



Bangkok Bank Public Company Limited

Management Discussion and Analysis

for the Quarter and the Year Ended December 31, 2021



Management Discussion and Analysis

Overview of the Economy and Banking Industry

Thai Economy in 2021

The Covid-19 outbreak severely affected Thailand's economy in 2021. As the virus began to spread across the country once again in April, the government intensified containment measures which weighed on private consumption along with business and consumer confidence. Nevertheless, the economy started to recover in the last quarter of 2021 following the government's successful distribution of vaccines nationwide and a pickup in exports due to a rebound in global demand.

Thailand's tourism industry continued to face difficulties with tight border restrictions for most of the year which dampened international arrivals. In addition, travel restrictions between provinces disrupted domestic tourism. While the government reopened borders to international travelers in early November, the sector's recovery faced numerous challenges, particularly from the Chinese government's strict restrictions on outbound tourism for its citizens.

In 2021, Thai exports were a major driver of the Thai economy. This was due to a recovery in global demand, especially for electronic equipment, auto parts, machinery, and agricultural products. Another key driver was the government's fiscal stimulus measures, such as the Ying Chai Ying Dai (the more you spend, the more you get) scheme and the Khon La Khrung (Let's go Halves) co-payment programme. However, the export sector faced a number of challenges such as container shortages, high freight charges and surging world crude oil prices.

Headline inflation for the full year climbed 1.23 percent in 2021 compared to the previous year, in line with the Bank of Thailand's (BOT) inflation target range of 1-3 percent. Meanwhile, the core Consumer Price Index (CPI), which excludes volatile food and energy prices, edged up 0.23 percent from a year earlier.

The BOT kept its key policy rate at a record-low of 0.5 percent throughout 2021 to support the economy. By the end of the year, the Omicron outbreak caused the United States and many European countries to restrict travel and reintroduce epidemic control measures. Meanwhile, Thailand required foreign tourists to be quarantined again and suspended the Test & Go and Sandbox programmes, disrupting the tourism industry's nascent recovery.

Economic Outlook for 2022

The Thai economy is set to recover briskly in 2022. We expect the economy to grow by 3-4 percent on the back of the nationwide vaccination rollout. Meanwhile, the possibility of another full lockdown is quite slim, as the symptoms of those infected with the Omicron variant appear to be milder than those with the Delta strain. This year's economic growth will be supported by a strong rebound in private consumption, public investment, and ongoing fiscal stimulus measures. Exports should continue to pick up further from 2021, particularly for electronic products and items associated with Covid-19 prevention, as people worldwide adapt to life and work within the new normal environment.

However, the Covid-19 crisis is far from over. There remains a possibility that another variation of the virus could emerge that would threaten economic recovery do exist, particularly within the tourism industry. The Thai economy will continue to rely on government stimulus measures and accommodative monetary policy throughout 2022. As such, we expect the BOT will leave the policy rate unchanged this year.

Thai Banking Industry in 2021

In 2021, the Thai banking system faced continuing challenges from the Covid-19 situation for the second year. This urged the government to implement measures to contain the epidemic during the third quarter, causing a halt or a slowdown to many domestic economic activities which greatly affected businesses and households. As a result, the Bank of Thailand (BOT) and financial institutions assisted debtors who were affected by Covid-19 by providing liquidity and debt restructuring as well as easing regulations to increase the flexibility of commercial banks to help debtors and stabilize the financial system.

The combined net profit of the commercial banking system in 2021 was Baht 181.0 billion, a 23.6 percent increase from the previous year, due mainly to a decrease in provisioning expenses and operating cost controls. Loan growth increased by 6.5 percent. Total business loans expanded by 7.9 percent due to an increase in loans to large corporate customers that reflects the higher demand for business capital during the economic recovery. SME loans expanded mainly due to loan rehabilitation measures. Consumer loans grew by 4.0 percent as credit card loans increased in line with the recovery of economic activities while personal loans grew with demand for liquidity from the household sector. Meanwhile home loans continued to expand at a slower rate in line with a decline in housing demand which continued from the previous year.

Deposits grew by 4.3 percent from the end of 2020. The ratio of loans to deposits at the end of 2021 was 94.2 percent, up from 92.3 percent at the end of the previous year. The Liquidity Coverage Ratio (LCR) stood at 189.2 percent. For liquidity management, commercial banks focused on deposit restructuring and cost management as well as reserve requirements to comply with LCR guidelines under Basel III. However, the BOT eased the liquidity threshold to allow commercial banks to temporarily maintain their LCR below 100 percent until December 31, 2021, to alleviate their burden during the pandemic.

In terms of loan quality, non-performing loans (NPL), or Stage 3 loans, stood at Baht 530.7 billion or a ratio of 2.98 percent of gross NPL to total loans. The ratio of Significant Increase in Credit Risk (SICR), or Stage 2 loans, to total loans was 6.39 percent. Commercial banks set aside capital reserves and loan loss reserves to build stability. Total capital remained relatively high, enabling banks to accommodate NPL resulting from the economic impact of the pandemic. Loan quality reflected the unevenness of the recovery across each economic sector. Therefore, commercial banks focused on sustainably restructuring debt in line with a debtor's ability to repay in the long term, especially SME and retail business. At the end of 2021, the Capital Adequacy Ratio (CAR) stood at 19.9 percent. Commercial banks also focused on managing credit quality in line with Thai Financial Reporting Standard No. 9 (TFRS 9), which came into effect in January 2020.

Throughout the Covid-19 situation, the BOT, related government agencies and commercial banks have supported affected debtors by providing a range of financial measures, such as supporting the BOT-organized Credit Card and Personal Loan Debt Mediation Fair, establishing the “Debt Doctor” project, temporarily relaxing loan-to-value (LTV) requirements to stimulate the real estate sector, and helping mitigate long-term debt issues through refinancing and debt consolidation.

