic vaccination has made significant headway. Second, current account deficits are expected to narrow (from USD 14 billion in 2021 to USD 3.7 billion in 2022) with more foreign tourists and lower freight cost. Third, capital will likely return to emerging markets and Thailand as investor sentiment improves with better economic outlook following re-opening. Despite these positive factors, EIC is of the opinion that the baht is unlikely

to make a large gain since the US dollar will also rally given the Fed's monetary stance. Moreover, investors still prefer safe-haven assets such as the US dollar in this environment of looming global economic slowdown, supply chain uncertainty, and on-going concerns over COVID-19 variants. In terms of volatility, the baht will be highly sensitive to incoming factors, especially new COVID-19 outbreaks that could potentially affect tourism industry and changes in market perception of the Fed's monetary stance.

### 3. Management Discussion and Analysis

For the fourth quarter and the full year ended December 31, 2021

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2021 was the second year that Thailand had to manage the COVID-19 pandemic. Nevertheless, the Bank's performance remained resilient with net profit showing significant growth in 2021 backed by adequate coverage ratio and strong capital base. The Bank's strong income growth was driven by wealth and bancassurance businesses as well as gains from investments. Higher income coupled with cost control initiatives helped shore up operating profit growth.

Throughout this pandemic, helping customers in need has been one of SCB's foremost concerns and priorities. In particular, the Bank has been proactively working with customers on long-term debt solutions to ensure their business survival and/or to restore personal financial health. As a result, more than half of the customers in the relief program were successfully migrated to comprehensive debt restructuring at the end of 2021.

While managing this crisis, the Bank has not lost sight of its objective to generate sustainable return for shareholders. The Bank is embarking on a new growth path and reorganize itself under a new mothership called SCB<sup>X</sup> to unlock value.

#### Operating performance

The Bank reported an operating profit for full-year 2021 of Baht 86.8 billion, up 7.9% from last year, driven by higher non-NII and lower operating expenses. Higher operating profit combined with lower provisions led to a 30.8% increase in net profit to Baht 35.6 billion.

Despite prolonged nationwide lockdowns during the second and third COVID-19 outbreaks, the Bank delivered robust non-NII growth driven by recurring income from wealth and bancassurance businesses and transactional banking activities as well as non-recurring items from gain on fair value adjustment from investments and gains on sales of written-off unsecured loans and other non-performing assets. With operating expenses well controlled, the Bank's cost-to-income ratio further declined to 42.3%.

The Bank's loan growth in 2021 was 2.1%. This conservative loan growth was driven partly by the Bank's choice to focus on quality growth, but also by fierce market competition and high liquidity in the financial sector. The above factors, and to a limited extent the impact from comprehensive debt restructuring, resulted in a decline in NIM for full-year 2021 to 3.00%.

#### Asset quality and COVID-19 impacts

Unlike 2020 when Thailand was able to keep COVID-19 under control, the Delta variant had wreaked havoc to the country in 2021 with the number of cases rising sharply during the third quarter, reaching 23,000 cases per day at its peak. Case numbers eventually came down to 2,000-3,000 per day at the end of the year but then rose again to 7,000-8,000 per day at the start of 2022 due to the Omicron variant. Though far more contagious than the earlier variants, Omicron has so far been found to cause milder symptoms partly due to higher vaccination rates in many parts of the world. Therefore, the SCB

EIC maintains the same forecast for 2022 GDP growth at 3.2%, with the number of tourists estimated at 5.9 million.

During 2021, a slew of public health measures, in the form of movement restrictions, lockdowns, curfews, and isolation of identified clusters, were imposed in an attempt to contain the Delta variant that fueled a prolonged third wave. Gradual easing began in September when some businesses, such as shopping malls and fresh markets, were allowed to reopen and airlines to resume domestic flights in and out of cities in severely affected areas. The government further lifted restrictions in October by shortening curfew hours in these affected areas, allowing schools that met safety protocols to resume in-person learning as well as restaurants to offer dine-in services before 9 pm. Border restrictions were relaxed in November when Thailand started to open the country to tourists from over sixty countries, resulting in a total of 0.3 million visitors in 2021.

In parallel with the government's efforts to soften the impact of the pandemic, the Bank of Thailand (BOT) issued various COVID-19 relief measures in 3Q21 which included two-month debt moratorium for SMEs and retail customers in dark-red zones starting in July. Additional measures were announced on August 20, 2021 to preserve and increase liquidity for SMEs and retail customers. Reduction of FIDF fees from 46 bps to 23 bps per year was also extended for another year to the end of 2022. The BOT 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 summary of the BOT measures in the Appendix).

Throughout this crisis, helping customers has always been the Bank's key priority. The Bank provided Baht 839 billion in relief loans (39% of total loans) at the start of the pandemic in 2Q20 which shrank to Baht 402 billion (18% of total loans) by the end of 2020 as the situation improved in the second half of 2020. Following the BOT's two-month debt moratorium measure in July, relief loans climbed to Baht 464 billion (20% of total loans) at the end of September, but then declined to Baht 397 billion (17% of total loans) at the end of 2021.

Since 2Q21, the Bank has been proactively working with customers in the relief program to develop comprehensive debt restructuring solutions. The key objective is to migrate these customers from the relief program toward long-term solutions in order to increase their chances of business and/or personal financial survival. The Bank's approach is in line with the BOT measures announced on September 3 which explicitly urged banks to help customers develop long-term debt restructuring plans tailored to each individual customer's repayment ability and recovery pattern. The BOT classifies these customers into two groups based on the complexity of their restructuring arrangements: those requiring only term extensions (so called 'orange scheme') and those needing more extensive restructuring conditions to reduce debt repayment burdens (so called 'blue scheme').

The Bank's goal is to restructure Baht 380 billion worth of loans, of which around 80% is expected to go through the blue scheme, down from the initial assessment of about Baht 450-500 billion. At the end of 2021, loans in the amount of Baht 278 billion had been successfully restructured under this long-term debt restructuring program. The impact on bank-wide NIM will be fully realized in 2022 and is



expected to be not more than 10 bps. The program prevents the Bank from facing the so-called staging cliff effect as the relief program draws to an end.

The Bank's NPL ratio at the end of 2021 declined slightly qoq to 3.79%, though up yoy from 3.68% at the end of 2020. In 4Q21, the Bank had prudently set aside a qoq higher level of provision of Baht 12 billion as a preemptive measure against impact of COVID-19 on the loan portfolio. Full-year provision was reported at Baht 42 billion or a credit cost of 184 bps and coverage ratio remained high at 139.4%.

### **New strategic direction**

Amid rapidly changing consumer behavior and business landscape, organizational success requires agility and flexibility in growing new businesses. The Bank therefore has broadened its vision and aspire to become **“the most admired financial technology group in ASEAN.”**

To achieve this vision, the Bank has established a new entity SCB<sup>X</sup> as a mothership to lead strategic initiatives and deploy capital to unlock value. The new group structure is designed to grant full autonomy to each subsidiary, allowing them to drive their own business model, optimize their unique risk-return profile, attract niche talent, and ultimately achieve superior shareholder returns. At the Extraordinary General Meeting of Shareholders on November 15, 2021, shareholders unanimously approved the proposed restructuring plan, transfer of credit card and unsecured businesses and some subsidiaries to SCB<sup>X</sup>, and special dividend payment of Baht 70 billion to SCB<sup>X</sup>.

