

Press Release: April 21, 2021

SCB ANNOUNCED FIRST-QUARTER PROFIT OF BAHT 10.1 BILLION

Bangkok: Siam Commercial Bank and its subsidiaries reported consolidated net profit (based on unreviewed financial statements) of Baht 10.1 billion for the first quarter of 2021. Net profit grew 9.0% yoy and 103.2% qoq while pre-provision operating profit increased 6.6% yoy to Baht 22.7 billion mainly due to the strength of non-interest income businesses and the Bank's commitment to disciplined cost management.

Net interest income declined 9.3% yoy to Baht 23.4 billion because of yield compression in the current low interest rate environment despite 8.7% yoy loan growth and lower funding costs.

Non-interest income increased 21.2% yoy to Baht 14.4 billion. Growth in non-interest income was driven by strong revenue from the bancassurance and wealth management businesses as well as mark-to-market gains on the Bank's and its subsidiary's investment portfolios.

Expenses declined 7.9% yoy to Baht 15.1 billion due to the Bank's effective cost control and lower cost-to-serve from digital channel migration. As a result, cost-to-income ratio improved significantly this quarter to 40% from 44% in the previous year.

The Bank set aside Baht 10.0 billion of provisions in the first quarter which were lower than the peak level last year but still remained elevated given the economic uncertainty during the COVID-19 pandemic.

Non-performing loan ratio increased to 3.79% at the end of March 2021 from 3.68% at the end of December 2020. The increase in NPLs reflected the Bank's conservative approach to NPL management through proactive qualitative loan downgrade and long-term value preservation workout strategy. Nonetheless, NPL coverage remained high at 139.6% in conjunction with a strong capital adequacy ratio at 18.2%.

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

“The Bank's strong operating performance in the first quarter shows the resilience of our core businesses and our competitive advantage derived from digital and technology capabilities. Effective cost discipline and prudent risk management also prove vital in helping us successfully navigate through this uncertain time while assisting affected customers with targeted relief programs. Despite the resurgence of COVID-19 cases in Thailand, the Bank's balance sheet remains strong to support the affected customers and delayed economic recovery. Nevertheless, the current challenges make it even more important for the Bank to focus on enhancing organization agility, investing in new technology and infrastructure, and expanding our digital capabilities and ecosystems through strategic partnership.”

SCB – Financial Highlight

(Consolidated)

Unit: Baht million	1Q21	4Q20	% qoq	1Q20	% yoy
Income	37,753	36,366	3.8%	37,641	0.3%
NII	23,376	23,621	-1.0%	25,777	-9.3%
Non-NII	14,377	12,745	12.8%	11,863	21.2%
Operating Expenses	15,101	16,050	-5.9%	16,393	-7.9%
Pre-Provision Operating Profit	22,652	20,316	11.5%	21,248	6.6%
Expected credit loss	10,008	14,234	-29.7%	9,726	2.9%
Net Profit	10,088	4,965	103.2%	9,251	9.0%
Loans	2,277,458	2,255,242	1.0%	2,095,504	8.7%
Total Assets	3,177,372	3,278,384	-3.1%	3,136,027	1.3%
Deposits	2,349,471	2,420,455	-2.9%	2,275,960	3.2%
ROE	9.7%	4.9%	4.8%	9.3%	0.4%
ROA	1.3%	0.6%	0.7%	1.2%	0.1%
NIM on Earning Assets	3.01%	3.02%	-0.01%	3.54%	-0.53%
Cost to Income Ratio	40.0%	44.1%	-4.1%	43.6%	-3.6%
Loan to Deposit Ratio	96.9%	93.2%	3.7%	92.1%	4.8%
NPL%	3.79%	3.68%	0.11%	3.17%	0.62%
NPLs	104,332	101,462	2.8%	83,621	24.8%
Coverage Ratio (Total Allowance to NPLs)	139.6%	140.8%	-1.2%	139.6%	0.0%
CAR	18.2%	18.2%	0.0%	17.2%	1.0%
Regulatory Capital	402,979	400,911	0.5%	362,320	11.2%
Traditional Branches	809	811		913	
Investment Centers	8	9		14	
Business Centers	1	1		3	
Foreign Exchange Kiosks	67	67		68	
ATM Machines	9,316	9,164		9,362	

SCB
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Management Discussion and Analysis

For the first quarter ended March 31, 2021

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Management Discussion and Analysis

For the first quarter ended March 31, 2021

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The year began with the second wave of COVID-19 in Thailand. Although loans under the relief program rose slightly following this wave, overall asset quality was well under control. Nonetheless, the level of provision has been constantly reassessed and adjusted to ensure adequate protection. In addition, the Bank continued to qualitatively recognize the most vulnerable customers as NPLs to minimize cliff effects upon the expiration of relief measures.