Thai Banking Industry in 2022

The Thai economy is likely to recover in 2022 as epidemic control measures are relaxed, the country opens to foreign tourists, and more people are fully vaccinated. However, recovery will be uneven with ongoing uncertainty stemming from new Covid-19 situation variants. There is a risk that the government may again have to implement epidemic control measures. In addition, there are pressures from rising energy prices, US-China trade and technology conflicts, fluctuations in international capital flows, and continuity of the government's monetary policy and economic stimulus measures. As a result, the business environment will remain fragile.

Economic uncertainty will affect the recovery of customers and their ability to repay debt. Consequently, commercial banks must focus on continuously increasing revenues while reducing expenses by adjusting the deposit structure, managing costs, maintaining the LCR and Net Stable Funding Ratio (NSFR), and managing credit quality in line with TFRS 9.

Changes in the economy, business operations, customer behavior and technology, as well as new regulations and measures from authorities, are increasing commercial banks' focus on gaining insights into and analysis of customer needs to drive the development of products and services. By collaborating with partners, banks can create new revenue opportunities and improve internal operations to better control costs and increase operational efficiency.

Going forward, Thai commercial banks will face more intense competition from new non-bank players, which may come from other countries and industries, as well as Decentralized Finance (DeFi), which is based on blockchain technology. Advanced digital technologies will provide consumers with borderless, seamless access to financial services. These developments, while solving customer pain points, facilitating better access to credit for SME, and increasing the use of digital identity and the digital footprint of banks and other players, will also increase competition within financial services. Furthermore, the development of Central Bank Digital Currencies (CBDC) will offer greater access to more stable cryptocurrencies while reducing the cost of cash management and increasing opportunities for financial innovation.

At the same time, sustainability, especially issues related to climate change, will become an increasingly prominent focus for authorities as they develop more sustainable financial ecosystems, establish Green Finance standards, and launch new regulations. This will see commercial banks placing greater emphasis on operating their businesses in line with Sustainable Banking principles, especially the integration of environmental, social, and governance (ESG) measures into their business processes while promoting ESG culture and values.

Factors affecting banking industry performance

Thai commercial banks may face challenges from changing business environments such as the development of exponential technologies, climate change, and changes in consumer behavior and business competition. The major factors that will affect the operations of commercial banks over the next two to three years are:

1. **The future landscape of the Thai financial system** – Looking forward, the BOT has strategies for repositioning Thailand's financial sector to support the development of a sustainable digital economy with following directions:
 - (1) Use technology and data to develop financial innovations and services that meet the needs of users under the key principles of: **Open Competition** to expand the scope or increase the flexibility of financial institutions and non-bank financial institutions to do business and to allow new groups of service providers to compete with existing ones in order to create competition for innovation under supervision in terms of the level of risk and equality with other players including inspection mechanisms and measures to ensure fairness in business operations; **Open Infrastructure** to provide service providers with access to financial infrastructure at reasonable and fair costs so that they can effectively compete and develop financial innovations including the development of financial infrastructure that supports the transition to a digital economy. This interconnected infrastructure will help reduce costs, particularly for the development of infrastructure to support trade and payment transactions for the business sector, the development of retail CBDC, and credit guarantee mechanisms for various capital needs; and **Open Data** to develop big data which can enable diverse financial service providers to improve the efficiency and accuracy of policymaking, risk management, and the development of products and services that meet the needs of customers. Open Data will enable open, more convenient access to information through standardized Application Programming Interface (API) technology while expanding banks' digital footprint and increasing competition for services. However, protecting the data security and privacy of users must be taken into account and there will be a need for clearer standards and guidelines for data sharing.

- (2) Support sustainable economic transition by requiring the financial sector to seriously assess environmental risks in business operations and encouraging the business sector to adapt during the transition without causing a negative impact on society while helping the household sector and vulnerable groups to survive and adapt to the new world in a sustainable fashion; and
 - (3) Flexible governance to keep up with new risks by adjusting governance systems to be more flexible to allow financial service providers to adjust, develop innovation and deal with significant new risks in a timely manner.
- 2. The role of non-bank service providers is likely to expand** – New non-bank service providers from other industries such as fintech startups, either operating individually or in partnership with banks, are entering the market by fulfilling needs that are not met by commercial banks. These include peer-to-peer lending platforms directly connecting borrowers with lenders, or Big Tech platforms that offer a full range of services from product sales and delivery to investment and financial services. There are also emerging businesses related to digital assets, and the SEC has regularly licensed and monitored service providers and DeFi technology that eliminates the need for financial intermediaries. These developments will intensify competition within the banking industry. Banks will need to quickly adapt to compete with these new players. Moreover, digital-only or virtual banks are likely to enter the Thai financial system in the near future. Regulators in many countries, such as South Korea and Singapore, have already issued licenses for digital-only commercial banks. The BOT is currently studying the feasibility, impact and risks before allowing the establishment of virtual banks in Thailand.
 - 3. The advancement of digital technology and financial innovation** – Commercial banks are being affected by the development of digital technology which has changed the way people live, operate businesses and conduct transactions. New technology infrastructure is increasing operational efficiency and the development of various financial products and services, such as digital ID, electronic payments, transfers, lending and wealth management, that help make financial transactions more convenient, faster and responsive to the needs of customers who are seeking seamless, integrated solutions. Technology development has also enabled banks to analyze insights by using Big Data and Artificial Intelligence (AI) to study the changing behaviors of each customer segment, as well as develop products and services to better meet the needs of customers. In the future, new technologies will play a greater role in the banking business. For example, the adoption of blockchain technology to issue letters of guarantee for companies has greatly increased efficiency and reduced business costs. Recently, the development of DeFi enables transactions to be processed via Smart Contracts which are very secure and prevent actors from being able to modify or forge information, and makes the need for intermediaries, such as financial institutions, banks or exchanges, redundant.
 - 4. Central Bank Digital Currencies will play an increasing role in the financial system** – Alternative digital currencies, especially cryptocurrency and the development of financial services through DeFi, are playing an increasingly important role in the financial system as they can meet the needs of some users both in terms of convenience and low financial costs, while the private sector has played an important role in facilitating digital payments. As a result, the use of digital wallets to pay for goods and services, including investment in cryptocurrency, is expanding rapidly. In addition, it is likely that cryptocurrencies will soon be able to perform the functions of money, including being a store of value, medium of exchange and unit of account. These will reduce the role of fiat money which is regulated by central banks. This will affect monetary sovereignty, reduce the independence of central banks, and undermine the effectiveness of monetary policy to manage the economy as well as reduce the ability of regulators to maintain stability of the financial system and protect investors. For this reason, many central banks are developing CBDC for public use, such as the digital yuan or E-CNY in China and the EU's Virtual Euro, to be introduced in 2025. CBDC aim to bridge the gap between fiat currency and cryptocurrencies. This will help mitigate the impact on monetary sovereignty by optimizing the efficiency and format of public money in line with the evolution of the changing financial landscape by providing infrastructure and financial technology that can support and connect