Upon approval from the BOT and the SEC, SCB<sup>X</sup> will make a tender offer to the Bank's shareholders for a 1-for-1 share swap. This tender offer and the reorganization plan will be cancelled if the share conversion rate turns out to be below 90%. After the completion of share swap, SCB<sup>X</sup> will be officially listed on the SET and a transfer of Baht 70 billion as a one-off dividend payment to SCB<sup>X</sup> will occur. Some 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<sup>X</sup>. The remaining amount will be kept at SCB<sup>X</sup> 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 the platforms of subsidiary companies. At the end of 2021, the number of digital users rose significantly to 20 million from 14 million users at the end of 2020, with digital loans accounting for approximately 26% of total unsecured loans. With digital loans growing at a solid rate of 79% yoy, digital revenue surged 51% yoy and accounted for 4.4% of total income in 2021.

SCB Digital Bank (SCB DBank) (set up as an internal business unit within the Bank dedicated to grow the digital banking business) continued to expand its reach and deepen engagement with customers. In 2022, SCB DBank plans to launch several new products which will be personalized for every needs and moments, such as:

- AI-based lending with instant approval and gamification features.
- Ever-present payments with instant connection to multiple sources of funds, e.g., savings, credit cards, loyalty points, credit line.
- Digital wealth revamp with digital relationship managers (RMs) providing personalized offerings that match the risk and spending behavior, expanding into upper mass and mass segments.
- Digital and affordable insurance that links to customers lifestyle and spending.

Other recent digital initiatives and updates are as follows:

- SCBS announced, in November 2021, the acquisition of Bitkub Online, subject to conclusion of due diligence expected in 1Q22
- Token X obtained ICO portal license from SEC in November 2021
- SCB Tech X entered JV with Publicis Sapient in December 2021
- Monix's new lending through a digital lending app called FINNIX reached Baht 6 billion with more than 5 million downloads in 2021
- SCB Abacus offered credit for 'cash on delivery' business in collaboration with Thai Post. At the end of December 2021, MoneyThunder, a digital unsecured lending app, has seen over 6.2 million app downloads
- Robinhood's users rose to 2.4 million at the end of 2021 with a plan to launch online travel agent (OTA) in 1Q22
- SCB DBank, in collaboration with 7-11 Counter Service, launched a personal loan "Shopjai via 7-Eleven app" to enhance customer purchasing power and support the lending needs. SCB DBank also cooperated with Thai Post to launch 'Manee Tan Jai Loan for Business' to enhance liquidity of online stores in Jan 2022. Merchants can apply for loans through Wallet@POST app.

### **Financial guidance for 2022**

With Thailand gradually recovering from the pandemic, the GDP growth for 2021 is forecasted at 1.1% and expected to pick up by 3.2% in 2022. The Bank plans to grow its loan book at around 3-5% while still focusing on quality growth with acceptable risk/return. With this policy in place and the impact from the comprehensive debt restructuring, NIM is expected to be in the 2.9-3.0% range.

Non-NII is expected to grow at a low single digit. Bancassurance and wealth products remain the key growth drivers. Investment gains can be expected to be meaningful but are subject to various uncontrollable external factors. With the pressure on income, cost discipline will continue to be a key focus in 2022. While activities should pick up with macro recovery, the Bank aims to maintain its cost-to-income ratio in the low-to-mid-40s range.

Following the Bank's proactive debt restructuring plan that started in mid-2021 and qualitative downgrades to NPL already done in the past 6 quarters, the NPL ratio is expected to be not more than 4.0% at the end of 2022. As significant amounts of provisions have been set aside in the past two years, coupled with the comprehensive debt restructuring progress, we expect provisions to come down to no

more than 140 bps while coverage ratio will be maintained at around 130%. This guidance provided by the Bank is subject to economic uncertainties and has not incorporated the full outcome of SCB<sup>X</sup>'s restructuring including ongoing acquisition deals and set up of certain new subsidiaries.

#### 4Q21 and 2021 Performance

Siam Commercial Bank reported (audited) consolidated **net profit** of Baht 35,599 million for 2021, a 30.8% yoy increase from Baht 27,218 million in 2020. The increase was mainly from higher net fee income, higher net gain on financial instruments measured at FVTPL, and lower expected credit losses.

**In the fourth quarter**, net profit increased 58.7% yoy to Baht 7,879 million in 4Q21 largely due to higher net gain on financial instruments measured at FVTPL, higher net interest income (NII), and lower expected credit losses. These positive factors were partly offset by lower net fee income and higher operating expenses (OPEX).

On a **quarter-on-quarter** basis, net profit decreased by 10.7% qoq largely from higher expected credit losses prudently set aside as a preemptive measure against impact of COVID-19 on the loan portfolio. However, pre-provision operating profit (PPOP) increased 4.1% qoq due to higher NII and higher net fee income, which was partly offset by higher OPEX.

**Table 1. Net Profit and Total Comprehensive Income**

Consolidated Unit: Baht million	2021	2020	% yoy	4Q21	% qoq	% yoy
Net interest income	95,171	96,899	-1.8%	24,787	5.3%	4.9%
Non-interest income	55,171	47,869	15.3%	14,423	7.8%	13.2%
Total operating income	150,342	144,768	3.9%	39,210	6.2%	7.8%
Operating expenses	63,547	64,330	-1.2%	17,256	9.1%	7.5%
<b>Pre-provision operating profit</b>	<b>86,795</b>	<b>80,437</b>	<b>7.9%</b>	<b>21,954</b>	<b>4.1%</b>	<b>8.1%</b>
Expected credit loss	42,024	46,649	-9.9%	11,954	19.1%	-16.0%
Income tax	9,376	6,794	38.0%	2,190	-4.2%	88.0%
Non-controlling interests	(204)	(224)	NM	(68)	NM	NM
<b>Net profit (attributable to shareholders of the Bank)</b>	<b>35,599</b>	<b>27,218</b>	<b>30.8%</b>	<b>7,879</b>	<b>-10.7%</b>	<b>58.7%</b>
Other comprehensive income (loss)	6,656	(1,643)	NM	7,271	NM	NM
<b>Total comprehensive income</b>	<b>42,255</b>	<b>25,575</b>	<b>65.2%</b>	<b>15,149</b>	<b>72.7%</b>	<b>187.2%</b>
ROAE	8.4%	6.7%		7.3%		
ROAA	1.1%	0.9%		1.0%		

NM denotes "not meaningful"

**Table 2. Share Information**

Unit: Baht	2021	2020	% yoy	4Q21	% qoq	% yoy
EPS	10.47	8.01	30.8%	2.32	-10.7%	58.7%
BVPS	129.71	121.04	7.2%	129.71	3.5%	7.2%
Closing price	127.00	87.50	45.1%	127.00	4.1%	45.1%
Shares outstanding* (Million shares)	3,399	3,399	0.0%	3,399	0.0%	0.0%
Market capitalization (Baht billion)	431.7	297.4	45.2%	431.7	4.1%	45.2%