with new alternative currencies, as well as enabling new players in the financial space that can develop and meet the needs of the digital world. There is also a further development approach for cross border payments with international CBDCs developed on different platforms to enable interoperability. For Thailand, the BOT is planning a public pilot of the digital baht in 2022. New innovations are expected to emerge from the development of this CBDC as well from the application of smart contracts.

- 5. Competitive challenges for SME** – Access to financial services from financial institutions is a key challenge for Thai SME due to their lack of information or having an insufficient financial history. This makes it difficult for them to access loans which can limit their competitiveness and ability to adapt to disruption, especially in terms of innovation development and creating value-added products and services. During the Covid-19 outbreak, some SME successfully used digital technology, such as selling their food and products through online platforms, but many have still have not sufficiently adapted to the digital transformation. The next phase of Thailand’s economic K-shaped recovery may create more challenges for SME, especially small SME with lower adaptability in the service sector where the recovery is expected to be slower. Businesses in this group tend to have weak financial positions, low liquidity and insufficient funds to adapt to digital transformation. Meanwhile, most large or medium-sized businesses with high liquidity, more assets and high adaptability are in manufacturing, exporting, or businesses that benefit from changes in consumer behavior enabling them to increase their competitiveness in a timely manner. Differences in the competitiveness of these two business groups could result in increased economic inequality. However, the BOT’s approach to adjusting the financial landscape, especially the openness to compete for both existing and new players to provide services and develop financial innovations as well as the openness to the use of information, allows service providers to leverage multiple data sources to develop innovative and financial services, such as credit analysis based on borrower behavior and potential data, and risk-based pricing. These developments could help improve SME access to loans which they could use to enhance their competitiveness and adapt to digital transformation. This provides greater opportunities for the Thai economy to develop sustainably.
- 6. The financial sector will play an increasing role in sustainable development** – Sustainable development is becoming increasingly important globally due to environmental challenges, especially the problem of global warming from climate change. There have been many international efforts to achieve Net Zero Greenhouse Gas Emissions and Carbon Neutrality within this century. As such, Thailand must accelerate the development of knowledge, technology and innovation to reduce greenhouse gas emissions and adapt to challenges posed by climate change. In doing so, the government will need to support the private sector so they can access funds and technology to transform their organizations and move the country towards an economy that creates value in a more environmentally friendly way. At present, the Thai financial sector, particularly commercial banks, have a role to play in supporting sustainable development in accordance with sustainable banking principles, which focus on the long-term sustainable growth of businesses and society by providing responsible lending and reducing social inequality by promoting financial inclusion. This also includes efforts to embed ESG principles into business processes and the culture and values of Thai financial institutions. Recently, Thai regulators, led by the BOT, issued “Sustainable Finance Initiatives for Thailand” which will create an ecosystem that supports the transition to a more sustainable economy and financial sector by developing practical taxonomy, disclosing reliable and transparent ESG information that complies with international standards, implementing effective incentives to stimulate investment in sustainable financial products, creating demand-led products and services, and building human capital in the financial sector with quality and knowledge to drive sustainable finance that yields tangible results.

These factors will underpin the transformation of the Thai economy through a combination of government policies and changes in business conduct and consumer behavior. Therefore, Thai commercial banks must be ready to cope with these changes to move forward in a sustainable way.

Overall Picture of the Bank and its Subsidiaries

	Million Baht							
Item	Q4/21	Q3/21	Q4/20	%QoQ	%YoY	Y'21	Y'20	%YoY
Net profit ^{/1}	6,318	6,909	2,398	(8.6)%	163.5%	26,507	17,181	54.3%
Earnings per share (Baht)	3.31	3.62	1.26	(8.6)%	163.5%	13.89	9.00	54.3%
Net interest margin	2.09%	2.04%	2.12%	0.05%	(0.03)%	2.10%	2.24%	(0.14)%
Net fees and service income to operating income ratio	21.5%	21.4%	20.8%	0.1%	0.7%	21.7%	20.8%	0.9%
Cost to income ratio	54.6%	46.1%	65.8%	8.5%	(11.2)%	50.0%	55.6%	(5.6)%
Return on average assets ^{/1}	0.58%	0.65%	0.25%	(0.07)%	0.33%	0.65%	0.48%	0.17%
Return on average equity ^{/1}	5.12%	5.74%	2.15%	(0.62)%	2.97%	5.62%	3.96%	1.66%

^{/1} Attributable to owners of the Bank

	Million Baht					
Item	Dec'21	Sep'21	Dec'20	%QoQ	%YTD	
Loans	2,588,339	2,523,772	2,368,238	2.6%	9.3%	
Deposits	3,156,940	3,124,277	2,810,863	1.0%	12.3%	
Loan to deposit ratio	82.0%	80.8%	84.3%	1.2%	(2.3)%	
Non-performing loan (Gross NPL) ^{/1}	101,103	112,433	104,401	(10.1)%	(3.2)%	
Gross NPL to total loans ratio ^{/1}	3.2%	3.7%	3.9%	(0.5)%	(0.7)%	
Allowance for expected credit losses to NPL ratio ^{/1}	225.8%	198.9%	186.8%	26.9%	39.0%	
Total capital adequacy ratio	19.57%	19.67%	18.34%	(0.10)%	1.23%	

^{/1} Including interbank and money market lending

In 2021, Bangkok Bank and its subsidiaries reported a net profit of Baht 26,507 million, an increase of 54.3 percent from 2020. Net interest income rose by 6.6 percent from last year due to the full-year consolidation of Permata's net interest income and lower interest expenses resulting from cost management. The net interest margin stood at 2.10 percent. Non-interest income rose by 25.7 percent, mainly due to an increase in net fees and service income from securities business, loan-related services, bancassurance and mutual funds, along with an increase on gains on mark to market of financial assets in line with the market environment.

Operating expenses rose by 2.0 percent from last year as a result of the full-year consolidation of Permata's operating expenses. Meanwhile, the cost to income ratio declined to 50.0 percent. The Bank maintained its prudent approach by setting aside expected credit losses of Baht 34,134 million to accommodate future uncertainty from the impact of the Covid-19 outbreaks, while closely monitoring the situation regarding the Omicron variant and potential risks arising from new variants.

At the end of December 2021, the Bank's total loans amounted to Baht 2,588,339 million, an increase of 9.3 percent from the end of last year, due mainly to loans to large corporate customers and loans made through the international network. The non-performing loan to total loans ratio decreased to 3.2 percent, while the ratio of the allowance for expected credit losses to non-performing loans remaining strong at 225.8 percent.

As of December 31, 2021, the Bank's deposits amounted to Baht 3,156,940 million, an increase of 12.3 percent from the end of December 2020, reflecting customers' desire to maintain highly liquid assets during a time of uncertainty. Accordingly, the loan to deposit ratio stood at 82.0 percent. In September 2021, the Bank issued 15-year Subordinated Notes qualified as Basel III-compliant Tier 2 capital amounting to USD 1 billion, which further strengthened the Bank's diverse capital structure. At the end of December 2021, the total capital adequacy ratio, Tier 1 capital adequacy ratio, and Common Equity Tier 1 capital adequacy ratio of the Bank and its subsidiaries stood at 19.57 percent, 15.98 percent and 15.15 percent respectively, comfortably above the Bank of Thailand's minimum capital requirements.

Operating Income and Expenses of the Bank and its Subsidiaries

Million Baht								
Item	Q4/21	Q3/21	Q4/20	%QoQ	%YoY	Y'21	Y'20	%YoY
Net interest income	21,716	20,705	19,264	4.9%	12.7%	82,156	77,046	6.6%
Non-interest income	13,698	13,725	11,364	(0.2)%	20.5%	52,385	41,682	25.7%
Operating expenses	19,336	15,879	20,144	21.8%	(4.0)%	67,266	65,974	2.0%
Expected credit losses	8,127	9,870	7,203	(17.7)%	12.8%	34,134	31,196	9.4%
Operating profit before tax	7,951	8,681	3,281	(8.4)%	142.3%	33,141	21,558	53.7%
Income tax expenses	1,517	1,662	799	(8.7)%	89.9%	6,189	4,013	54.2%
Net profit	6,434	7,019	2,482	(8.3)%	159.2%	26,952	17,545	53.6%
Net profit ^{/1}	6,318	6,909	2,398	(8.6)%	163.5%	26,507	17,181	54.3%
Total comprehensive income ^{/1}	5,822	20,976	10,741	(72.2)%	(45.8)%	50,394	30,056	67.7%

^{/1} Attributable to owners of the Bank

Bangkok Bank and its subsidiaries reported a net profit attributable to owners of the Bank in the fourth quarter of 2021 of Baht 6,318 million, a decrease of Baht 591 million or 8.6 percent from the previous quarter due mainly to higher operating expenses from seasonality and expenses to develop and improve working systems. Net interest income rose by 4.9 percent from higher loan volume. Non-interest income was at nearly the same level as the previous quarter. Expected credit losses declined from the previous quarter. However, the Bank continues to take a prudent approach as it assesses the potential impact of the Covid-19 situation and related uncertainties.

Compared with the fourth quarter of 2020, net profit attributable to owners of the Bank increased by Baht 3,920 million or 163.5 percent, from an increase in operating income. This was due to higher net interest income from an increase in loan volume and management of the cost of deposits; an increase in non-interest income mainly owing to higher net fees and service income from investment banking and loan-related services; and an increase in gains on financial instruments measured at FVTPL in line with the market environment. Expected credit losses increased to accommodate uncertainty from the impact of the Covid-19 outbreaks and the emergence of new variants.

In 2021, net profit attributable to owners of the Bank amounted to Baht 26,507 million, an increase of Baht 9,326 million or 54.3 percent from last year. Net interest income increased by 6.6 percent, due to the consolidation of Bank Permata's net interest income for the full year combined with a decline in interest expenses from management of the cost of deposits. Non-interest income rose by 25.7 percent from an increase in net fees and service income from the securities business, loan-related services as well as bancassurance and mutual funds, together with an increase in gains on financial instruments measured at FVTPL in line with the market environment. Meanwhile, operating expenses increased by 2.0 percent from the consolidation of Permata's expenses for the full year. The Bank set aside additional expected credit losses in accordance with its prudent approach to accommodate future uncertainty from the impact of the Covid-19 outbreaks, while closely monitoring the situation regarding the Omicron variant and risks from the emergence of new variants.

Net Interest Income

Net interest income in the fourth quarter of 2021 amounted to Baht 21,716 million, rising by 4.9 percent from the previous quarter and 12.7 percent from the same period last year from increases in business loans and loans made through the Bank's international network, combined with a decrease in interest expenses on deposits due to management of the cost of deposits.