\* Includes both common and preferred shares

### Income statement for the fourth quarter and the year ended December 31, 2021 (Consolidated basis)

**Table 3. Net interest income**

Consolidated Unit: Baht million	2021	2020	% yoy	4Q21	% qoq	% yoy
<b>Interest income</b>	<b>112,177</b>	<b>118,371</b>	<b>-5.2%</b>	<b>29,065</b>	<b>4.8%</b>	<b>2.6%</b>
Loans	94,976	98,208	-3.3%	24,697	4.3%	4.6%
Interbank and money market	2,611	3,336	-21.7%	724	25.1%	11.0%
Hire purchase	12,050	13,022	-7.5%	3,054	7.3%	-4.1%
Investments	2,495	3,724	-33.0%	577	-5.1%	-33.4%
Others	45	81	-44.5%	13	-23.9%	124.4%
<b>Interest expenses</b>	<b>17,006</b>	<b>21,472</b>	<b>-20.8%</b>	<b>4,278</b>	<b>1.7%</b>	<b>-9.1%</b>
Deposits	9,556	13,708	-30.3%	2,353	0.3%	-18.6%
Interbank and money market	816	926	-11.8%	240	13.2%	43.2%
Borrowings	890	1,342	-33.7%	222	-2.2%	-0.6%
Contribution to the Deposit Protection Agency & FIDF	5,734	5,470	4.8%	1,460	2.9%	3.0%
Others	10	26	-63.1%	3	18.0%	-45.8%
<b>Net interest income</b>	<b>95,171</b>	<b>96,899</b>	<b>-1.8%</b>	<b>24,787</b>	<b>5.3%</b>	<b>4.9%</b>

- **Net interest income** in 2021 fell 1.8% yoy to Baht 95,171 million despite a loan growth of 2.1% yoy due to a 23 bps net interest margin (NIM) compression 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.
- **In the fourth quarter**, net interest income increased 4.9% yoy to Baht 24,787 million due to the improvement in yield on earning assets by 3 bps yoy, a reduction in the cost of funds by 7 bps yoy, loan growth of 2.1% yoy, as well as customers' ability to repay which has been estimated to be better than it was previously expected following the new terms of long term debt restructuring.
- On a **quarter-on-quarter** basis, net interest income increased 5.3% qoq due to a 10 bps net interest margin improvement from higher loan yields and 1.0% qoq loan growth.

**Table 4. Yield and cost of funding**

Consolidated Unit: Percentage	2021	2020	4Q21	3Q21	2Q21	1Q21	4Q20
Net interest margin	3.00%	3.23%	3.12%	3.02%	3.04%	3.01%	3.02%
Yield on earning assets	3.53%	3.94%	3.66%	3.56%	3.59%	3.57%	3.63%
Yield on loans	4.70%	5.09%	4.85%	4.64%	4.61%	4.65%	4.84%
Yield on interbank and money market	0.45%	0.68%	0.52%	0.46%	0.51%	0.48%	0.46%
Yield on investment	0.79%	1.14%	0.71%	0.74%	0.86%	0.93%	0.99%
Cost of funds <sup>1/</sup>	0.63%	0.85%	0.63%	0.63%	0.64%	0.66%	0.70%
Cost of deposits <sup>2/</sup>	0.62%	0.84%	0.63%	0.63%	0.64%	0.66%	0.71%

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

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

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

In 2021, NIM declined 23 bps to 3.00% mainly from full year impact of interest rate cuts in the previous year. However, NIM in 4Q21 increased yoy to 3.12% mainly from higher yields on earning assets (+3 bps) and lower cost of funds (-7 bps). On a qoq basis, NIM increased 10 bps from higher yields on loans (+21 bps) largely from customers' ability to repay which has been estimated to be better than it was previously expected following the new terms of long term debt restructuring and higher yields on interbank and money markets (+6 bps). However, these factors were partially offset by lower yield on investments (-3 bps). Table 19 on page 21 provides a detailed breakdown of loan yields 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
<b>Lending rate (%)</b>									
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
<b>Deposit rate* (%)</b>									
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 for 3, 6, and 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
<b>Policy rate (%)</b>	2.00	1.75	1.50	1.75	1.50	1.25	1.00	0.75	0.50

**Table 6. Non-interest income**

Consolidated Unit: Baht million	2021	2020	% yoy	4Q21	% qoq	% yoy
Net fee and service income	40,198	36,586	9.9%	10,284	6.4%	-10.0%
Fee and service income	50,356	45,621	10.4%	12,981	6.7%	-4.9%
Fee and service expenses	10,157	9,035	12.4%	2,697	8.0%	21.1%
Net gain on financial instruments measured at FVTPL	11,090	7,664	44.7%	2,775	10.9%	137.4%
Share of profit (loss) from investment in associate and joint ventures	557	(78)	NM	61	32.7%	100.0%
Dividend income	166	155	6.8%	16	-65.4%	167.7%
Other income	3,014	1,840	63.8%	1,248	12.9%	791.2%
<b>Non-interest income excluding net gain on investments</b>	<b>55,025</b>	<b>46,168</b>	<b>19.2%</b>	<b>14,384</b>	<b>7.6%</b>	<b>12.9%</b>
Net gain on investments	146	1,701	-91.4%	40	207.3%	349.1%
<b>Total non-interest income</b>	<b>55,171</b>	<b>47,869</b>	<b>15.3%</b>	<b>14,423</b>	<b>7.8%</b>	<b>13.2%</b>

NM denotes "not meaningful"

**Table 7. Non-interest income breakdown**

Consolidated Unit: Baht million	2021	2020	% yoy	4Q21	% qoq	% yoy
Transactional banking *	11,964	11,695	2.3%	3,026	-2.6%	17.3%
Lending related **	5,261	5,481	-4.0%	1,412	14.5%	-2.0%
Wealth management ***	10,891	8,190	33.0%	2,625	-0.7%	8.3%
Bancassurance	15,154	13,877	9.2%	3,726	3.1%	-27.4%
<b>Recurring income</b>	<b>43,270</b>	<b>39,243</b>	<b>10.3%</b>	<b>10,789</b>	<b>1.8%</b>	<b>-6.8%</b>
Non-recurring and others	11,901	8,626	38.0%	3,635	30.8%	210.2%
<b>Total non-interest income</b>	<b>55,171</b>	<b>47,869</b>	<b>15.3%</b>	<b>14,423</b>	<b>7.8%</b>	<b>13.2%</b>

\* Including transactional fees, trades, FX income, and others

\*\* Including loan related fees and credit cards

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

- **Non-interest income** increased 15.3% yoy to Baht 55,171 million in 2021. This increase was largely due to strong recurring income from wealth management products and bancassurance. Non-recurring income also increased yoy largely from higher net gain on financial instruments measured at FVTPL in the investment portfolio of the Bank and its subsidiary, higher gains on the sale of written-off unsecured loans and higher gains from the sale of NPAs, although net gain on investments were lower yoy.
- **In the fourth quarter**, non-interest income increased 13.2% yoy to Baht 14,423 million due mainly to higher net gain on financial instruments measured at FVTPL, gains on the sale of written-off unsecured loans and gains from the sale of NPAs despite lower net fee income. Recurring income fell yoy mainly from lower bancassurance as a result of recognition of performance-linked compensation for FY20 recorded in the fourth quarter last year. However, recurring income from the wealth management business continue to grow.
- On a **quarter-on-quarter** basis, non-interest income increased 7.8% qoq due to higher recurring income from a pick-up in economic activities following easing of lockdown

restrictions leading to higher lending-related fees and bancassurance and higher non-recurring income from gains on the sale of written-off unsecured loans, gains from the sale of NPAs, as well as higher net gain on financial instruments measured at FVTPL.