In 2021, net interest income rose by 6.6 percent from last year from the consolidation Bank Permata's income for the full year, together with a decrease in interest expenses on deposits from cost management.

Million Baht								
Item	Q4/21	Q3/21	Q4/20	%QoQ	%YoY	Y'21	Y'20	%YoY
Interest Income								
Loans	25,546	24,419	23,454	4.6%	8.9%	96,929	95,994	1.0%
Interbank and money market items	1,436	1,601	1,106	(10.3)%	29.8%	6,250	5,431	15.1%
Investments	3,040	2,835	2,892	7.2%	5.1%	11,133	11,098	0.3%
Total interest income	30,022	28,855	27,452	4.0%	9.4%	114,312	112,523	1.6%
Interest expenses								
Deposits	4,514	4,619	4,902	(2.3)%	(7.9)%	18,195	22,437	(18.9)%
Interbank and money market items	218	220	174	(0.9)%	25.3%	891	952	(6.4)%
Contributions to the Deposit Protection Agency and Financial Institutions Development Fund	1,680	1,667	1,528	0.8%	9.9%	6,500	5,846	11.2%
Debt issued and borrowings	1,894	1,644	1,584	15.2%	19.6%	6,570	6,242	5.3%
Total interest expenses	8,306	8,150	8,188	1.9%	1.4%	32,156	35,477	(9.4)%
Net interest income	21,716	20,705	19,264	4.9%	12.7%	82,156	77,046	6.6%
Yield on earning assets	2.88%	2.85%	3.02%	0.03%	(0.14)%	2.92%	3.28%	(0.36)%
Cost of funds	0.92%	0.92%	1.03%	-	(0.11)%	0.94%	1.19%	(0.25)%
Net interest margin	2.09%	2.04%	2.12%	0.05%	(0.03)%	2.10%	2.24%	(0.14)%

Bangkok Bank Interest Rate	Dec'21	Sep'21	Jun'21	Mar'21	Dec'20	Sep'20	Jun'20	Mar'20	Dec'19
Loans (%)									
MOR	5.875	5.875	5.875	5.875	5.875	5.875	5.875	6.500	6.875
MRR	5.950	5.950	5.950	5.750	5.750	5.750	5.750	6.500	6.875
MLR	5.250	5.250	5.250	5.250	5.250	5.250	5.250	5.875	6.000
Deposits (%)									
Savings	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.375	0.500-0.625
3-month Fixed	0.375	0.375	0.375	0.375	0.375	0.375	0.375	0.500	1.000
6-month Fixed	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.625	1.250
12-month Fixed	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.750	1.375-1.500
Bank of Thailand Policy Rate (%)	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.750	1.250

Non-Interest Income

Non-interest income for the fourth quarter of 2021 amounted to Baht 13,698 million, similar to the previous quarter. Compared with the fourth quarter of 2020, non-interest income rose by 20.5 percent from gains on financial instruments measured at FVTPL in line with the market environment. Net fees and service income increased, mainly from investment banking and loan related services due to the improvements across many business sectors in line with domestic economic activities.

In 2021, non-interest income rose by 25.7 percent. This was due predominantly to increases in net fees and service income from securities business, loan-related services as well as bancassurance and mutual funds, together with higher gains on financial instruments measured at FVTPL.

	Million Baht								
Item	Q4/21	Q3/21	Q4/20	%QoQ	%YoY	Y'21	Y'20	%YoY	
Fees and service income	10,441	9,727	9,120	7.3%	14.5%	39,127	34,168	14.5%	
<u>Less</u> fees and service expenses	2,834	2,354	2,764	20.4%	2.5%	9,918	9,457	4.9%	
Net fees and service income	7,607	7,373	6,356	3.2%	19.7%	29,209	24,711	18.2%	
Gains on financial instruments measured at FVTPL	4,796	5,030	3,703	(4.7)%	29.5%	17,868	11,058	61.6%	
Gains on investments	459	165	480	178.2%	(4.4)%	1,225	2,512	(51.2)%	
Share of profit (losses) from investment for using equity method	35	117	7	(70.1)%	400.0%	209	(14)	1,592.9%	
Gains on disposal of assets	257	93	553	176.3%	(53.5)%	519	734	(29.3)%	
Dividend income	279	641	215	(56.5)%	29.8%	2,252	2,039	10.4%	
Other operating income	265	306	50	(13.4)%	430.0%	1,103	642	71.8%	
Total other operating income	6,091	6,352	5,008	(4.1)%	21.6%	23,176	16,971	36.6%	
Total non-interest income	13,698	13,725	11,364	(0.2)%	20.5%	52,385	41,682	25.7%	
Net fees and service income to operating income ratio	21.5%	21.4%	20.8%	0.1%	0.7%	21.7%	20.8%	0.9%	

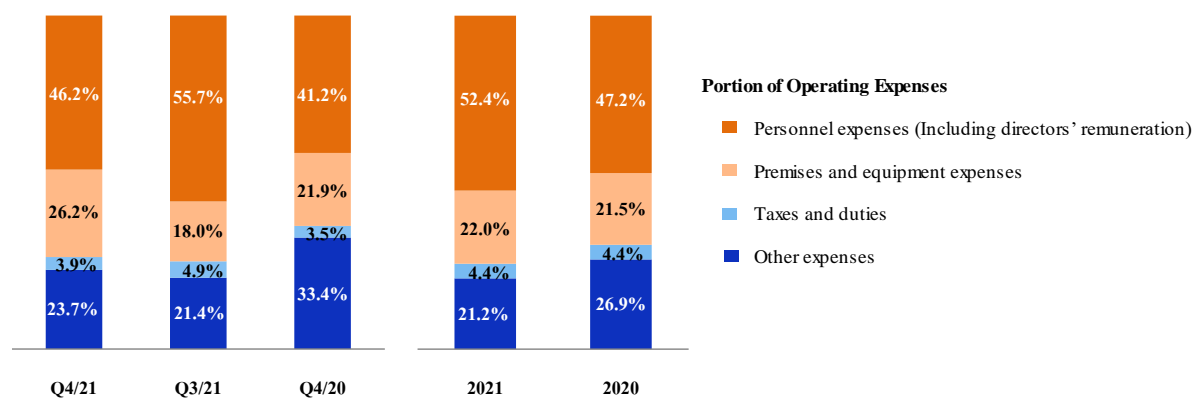
Operating Expenses

Operating expenses for the fourth quarter of 2021 amounted to Baht 19,336 million, increasing by Baht 3,457 million, or 21.8 percent from the previous quarter, due partly to seasonality of expenses as well as expenses to develop and improve working systems to accommodate changing consumer behavior as people increasingly use digital channels.

Total operating expenses for 2021 increased by Baht 1,292 million or 2.0 percent from last year due mainly to the consolidation of Permata's expenses for the full year.

Million Baht

Item	Q4/21	Q3/21	Q4/20	%QoQ	%YoY	Y'21	Y'20	%YoY
Personnel expenses	8,841	8,805	8,248	0.4%	7.2%	35,003	30,960	13.1%
Directors' remuneration	86	47	45	83.0%	91.1%	264	187	41.2%
Premises and equipment expenses	5,068	2,854	4,422	77.6%	14.6%	14,765	14,165	4.2%
Taxes and duties	759	780	699	(2.7)%	8.6%	2,949	2,929	0.7%
Other expenses	4,582	3,393	6,730	35.0%	(31.9)%	14,285	17,733	(19.4)%
Total operating expenses	19,336	15,879	20,144	21.8%	(4.0)%	67,266	65,974	2.0%
Cost to income ratio	54.6%	46.1%	65.8%	8.5%	(11.2)%	50.0%	55.6%	(5.6)%



Expected Credit Losses

The Bank set aside Baht 8,127 million in expected credit losses in the fourth quarter of 2021 and Baht 34,134 million in 2021 in line with its prudent approach as it continues to assess and closely monitor the impact from the Covid-19 pandemic including the Omicron variant and potential risks arising from new variants. Expected credit losses cover loans, interbank and money market items, and debt securities, which are not measured at FVTPL, as well as loan commitments and financial guarantee contracts.

Significant Items in the Financial Position

Assets

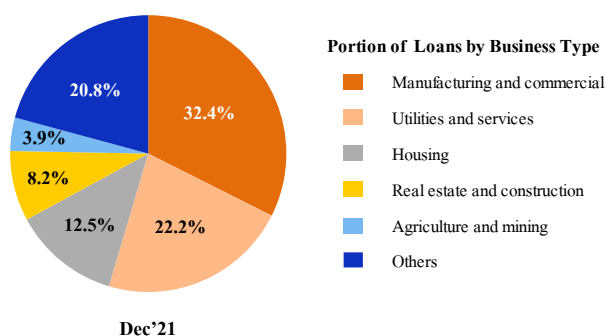
As of December 31, 2021, total assets amounted to Baht 4,333,281 million, increasing by 1.3 percent from the end of the previous quarter predominantly from higher loans. Compared with 2020, total assets rose by 13.3 percent mainly from an increase in net interbank and money market items to manage the Bank's liquidity together with an increase in business loans.

	Million Baht				
Item	Dec'21	Sep'21	Dec'20	%QoQ	%YTD
Net interbank and money market items	801,212	776,521	519,036	3.2%	54.4%
Financial assets measured at FVTPL	84,341	88,800	57,936	(5.0)%	45.6%
Net investments	803,637	806,176	758,482	(0.3)%	6.0%
Net investments in associates	1,329	980	911	35.6%	45.9%
Loans	2,588,339	2,523,772	2,368,238	2.6%	9.3%
Net properties for sale	9,496	9,535	9,754	(0.4)%	(2.6)%
Total assets	4,333,281	4,275,691	3,822,960	1.3%	13.3%

Loans

As of December 31, 2021, loans amounted to Baht 2,588,339 million, rising by 2.6 percent from the end of the previous quarter and 9.3 percent from the end of last year due to increases in loans to corporate customers and loans made through the Bank's international network.

	Million Baht				
Loans by Business Type	Dec'21	Sep'21	Dec'20	%QoQ	%YTD
Manufacturing and commercial	839,469	838,474	791,828	0.1%	6.0%
Utilities and services	574,485	571,417	539,151	0.5%	6.6%
Housing	324,546	317,176	302,142	2.3%	7.4%
Real estate and construction	211,647	218,211	211,510	(3.0)%	0.1%
Agriculture and mining	101,487	101,156	78,175	0.3%	29.8%
Others	536,705	477,338	445,432	12.4%	20.5%
Total loans	2,588,339	2,523,772	2,368,238	2.6%	9.3%



The Bank and its subsidiaries had loans distributed across business sectors, with 32.4 percent in the manufacturing and commercial sector, 22.2 percent in the utilities and services sector, 12.5 percent in the housing sector, and 8.2 percent in the real estate and construction sector. The increase in loans from the end of September 2021 was mainly driven by other sectors, and the increase from the end of December 2020 was mainly driven by other sectors and manufacturing and commercial sector.

Classified Loans and Allowance for Expected Credit Losses

Non-performing loan (Gross NPL) at the end of December 2021 was Baht 101,103 million. The gross NPL to total loans ratio was 3.2 percent.

The allowance for expected credit losses was Baht 228,285 million and the allowance for expected credit losses to NPL ratio was 225.8 percent.