**Table 8. Operating expenses**

Consolidated Unit: Baht million	2021	2020	% yoy	4Q21	% qoq	% yoy
Employee expenses	30,007	31,453	-4.6%	7,759	8.4%	2.7%
Premises and equipment expenses	10,849	12,626	-14.1%	2,845	13.5%	-10.8%
Taxes and duties	3,611	3,847	-6.1%	877	-1.7%	-12.0%
Directors' remuneration	112	117	-4.3%	34	7.1%	14.1%
Other expenses	18,969	16,288	16.5%	5,741	9.9%	34.1%
<b>Total operating expenses</b>	<b>63,547</b>	<b>64,330</b>	<b>-1.2%</b>	<b>17,256</b>	<b>9.1%</b>	<b>7.5%</b>
<b>Cost to income ratio</b>	<b>42.3%</b>	<b>44.4%</b>		<b>44.0%</b>		

- **Operating expenses** decreased 1.2% yoy to Baht 63,547 million in 2021 due to the Bank's continued cost control measures as well as realized cost reduction benefits from accelerated digital migration.
- **In the fourth quarter**, operating expenses increased 7.5% yoy to Baht 17,256 million largely due to higher 'other' expenses from marketing campaigns of the Bank's subsidiary and impairment on foreclosed properties.
- On a **quarter-on-quarter** basis, operating expenses increased 9.1% qoq largely due to higher staff costs from staff well-being costs such as COVID vaccine, higher equipment expenses relating to software, hardware and Cloud maintenance, and higher 'other' expenses relating to new businesses set-up.

The Bank's cost-to-income ratio was 44.0% in 4Q21, and 42.3% for 2021, which was within the low-to-mid 40s target owing to the Bank's strict cost discipline. The Bank will continue to exercise strict control over discretionary expenses and the cost-to-income ratio target for 2022 is kept at low-to-mid 40s% range which will be a challenging target for the Bank under the demanding future circumstances.

**Table 9. Expected credit loss (ECL)**

Consolidated Unit: Baht million	2021	2020	% yoy	4Q21	% qoq	% yoy
Expected credit loss	42,024	46,649	-9.9%	11,954	19.1%	-16.0%
Credit cost (bps)	184	214		209		

- In 2021, the Bank set aside **expected credit losses** in the amount of Baht 42,024 million, or 184 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 uncertain economic environment. In 4Q21, the

Bank set aside a higher level of expected credit losses of Baht 11,954 billion or 209 bps of total loans as a preemptive measure against impact of COVID-19 on the loan portfolio.

### Balance sheet as of December 31, 2021 (Consolidated basis)

As of December 31, 2021, the Bank's total assets increased 1.1% yoy to Baht 3,315 billion largely due to loan growth of 2.1% yoy, an increase of financial assets measured at FVTPL and higher interbank and money market items despite a decline in investments. Details on the consolidated balance sheet are provided in the following sections:

**Table 10. Net loans and accrued interest receivables**

Consolidated Unit: Baht million	Dec 31, 21	Sep 30, 21	Jun 30, 21	Dec 31, 20
<b>Total loans</b>	<b>2,301,834</b>	<b>2,279,015</b>	<b>2,296,617</b>	<b>2,255,242</b>
<i>Add</i> Accrued interest receivables and undue interest receivables	15,031	13,943	13,446	14,508
<b>Total loans and accrued interest receivables and undue interest receivables</b>	<b>2,316,865</b>	<b>2,292,958</b>	<b>2,310,063</b>	<b>2,269,750</b>
<i>Less</i> Unamortised modification losses	(5,756)	(6,831)	(2,920)	(2,124)
<i>Less</i> Allowance for expected credit loss	(145,653)	(141,228)	(141,780)	(137,318)
<b>Total loans and accrued interest receivables, net</b>	<b>2,165,456</b>	<b>2,144,899</b>	<b>2,165,363</b>	<b>2,130,308</b>

**Table 11. Loans by segment**

Consolidated Unit: Baht million	Dec 31, 21	Dec 31, 20	% yoy	Sep 30, 21	% qoq
Corporate	832,720	844,089	-1.3%	815,088	2.2%
SME	403,165	368,622	9.4%	405,097	-0.5%
Retail	1,065,949	1,042,531	2.2%	1,058,831	0.7%
Housing loans*	696,046	671,401	3.7%	692,822	0.5%
Auto loans	219,261	229,448	-4.4%	225,923	-2.9%
Unsecured loans	139,734	138,541	0.9%	131,767	6.0%
Other loans	10,909	3,141	247.3%	8,318	31.1%
<b>Total loans</b>	<b>2,301,834</b>	<b>2,255,242</b>	<b>2.1%</b>	<b>2,279,015</b>	<b>1.0%</b>

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

Total loans increased by 2.1% yoy and 1.0% qoq at the end of December 2021. Changes in loan volume by customer segment are as follows:

- **Corporate** loans fell 1.3% yoy mainly due to loan repayment and the Bank's focus on higher quality corporate loans. The qoq increase of 2.2% was from a large corporate deal.
- **SME** loans grew 9.4% yoy but slightly decreased qoq. The yoy growth arose from targeted lending to high-quality existing small SMEs as well as soft loans to qualified customers. The



Bank's primary focus for this segment has been to support existing quality customers as well as 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.

- **Retail** loans increased 2.2% yoy and 0.7% qoq. Below are details of changes in retail loan volume by sub-segment.
  - **Housing loans** increased 3.7% yoy and 0.5% qoq largely due to demand in high-end housing developments coupled with the effect of payment holidays for customers under the Bank's relief programs.
  - **Auto loans** fell 4.4% yoy and 2.9% qoq largely due to loan repayments and weak demand across all types of products amid an economic slowdown while the supply of new cars was impacted by global supply chain issues.
  - **Unsecured loans** (personal loans and credit card receivables) increased 0.9% yoy and 6.0% qoq. The qoq increase was mainly due to the seasonality effect with credit card spending typically being higher at year end.

**Table 12. Deposits breakdown**

Consolidated Unit: Baht million	Dec 31, 21	Dec 31, 20	% yoy	Sep 30, 21	% qoq
Demand	118,954	93,336	27.4%	108,670	9.5%
Savings	1,840,043	1,758,903	4.6%	1,792,522	2.7%
Fixed	508,498	568,216	-10.5%	508,979	-0.1%
Less than 6 months	108,205	114,006	-5.1%	108,439	-0.2%
6 months and up to 1 year	157,551	169,547	-7.1%	162,434	-3.0%
Over 1 year	242,742	284,663	-14.7%	238,106	1.9%
<b>Total deposits</b>	<b>2,467,495</b>	<b>2,420,455</b>	<b>1.9%</b>	<b>2,410,172</b>	<b>2.4%</b>
CASA - Current & Savings Accounts (%)	79.4%	76.5%		78.9%	
Gross loans to deposits ratio	93.3%	93.2%		94.6%	
Liquidity ratio (Bank-only)	33.0%	32.6%		31.9%	

As of December 31, 2021, total **deposits** increased 1.9% yoy and 2.4% qoq. The yoy and qoq increases came mainly from higher demand and saving deposits, resulting in the CASA mix rising up to 79.4% at the end of December 2021 from 78.9% at the end of September 2021 and 76.5% at the end of last year. The gross loans to deposits ratio was relatively flat yoy at 93.3% but was a decrease from 94.6% at the end of September 2021 as a result of higher qoq deposit growth than loan growth.