	Million Baht				
Item	Dec'21	Sep'21	Dec'20	%QoQ	%YTD
<u>Consolidated</u>					
Non-performing loan (Gross NPL) ^{/1}	101,103	112,433	104,401	(10.1)%	(3.2)%
Gross NPL to total loans ratio ^{/1}	3.2%	3.7%	3.9%	(0.5)%	(0.7)%
Net NPL to net total loans ratio ^{/1}	1.0%	1.2%	1.4%	(0.2)%	(0.4)%
Allowance for expected credit losses to NPL ratio	225.8%	198.9%	186.8%	26.9%	39.0%
<u>The Bank</u>					
Non-performing loan (Gross NPL) ^{/1}	82,820	93,315	91,978	(11.2)%	(10.0)%
Gross NPL to total loans ratio ^{/1}	3.0%	3.5%	4.0%	(0.5)%	(1.0)%

^{/1} Including interbank and money market lending

	Million Baht					
Item	Loans and Interbank & Money Market			Allowance for Expected Credit Losses ^{/1}		
	Dec'21	Sep'21	Dec'20	Dec'21	Sep'21	Dec'20
Non-credit-impaired	3,289,055	3,188,686	2,781,073	153,342	143,562	121,083
Credit-impaired	101,103	112,433	104,401	74,943	80,083	73,890
Total	3,390,158	3,301,119	2,885,474	228,285	223,645	194,973

^{/1} Including allowance for expected credit losses of loans, interbank and money market items, loan commitments and financial guarantee contracts

Investments

As of December 31, 2021, investments amounted to Baht 887,978 million, decreasing by Baht 6,998 million or 0.8 percent from the previous quarter due mainly to lower investments in Thai government and state enterprise securities. Investments rose by Baht 71,566 million or 8.8 percent from the end of last year due to higher investments in foreign debt securities.

A significant proportion of investments were in Thai government and state enterprise securities. As of December 31, 2021, these amounted to Baht 482,201 million, accounting for 54.3 percent of total investments. There were foreign debt securities of Baht 212,726 million, private enterprise debt securities of Baht 21,886 million, and net investment in equity securities of Baht 107,116 million.

Million Baht

Investments by Investment Holding	Dec'21	Sep'21	Dec'20	%QoQ	%YTD
Trading securities	13,104	22,251	7,833	(41.1)%	67.3%
Securities measured at FVTPL	71,237	66,549	50,097	7.0%	42.2%
Debt securities measured at amortized cost	46,053	49,450	38,884	(6.9)%	18.4%
Debt securities measured at FVOCI	667,473	667,570	639,438	(0.0)%	4.4%
Equity securities measured at FVOCI	90,111	89,156	80,160	1.1%	12.4%
Total investments	887,978	894,976	816,412	(0.8)%	8.8%

Liabilities and Shareholders' Equity

Total liabilities as of December 31, 2021, amounted to Baht 3,838,688 million, increasing by 1.4 percent from the end of the previous quarter and 13.8 percent from the end of last year, mainly due to increases in deposits and interbank and money market transactions.

Million Baht

Item	Dec'21	Sep'21	Dec'20	%QoQ	%YTD
Deposits	3,156,940	3,124,277	2,810,863	1.0%	12.3%
Interbank and money market items	288,709	245,955	219,149	17.4%	31.7%
Financial liabilities measured at FVTPL	20,833	21,466	19,257	(2.9)%	8.2%
Debt issued and borrowings	183,239	187,887	136,177	(2.5)%	34.6%
Total liabilities	3,838,688	3,787,029	3,372,713	1.4%	13.8%
Shareholders' equity ^{/1}	492,727	486,905	449,014	1.2%	9.7%

^{/1} Attributable to owners of the Bank

Deposits

Total deposits as of December 30, 2021, amounted to Baht 3,156,940 million, the same level as the end of the previous quarter, but rose by 12.3 percent from the end of December 2020 for all type of deposits.

Million Baht

Deposits Classified by Product Type	Dec'21		Sep'21		Dec'20		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
Current	273,597	8.7%	250,413	8.0%	165,912	5.9%	9.3%	64.9%
Savings	1,613,777	51.1%	1,576,480	50.5%	1,435,331	51.1%	2.4%	12.4%
Fixed	1,269,566	40.2%	1,297,384	41.5%	1,209,620	43.0%	(2.1)%	5.0%
Total deposits	3,156,940	100.0%	3,124,277	100.0%	2,810,863	100.0%	1.0%	12.3%
Loan to deposit ratio		82.0%		80.8%		84.3%	1.2%	(2.3)%

Debt Issued and Borrowings

Total debt issued and borrowings as of December 31, 2021, amounted to Baht 183,239 million, a decrease of Baht 4,648 million from the end of September 2021 due to a decrease in the value of foreign-denominated debentures following the appreciation of the baht. Total debt issued and borrowings increased by Baht 47,062 million from the end of December 2020, due mainly to the issuance of 15-year Subordinated Notes qualifying as Basel III-compliant Tier 2 capital of USD 1,000 million in September 2021.

Debt Issued and Borrowings Classified by Type of Instruments	Million Baht							
	Dec'21		Sep'21		Dec'20		%QoQ	%YTD
	Amount	Portion	Amount	Portion	Amount	Portion		
Senior unsecured notes	83,594	45.6%	84,827	45.1%	75,100	55.1%	(1.5)%	11.3%
Subordinated notes	98,640	53.8%	101,511	54.0%	59,835	43.9%	(2.8)%	64.9%
Bills of exchange	516	0.3%	917	0.5%	814	0.6%	(43.7)%	(36.6)%
Others	549	0.3%	699	0.4%	507	0.4%	(21.5)%	8.3%
Total (before less discount on borrowings)	183,299	100.0%	187,954	100.0%	136,256	100.0%	(2.5)%	34.5%
Less discount on borrowings	60		67		79		(10.4)%	(24.1)%
Total debt issued and borrowings	183,239		187,887		136,177		(2.5)%	34.6%

Shareholders' Equity

Shareholders' equity attributable to owners of the Bank as of December 31, 2021, amounted to Baht 492,727 million, an increase of Baht 43,713 million or 9.7 percent from the end of 2020. Net profit attributable to owners of the Bank in 2021 was Baht 26,507 million, net of a dividend payment during 2021 of Baht 6,680 million which consisted of a dividend payment for the operating performance in 2020 of Baht 4,772 million (2.50 baht per share) according to the resolution of the shareholders' meeting on April 12, 2021 and the interim dividend payment from net profit from operations in the first half (January to June) of 2021 of Baht 1,908 million (1.00 baht per share), combined with an increase in gains on translating the financial statements of foreign operations.