The Bank's daily liquidity ratio of 33.0%, 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

<b>Investments</b>	<b>Dec 31, 21</b>	<b>Dec 31, 20</b>	<b>% yoy</b>	<b>Sep 30, 21</b>	<b>% qoq</b>
Financial assets measured at FVTPL	68,707	28,033	145.1%	99,688	-31.1%
Investments in debt securities measured at amortised cost	7,548	7,259	4.0%	7,542	0.1%
Investments in debt securities measured at FVOCI	213,450	302,378	-29.4%	252,619	-15.5%
Investments in equity securities measured at FVOCI	1,636	2,159	-24.2%	1,737	-5.8%
<b>Net investment *</b>	<b>222,634</b>	<b>311,796</b>	<b>-28.6%</b>	<b>261,898</b>	<b>-15.0%</b>
Investment in associates	781	-	100.0%	645	21.1%
<b>Total</b>	<b>292,123</b>	<b>339,828</b>	<b>-14.0%</b>	<b>362,231</b>	<b>-19.4%</b>

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

Investments at the end of December 2021 decreased 14.0% yoy and 19.4% qoq mainly from lower investment in debt securities measured at FVOCI from active management given evolving market situations.

### 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 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 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.

**Table 14. Minimum regulatory capital requirement**

	2022	2021	2020	2019	2018	2017	2016
Common Equity Tier 1	4.50%	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%	6.00%
Total capital	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
<u>Additional buffers</u>							
Capital Conservation Buffer	2.50%	2.50%	2.50%	2.50%	1.875%	1.25%	0.625%
D-SIB Buffer	1.00%	1.00%	1.00%	0.50%	-	-	-
Common Equity Tier 1	8.00%	8.00%	8.00%	7.50%	6.375%	5.75%	5.125%
Tier 1 capital	9.50%	9.50%	9.50%	9.00%	7.875%	7.25%	6.625%
Total capital	12.00%	12.00%	12.00%	11.50%	10.375%	9.75%	9.125%

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

**Table 15. Total capital**

Unit: Baht million, %	Consolidated			Bank-only		
	Dec 31, 21	Sep 30, 21	Dec 31, 20	Dec 31, 21	Sep 30, 21	Dec 31, 20
<b>Statutory Capital</b>						
Common Equity Tier 1/ Tier 1	399,566	389,464	377,036	397,032	387,025	375,490
Tier 2 capital	24,669	24,445	23,875	24,612	24,422	24,015
<b>Total capital</b>	<b>424,235</b>	<b>413,909</b>	<b>400,911</b>	<b>421,644</b>	<b>411,447</b>	<b>399,505</b>
Risk-weighted assets	2,265,443	2,247,368	2,197,668	2,238,352	2,223,862	2,201,154
<b>Capital Adequacy Ratio</b>	<b>18.7%</b>	<b>18.4%</b>	<b>18.2%</b>	<b>18.8%</b>	<b>18.5%</b>	<b>18.1%</b>
Common Equity Tier 1/ Tier 1	17.6%	17.3%	17.1%	17.7%	17.4%	17.0%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

At the end of December 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 a 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 will not only help the Bank weather the current economic downturn but also make it possible to continue providing assistance to deserving customers during this pandemic.

### Asset Quality

At the end of December 2021, **gross NPLs** (on a consolidated basis) increased 7.5% yoy and 1.9% qoq to Baht 109.1 billion. **The gross NPL ratio** decreased qoq to 3.79% from 3.89% at the end of September 2021 but increased yoy from 3.68% at the end of December 2020. The qoq increase in NPLs in absolute terms was mainly from qualitative classification of SME customers and partly from the normal flow of retail loans. The Bank also continuously manage its NPL portfolio using debt restructuring, NPL sales and write-offs. Prudence aside, the Bank's approach is also justifiable on the

basis 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 could be masked by the bank's and 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 December 2021, the Bank's **coverage ratio** was 139.4%, up 1.8% points from the end of September 2021 but down 1.3% points from the end of 2020. In addition, the Bank's total loan loss reserve as a percentage of total loans (LLR %) was 6.6%, up 0.4% yoy and 0.1% qoq.

**Table 16. Asset quality**

Unit: Baht million, %	Dec 31, 21	Sep 30, 21	Jun 30, 21	Dec 31, 20
<b>Consolidated</b>				
Non-Performing Loans (Gross NPLs)	109,114	107,071	104,110	101,462
Gross NPL ratio	3.79%	3.89%	3.79%	3.68%
<u>Gross NPL ratio by segment/product</u>				
Corporate	4.40%	4.55%	3.87%	3.99%
SME	11.59%	10.96%	11.51%	11.47%
Retail	2.41%	2.42%	2.45%	2.45%
Housing loans	2.94%	2.79%	2.97%	3.22%
Auto loans	1.55%	1.56%	1.15%	1.49%
Total allowance*	152,111	147,359	148,187	142,813
Total allowance to NPLs (Coverage ratio)	139.4%	137.6%	142.3%	140.8%
Credit cost (Quarterly, bps)	209	175	175	257
<b>Bank-only</b>				
Non-Performing Loans (Gross NPLs)	108,051	105,962	102,943	100,333
Gross NPL ratio	3.77%	3.86%	3.75%	3.64%

\* Total allowance includes 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 December 2021, September 2021, June 2021, and December 2020 were classified as follows:

**Table 17. Loans and allowances for expected credit losses by stages**

Consolidated Unit: Baht million	Dec 31, 21		Sep 30, 21		Jun 30, 21		Dec 31, 20	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,576,432	46,600	2,448,821	45,273	2,463,739	56,499	2,460,277	50,733
Stage 2 (Underperforming)	189,930	42,920	196,906	40,732	180,098	32,602	195,736	33,481
Stage 3 (Non-performing)	109,114	62,592	107,071	61,354	104,110	59,086	101,462	58,598
<b>Total</b>	<b>2,875,476</b>	<b>152,111</b>	<b>2,752,798</b>	<b>147,359</b>	<b>2,747,947</b>	<b>148,187</b>	<b>2,757,476</b>	<b>142,813</b>

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

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

	2021				2020				2019				2021	2020
	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19	3Q19	2Q19	1Q19		
<b>Total loans</b>	<b>0.59%</b>	<b>0.55%</b>	<b>0.44%</b>	<b>0.53%</b>	<b>0.75%</b>	<b>0.73%</b>	<b>0.45%</b>	<b>0.58%</b>	<b>0.73%</b>	<b>1.02%</b>	<b>0.54%</b>	<b>0.50%</b>	<b>2.05%</b>	<b>2.45%</b>
Corporate	0.07%	0.58%	0.01%	0.08%	0.51%	0.51%	0.14%	0.11%	0.22%	1.77%	0.25%	0.12%	0.73%	1.20%
SME	1.31%	0.42%	1.14%	1.21%	2.90%	2.46%	0.85%	1.12%	1.97%	0.90%	0.75%	0.99%	4.00%	7.28%
Housing loans	0.48%	0.38%	0.43%	0.80%	0.54%	0.75%	0.55%	0.78%	0.78%	0.77%	0.83%	0.76%	2.06%	2.57%
Auto loans	1.46%	1.11%	0.49%	0.52%	0.45%	0.10%	0.25%	1.20%	0.85%	0.72%	0.68%	0.61%	3.66%	1.90%
<b>New NPLs (Baht billion)</b>	<b>16.9</b>	<b>15.2</b>	<b>12.1</b>	<b>14.6</b>	<b>20.7</b>	<b>19.8</b>	<b>11.9</b>	<b>15.2</b>	<b>18.2</b>	<b>26.2</b>	<b>13.4</b>	<b>12.3</b>	<b>58.8</b>	<b>67.5</b>

New NPL formation in 2021 improved from the previous year across the board except auto loans. The lower new NPL formation could be explained by the relief programs and comprehensive debt restructuring solutions that the Bank has deployed in line with the BOT's regulations.

In 4Q21, new NPL formation was at 0.59%, an increase from 0.55% in 3Q21 primarily from the qualitative downgrade of some SME customers and the normal flow of mortgages loans and auto loans.

### Sources and Uses of Funds

As of December 31, 2021, deposits accounted for 74.4% of SCB's funding base. Other major sources of funds were: 13.4% from shareholders' equity, 5.5% from interbank borrowings, and 2.3% from debt issuance. Uses of funds for this same period were: 69.4% for loans, 18.7% for interbank and money market lending, 8.8% for investments in securities, and 1.5% held in cash.

Table 19. Additional Financial Information

Consolidated Unit: Baht million, %	Dec 31, 21	Dec 31, 20	% yoy	Sep 30, 21	% qoq
<b>Loans by Sector</b>	<b>2,301,834</b>	<b>2,255,242</b>	<b>2.1%</b>	<b>2,279,015</b>	<b>1.0%</b>
Agricultural and mining	13,598	17,309	-21.4%	16,413	-17.2%
Manufacturing and commercial	631,750	619,585	2.0%	616,553	2.5%
Real estate and construction	178,177	191,123	-6.8%	180,139	-1.1%
Utilities and services	408,177	386,737	5.5%	405,012	0.8%
Housing loans <sup>1/</sup>	576,413	557,242	3.4%	573,583	0.5%
Other loans	493,719	483,246	2.2%	487,315	1.3%
<b>Debt issued and borrowings</b>	<b>74,922</b>	<b>67,235</b>	<b>11.4%</b>	<b>76,139</b>	<b>-1.6%</b>
Debentures	63,442	61,546	3.1%	64,385	-1.5%
Structured notes	8,213	434	1792.4%	8,068	1.8%
Others	117	213	-45.1%	150	-22.0%
Hedge accounting adjustment	3,150	5,042	-37.5%	3,536	-10.9%
	<b>4Q21</b>	<b>3Q21</b>	<b>4Q20</b>	<b>2021</b>	<b>2020</b>
<b>Yield on loans by segment</b>					
<b>Yield on loans</b>	<b>4.85%</b>	<b>4.64%</b>	<b>4.84%</b>	<b>4.70%</b>	<b>5.09%</b>
Corporate	2.98%	3.05%	3.20%	3.00%	3.49%
SME	5.80%	5.71%	5.33%	5.68%	5.94%
Retail	6.11%	5.68%	6.11%	5.90%	6.20%
Housing loans	4.73%	4.52%	5.05%	4.63%	4.95%
Auto loans	5.46%	4.97%	5.60%	5.34%	5.81%
Credit card <sup>2/</sup>	14.24%	14.43%	14.27%	13.45%	15.45%
Speedy	18.28%	15.23%	17.52%	17.51%	18.72%
<b>Auto loans portfolio</b>					
New car	58.2%	57.9%	57.0%	58.2%	57.0%
Used car	23.3%	23.9%	24.9%	23.3%	24.9%
My car, My cash	18.5%	18.2%	18.1%	18.5%	18.1%
<b>NPL reduction methodology</b>					
Repayments, auctions, foreclosures, and accounts closed	41.1%	34.5%	29.0%	37.9%	45.0%
Debt restructuring	9.0%	9.3%	13.4%	10.0%	7.5%
NPL sales <sup>3/</sup>	0.0%	21.5%	46.7%	13.5%	25.0%
Write off	50.0%	34.7%	10.9%	38.6%	22.5%

<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, 2021, September 30, 2021, and December 31, 2020, was Baht 696 billion, Baht 693 billion, and Baht 671 billion, respectively.

<sup>2/</sup> Revolving only

<sup>3/</sup> The Bank sold NPLs Baht billion in 3Q21, Baht 4.3 billion in 4Q20, Baht 6.9 billion in 2021 and Baht 13.4 billion in 2020 (no NPLs sales in 4Q21).

**APPENDIX****Relief Measures by the Bank of Thailand (BOT)****BOT Measures for Non-Retail Customers**

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

**BOT Measures for Retail Customers**

<b>Key measures</b>	<b>Effective Date</b>
<b>BOT Relief Measures Phase 1</b> <ul style="list-style-type: none"> <li>Grant principal and/or interest payment holiday of 3-6 months for all term loans.</li> <li>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.</li> </ul>	April 1, 2020
<b>BOT Relief Measures Phase 2</b> <ul style="list-style-type: none"> <li>Reduce interest rate ceiling by 2-4% per annum.</li> <li>Increased credit card, revolving loan, and installment loan limits (during Aug 1 – Dec 21, 2021).</li> </ul>	August 1, 2020 – October 31, 2020 (extended to Jun 30, 2021)
<b>Debt consolidation</b> <ul style="list-style-type: none"> <li>Allow customers with mortgages to consolidate unsecured personal loans under the same collateral.</li> <li>Available to customers who have mortgage loans (non-NPLs) and unsecured loans (both non-NPLs and NPLs) with the same bank.</li> <li>Interest charged on unsecured loans capped at the Minimum Retail Rate (MRR).</li> </ul>	September 1 – December 31, 2020
<b>BOT Relief Measures Phase 3</b> <ul style="list-style-type: none"> <li><i>Revolving and installment loans</i>: Relieve debt burden by extending repayment period and lowering interest rate.</li> <li><i>Car title loans</i>: Include a payment holiday option and, for severely affected borrowers, a repurchase option.</li> <li><i>Auto and motorcycle leases</i>: Ensure that the 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.</li> <li><i>Mortgages and home equity loans</i>: Offer principal payment holiday, partial interest payment option, and step-up repayment schedule based on borrowers' ability to pay and debt consolidation.</li> </ul>	May 17 – December 31, 2021
<b>Debt moratorium for 2 months</b> <ul style="list-style-type: none"> <li>2-month payment holiday for retail customers affected by the government's COVID-19 measures.</li> </ul>	July 1 – August 31, 2021
<b>Measures to maintain and provide new liquidity to retail debtors</b> <ul style="list-style-type: none"> <li>Temporarily relax regulations on credit card loans, supervised personal loans and digital personal loans.</li> </ul>	September 3, 2021