Sources and Utilization of Funds

As of December 31, 2021, the primary sources of funds were Baht 3,156,940 million or 72.9 percent in deposits, Baht 492,727 million or 11.4 percent in shareholders' equity attributable to owners of the Bank, Baht 288,709 million or 6.7 percent in interbank and money market liabilities, and Baht 204,072 million or 4.7 percent in debt issued and borrowings including financial liabilities measured at FVTPL.

The utilization of funds comprised Baht 2,588,339 million or 59.7 percent in loans, Baht 889,307 million or 20.5 percent in net investments including financial assets measured at FVTPL and net investments in associates and Baht 801,212 million or 18.5 percent in net interbank and money market assets.

Capital Reserves and Capital Adequacy Ratio

Under the principles of Basel III, the Bank of Thailand (BOT) requires commercial banks registered in Thailand and members of their financial groups to maintain minimum levels of capital adequacy as measured by three ratios: the Common Equity Tier 1 capital adequacy ratio at no less than 4.50 percent, the Tier 1 capital adequacy ratio at no less than 6.00 percent, and the Total Capital Adequacy ratio at no less than 8.50 percent – measured as a percentage of total risk-weighted assets. The BOT also requires a capital conservation buffer of more than 2.50 percent. It requires the Bank, which is identified as a Domestic Systemically Important Bank (D-SIB), to have additional capital to meet the Higher Loss Absorbency (HLA) requirement, which gradually raised the Common Equity Tier 1 ratio by 1.00 percent from January 1, 2020, onwards. To satisfy the BOT's minimum levels and capital buffer requirements, from January 1, 2020, onwards, the Bank is required to maintain the Common Equity Tier 1 capital adequacy ratio at more than 8.00 percent, the Tier 1 capital adequacy ratio at more than 9.50 percent, and the total capital adequacy ratio at more than 12.00 percent – measured as percentages of total risk-weighted assets.

As of December 31, 2021, the regulatory capital position of the Bank's financial group according to the consolidated financial statements was Baht 560,426 million. The Common Equity Tier 1 capital adequacy ratio was 15.15 percent, the Tier 1 capital adequacy ratio was 15.98 percent, and the total capital adequacy ratio was 19.57 percent.

Consolidated

Million Baht

Item	Dec'21		Sep'21		Dec'20		BOT's requirements 2020 onwards
	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	
Common Equity Tier 1 capital	433,699	15.15%	435,115	15.25%	407,621	14.89%	> 8.00%
Tier 1 capital	457,469	15.98%	458,877	16.09%	431,381	15.76%	> 9.50%
Tier 2 capital	102,957	3.59%	102,265	3.58%	70,686	2.58%	
Total capital	560,426	19.57%	561,142	19.67%	502,067	18.34%	> 12.00%

The Bank

Million Baht

Item	Dec'21		Sep'21		Dec'20		BOT's requirements 2020 onwards
	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	Capital	Capital Adequacy Ratio	
Common Equity Tier 1 capital	425,758	16.47%	426,286	16.54%	404,418	16.33%	> 8.00%
Tier 1 capital	449,350	17.38%	449,878	17.45%	428,010	17.28%	> 9.50%
Tier 2 capital	101,989	3.95%	101,549	3.94%	69,839	2.82%	
Total capital	551,339	21.33%	551,427	21.39%	497,849	20.10%	> 12.00%

Liquid Assets

Liquid assets consisted of cash, net interbank and money market items, debt securities, and marketable equity securities. As of December 31, 2021, the ratio of liquid assets to total assets and liquid assets to deposits were 38.6 percent and 53.0 percent respectively.

Item	Dec'21	Sep'21	Dec'20
Liquid assets/Total assets (%)	38.6	38.8	35.3
Liquid assets/Deposits (%)	53.0	53.2	48.1

Credit Ratings

Details of the Bank's credit ratings are as follows:

Credit Rating Agency	Dec'21	Sep'21	Dec'20
Moody's Investors Service			
Long-term Deposit	Baa1	Baa1	Baa1
Short-term Deposit	P-2	P-2	P-2
Senior Unsecured Debt Instrument	Baa1	Baa1	Baa1
Subordinated Debt Instrument	Baa2	Baa2	Baa2
Subordinated Debt (Basel III-compliant Tier 2 securities)	Baa3	Baa3	Baa3
Subordinated Debt (Basel III-compliant Tier 1 securities)	Ba1	Ba1	Ba1
Financial Strength (BCA)	baa1	baa1	baa1
Outlook	Stable	Stable	Stable
S&P Global Ratings			
Long-term Issuer Credit Rating	BBB+	BBB+	BBB+
Short-term Issuer Credit Rating	A-2	A-2	A-2
Senior Unsecured Debt Instrument	BBB+	BBB+	BBB+
Subordinated Debt Instrument	BBB	BBB	BBB
Financial Strength (SACP)	bbb	bbb	bbb
Outlook	Stable	Stable	Stable
Fitch Ratings			
International Rating			
Long-term Issuer Default Rating	BBB	BBB	BBB
Short-term Issuer Default Rating	F2	F2	F2
Senior Unsecured Debt Instrument	BBB	BBB	BBB
Subordinated Debt Instrument	BB+	BB+	BB+
Subordinated Debt (Basel III-compliant Tier 2 securities)	BB+	BB+	BB+
Financial Strength (VR)	bbb	bbb	bbb
Outlook	Stable	Stable	Stable
National Rating			
Long-term	AA+(tha)	AA+(tha)	AA+(tha)
Short-term	F1+(tha)	F1+(tha)	F1+(tha)
Outlook	Stable	Stable	Stable