<ul style="list-style-type: none"> <li>- <b>Increase credit limits on credit card and personal loans to two times monthly income</b> for those with monthly incomes below Baht 30,000.</li> <li>- <b>Extend the period for reduced minimum percentage credit card payment</b>, which was lowered to 5% during the previous relief phase, until the end of 2022.</li> <li>- <b>Increase credit limits on digital personal loans</b> from the Baht 20,000 limit to Baht 40,000 and extend maximum maturity from 6 months to 12 months.</li> </ul> <p><b>Measures to support existing debt restructuring facilities</b> of financial institutions that assist debtors by offering targeted long-term debt restructuring tailored to specific debtors. <b>Relaxed asset classification rules and provisioning criteria based on the degree of support provided to debtors.</b></p>	
<p><b>Debt consolidation</b></p> <ul style="list-style-type: none"> <li>• Support individuals in consolidating their mortgage and unsecured personal loans held at different lenders into a single institution via refinancing.</li> <li>• Interest rate ceiling for unsecured personal loans at no more than the mortgage rate used after the teaser rate expires, plus no higher than 2% per year.</li> </ul>	November 22, 2021
<p><b>Refinance</b></p> <ul style="list-style-type: none"> <li>• The prepayment fee is temporarily prohibited for personal loans and microfinance loans under supervision, which will be effective until December 31, 2023.</li> </ul>	November 22, 2021

More details can be found on the BOT website at [www.bot.or.th](http://www.bot.or.th).

## Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	December 31, 2021
<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>	
<b><u>Foreign Currency</u></b>	
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F2
Outlook	Stable
Senior Unsecured	BBB
Viability Rating	bbb
<b><u>National</u></b>	
Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable

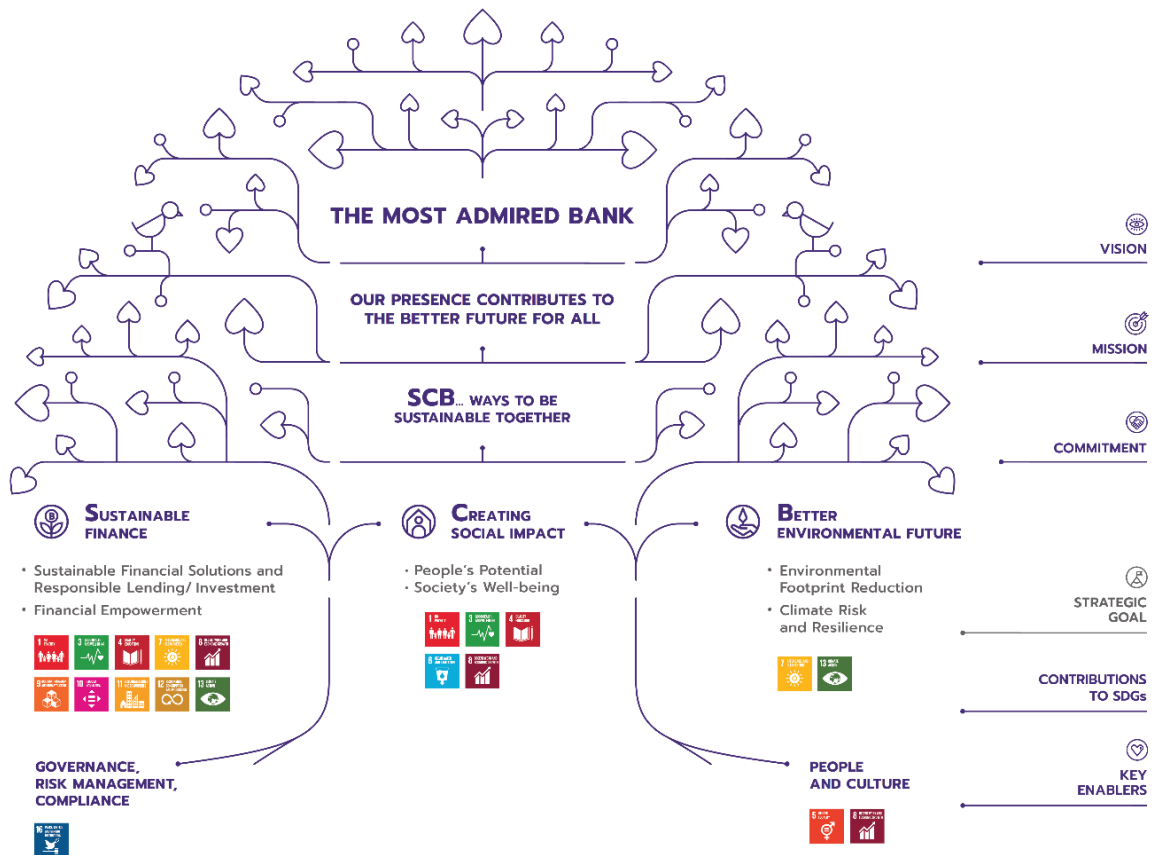
## 4. SCB and Sustainability

### Sustainability at SCB




Driven by our commitment to strengthen the financial ecosystem underpinning the nation’s economy, to uplift well-being throughout society and to ensure efficient stewardship of natural resources, SCB integrates sustainability considerations into its business strategy by formulating policies, targets and indicators to continuously and systematically operationalize, improve, and monitor its sustainability efforts and performance.

### SCB Sustainability Policy and Framework

SCB implements its sustainability policy and framework under the concept “Our Presence Contributes to a Better Future for All,” which is founded on three key pillars: Sustainable Finance, Creating Social Impact, and Better Environmental Future. This strategy aims to help support the United Nations Sustainable Development Goals (SDGs).



## Sustainability Targets and Indicators

3 PILLARS	6 GOALS	2023 TARGETS	2021 PERFORMANCE
 <b>SUSTAINABLE FINANCE</b>	<b>Sustainable Financial Solutions and Responsible Lending/Investment</b>	<ul style="list-style-type: none"> <li>Directly fund or facilitate 53 billion baht in sustainable finance to support SDGs</li> </ul>	<ul style="list-style-type: none"> <li>Funded over 41.15 billion baht in financing to help mitigate climate change impact, reduce inequality and promote well-being</li> </ul>
		<ul style="list-style-type: none"> <li>Develop and offer at least 100 ESG financial products having a Morningstar Sustainability Rating at or above 3 globes</li> </ul>	<ul style="list-style-type: none"> <li>Offered 79 ESG funds as alternative investment choice</li> </ul>
		<ul style="list-style-type: none"> <li>Integrate ESG criteria as part of credit and advisory policies, with processes based on relevant principles and standards</li> </ul>	<ul style="list-style-type: none"> <li>Assessed and considered ESG-related risks in 100% of project finance applications</li> </ul>
	<b>Financial Empowerment</b>	<ul style="list-style-type: none"> <li>Support 200,000 sSME to access innovative and digital financial services</li> </ul>	<ul style="list-style-type: none"> <li>Facilitated access to digital lending for more than 35,300 sSME customers</li> </ul>
<ul style="list-style-type: none"> <li>Promote financial literacy among 67,000 customers and the general public</li> </ul>		<ul style="list-style-type: none"> <li>Helped over 25,000 customers, employees and other Thais to access learning on digital finance, financial planning and saving</li> </ul>	
 <b>CREATING SOCIAL IMPACT</b>	<b>People Potential</b>	<ul style="list-style-type: none"> <li>Increase the share of SCB employees with STEM capability</li> </ul>	<ul style="list-style-type: none"> <li>11% of current SCB's current workforce has STEM capabilities</li> </ul>
		<ul style="list-style-type: none"> <li>Provide training to 1 million people on essential digital, career and business skills by 2025</li> </ul>	<ul style="list-style-type: none"> <li>Helped more than 300,000 Thais access training to develop essential working skills required for 21st-century jobs</li> </ul>
	<b>Well-Being of Society</b>	<ul style="list-style-type: none"> <li>Provide social benefits to 1 million people through corporate social responsibility programs</li> </ul>	<ul style="list-style-type: none"> <li>Benefitted over 678,000 small entrepreneurs, youths and community members via the Bank's corporate social responsibility efforts</li> </ul>
 <b>BETTER ENVIRONMENTAL FUTURE</b>	<b>Climate Risk and Resilience</b>	<ul style="list-style-type: none"> <li>Integrate climate change considerations into the Bank's risk management system, including climate scenario analysis in line with TCFD's recommendations as one of the inputs for stress testing to set industry limits and inform business strategy</li> </ul>	<ul style="list-style-type: none"> <li>Required large-scale and high-risk projects to conduct climate risk assessment as part of underwriting process</li> </ul>
	<b>Reduction of Environmental Footprint</b>	<ul style="list-style-type: none"> <li>Reduce 10% of GHGs emissions (Scope 2) resulting from electricity consumption at SCB headquarters (against 2019 baseline).</li> </ul>	<ul style="list-style-type: none"> <li>Achieved 20% reduction of GHG emissions (Scope 2) resulting from electricity consumption at SCB headquarters (against 2019 baseline).</li> </ul>

## 5. Awards and Achievement

(Awards received in 2021)

### Best Bank in Thailand Award

- Euromoney (U.K.) (13<sup>th</sup> year)
- The Asset (H.K.) (13<sup>th</sup> year)

Selected as a member of Dow Jones Sustainability Indices (DJSI) for the World Index and the Emerging Markets Index in the banking sector for the 4<sup>th</sup> consecutive year. SCB is also ranked among global sustainability leaders with a total score among the top 3 banks of 242 banks participating.

### Sustainability Report

- Highly Commended in the Sustainability Excellence category of the SET Awards of the Stock Exchange of Thailand
- Asia's Best Sustainability Report (Standalone), Bronze Award, in Asia Sustainability Reporting Awards (6<sup>th</sup> year)
- Financial Leadership in Sustaining Communities in Asia

### Thailand Corporate Excellence Awards

#### From Thailand Management Association (TMA)

- Financial Management Excellence
- Leadership Excellence
- Marketing Excellence

### Organization Management

#### From Euromoney (U.K.)

- Women as Percentage of Total Staff Among Asian Banks, Asia Pacific
- Women as Percentage of Total Staff Among Asian Banks, Asia Pacific
- Percentage of Women in Senior Management Among Asian Banks, Asia Pacific
- Percentage of VPs That Are Women Among Asian Banks, Asia Pacific
- Women as Percentage of Total Staff, Thailand
- Percentage of Women in Senior Management, Thailand
- Percentage of VPs That Are Women, Thailand

#### From Asian Leadership Awards

- Best COVID-19 Solution for Workforce Management
- Best COVID-19 Remote Monitoring Solution
- Most Innovative Solution for COVID-19

**From Personnel Management Association of Thailand**

- Gold Award, Thailand HR Innovation Award

**Awards Won by Business Groups****Wholesale Banking Group****From The Asset (H.K.)**

- Best Local Currency Green Bond, Regional
- Best Retail Bond, Thailand
- Transport Deal of the Year, Thailand
- Renewable Energy Deal of the Year — Solar, Vietnam
- Best Local Currency Bond
- Best Corporate and Institutional Adviser, Thailand
- Best M&A Deal, Thailand
- Best Local Currency Bond
- Best Service Provider Trade Finance (4<sup>th</sup> year)
- Best Service Provider — Transaction Bank
- Best Sustainability-Linked Bond (Deal of the Year — Manufacturing)

**From Asiamoney (H.K.)**

- Best Corporate and Investment Bank
- Thailand Market Leader in Cash Management Survey

**From Alpha SEA (H.K.)**

- Best Investment Bank in Thailand
- Best FX Bank for Corporates and FIS
- Best FX Bank for Structured Hedging Solutions and Proprietary Trading Ideas
- Best Cross Border M&A Deal of the Year
- Best Domestic M&A Deal of the Year
- Best Local Currency Bond Deal of the Year & Most Innovative Deal of the Year
- Best Sustainability-Linked Transaction & Best ESG-Linked Financing Deal of the Year

**From Global Finance (U.S.)**

- World's Best Investment Banks, Thailand
- Best Treasury & Cash Management Providers, Thailand

**From Asian Banking and Finance (S.G.)**

- Corporate & Investment Bank of the Year, Thailand
- Mergers and Acquisitions Deal of the Year, Thailand
- Debt Deal of the Year, Thailand

**From Finance Asia (H.K.)**

- Best of Southeast Asia in 2021 in the Deal Awards, Asia
- Best Investment Bank

**From IFR (H.K.)**

- Loan, Thailand Capital Markets Deal: CP Group's US\$7.2bn Acquisition Financing

**From The Asian Banker (S.G.)**

- Most Helpful Transaction Bank during COVID-19 in Thailand

**From The Digital Banker (S.G.)**

- Outstanding FX Services Solution
- Best Bank for Trade Finance, Thailand

**From the Stock Exchange of Thailand (SET)**

- Deal of the Year Award for fundraising more than Baht 3,000 million — IPO of SCG Packaging Public Company Limited (SCGP)
- Deal of the Year Award for fundraising not exceeding Baht 3,000 million — IPO of NR Instant Produce Public Company Limited (NRF)

**Business Banking Group**

- Best SME Bank in Thailand from Alpha SEA (H.K.) (2<sup>nd</sup> consecutive year)
- Best SME Bank from Asiamoney
- Best SME Service Provider from World Business Outlook (H.K.)

**Retail Banking Group**

- Best Private Bank for Customer Service in Asia from The Banker
- Best Domestic Private Bank, Thailand from Asiamoney
- Best Private Bank for Wealth Creation and Preservation in Global Private Banking Innovation Awards from The Digital Banker
- Domestic Retail Bank of the Year from Asian Banking and Finance (S.G.)
- Strategic Partnership of the Year from Asian Banking and Finance (S.G.)

- Highly Commended Achievement — Best Retail Bank Thailand from Retail Banker International (U.K.)
- Highly Commended Achievement — Best Remittances initiative from Retail Banker International (U.K.)
- Best Retail Bank in Thailand from Alpha SEA (H.K.)
- Best Digital Insurance Product for CX from The Digital Banker (S.G.)
- Outstanding Digital CX — Payment from The Digital Banker (S.G.)
- Debit Card of the Year from The Digital Banker (S.G.)
- Best in Lending, the World's Best Consumer Digital Banks in Asia-Pacific from Global Finance (U.S.)

**Other awards**

- Banking CEO of the Year in International Investor Magazine Awards
- Best in Innovation Digital Transformation, Thailand in International Investor Magazine Awards

**Affiliated Corporations**

- Best Wealth Management Bank in Thailand from Alpha Southeast Asia
- Best Asset Management Company Thailand from World Business Outlook