The Bank delivered resilient growth in operating profit in the first quarter of this year with strong recurring fee income and mark-to-market gains on investments, supported by the Bank's continued strict cost controls and conservative balance sheet strategy.

The first quarter of 2021 ended with as much uncertainties as it started, with the third wave of COVID-19 that is still unfolding at the time of this MD&A is published. It is, therefore, imperative for an organization such as SCB to prioritize agility in order to proactively and prudently navigate through these uncertain times. Also, given the rapid pace of technological advancement in the financial industry, SCB continues to leverage on the initiatives implemented during its Transformation Program and will continue to grow its digital banking by expanding the ecosystem through both the Bank and SCB 10X.

Operating performance

Despite the second wave of COVID-19, the Bank reported operating profit of Baht 22.7 billion for the first quarter of 2021, up 11% qoq and 7% yoy. This growth was driven by sustained recurring income from the wealth and bancassurance businesses and declining OPEX, as well as mark-to-market gain from investments held by the Bank and SCB 10X.

The strength in SCB's wealth business is born from the Bank's Transformation program completed in 2019 which, for the wealth business, aimed at building advisory capability and reshaping the operating model. The current capability allows the Bank to offer investment products and solutions from over 35 investment and insurance partners on an open architecture platform. The Bank also focuses on upskilling Relationship Managers (RMs) to ensure that they are equipped with the latest knowledge and necessary skills to provide professional investment advice. SCB, together with our subsidiaries (SCBAM and SCBS), have 1,100 dedicated RMs and 22 investment consultants to serve over 340,000 wealth customers. Additionally, the Bank formed SCB Julius Baer to meet specific needs of ultra-high-net-worth customers.

Regarding bancassurance, the Bank continues to leverage on its partnership with FWD to capture the underpenetrated life insurance market. Together with SCB Protect, a fully owned insurance brokerage subsidiary intended for mass market, the Bank expects to see meaningful growth contribution from the insurance business in the coming years. In addition, new protection and savings products launched by FWD in the first quarter of 2021 have expanded the product suite for meeting customers' needs as well as provided the momentum for the bancassurance sales.

Although lower costs in the first quarter were partly due to slower business activities following the second wave, the Bank's strict cost discipline in response to the pandemic has contributed to keeping OPEX down. In addition to ensuring effective cost control during this difficult time, the Bank also continues to work on long-term cost-reduction initiatives, such as reconfiguring its physical network as well as adopting more targeted digital marketing initiatives. These cost control efforts together with the Bank's strategy to generate sustainable growth in fee income have brought cost-to-income ratio down to 40% in the first quarter of this year. Although operating costs will likely increase in the following quarters as the economy picks up, the Bank expects cost-to-income ratio to be within its guidance of low to mid-40s for the year.

With the shift in strategy toward high quality loans since last year, loans grew only marginally qoq. Thanks to its balance sheet optimization strategy, the Bank was able to maintain a relatively stable NIM despite continued pressure from interest rate cuts last year and the flight to quality strategy.

Digital Initiatives

In addition to SCB EASY App and other platforms provided by our subsidiaries, SCB also set up a Digital Banking Office to drive the digital banking business. The main objective is to create exceptional customer experiences throughout the journey and deepen customer engagement with the SCB Financial Group.

The Bank strives to create differentiated value by making continuous improvement to its existing platforms as well as inventing new platforms and ecosystems. These platforms coupled with the use of technology and data analytics will enable the Bank to serve new customer segments that had been previously less focused by traditional banking. This technological edge will also lower the cost-to-serve and increase service efficiency for existing customers, yielding higher returns for shareholders.

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

1. **Engagement layer:** to give customers exceptional usage experience with data transparency and flexible services as if hyper-personalized;
2. **Product:** to deliver differentiated value to individual customers by offering products, which may or may not be related to financial services, that are needed for daily life, at essentially instantaneous speed;
3. **Capacity:** to accommodate high volume of transactions and customers at the level that exceeds the current capacity by many folds; and

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

With a broad range of platforms to serve diverse customer segments, SCB now has 14.8 million digital users, a sharp increase from 2.5 million users four years ago. Digital lending is offered on multiple platforms including the Bank's own mobile banking platform (SCB EASY), and through our subsidiaries companies. At the end of March 2021, digital loans accounted for approximately 16% of total unsecured loans with exceptionally high growth rate at 78% yoy. Digital revenue in 1Q21 surged 36% yoy and accounted for approximately 3.5% of total income.

Asset quality and impact from COVID-19

In 2020, countries around the world were hit hard by the COVID-19 pandemic and Thailand was no exception. Though Thailand has controlled the spread of COVID-19 better than many other countries, the country's heavy reliance on tourism and exports means a painfully slow economic recovery. Nevertheless, with the progress in vaccination and the global economic recovery, our house view is that GDP growth for Thailand this year is likely to reach 2.6%, compared with -6.1% for 2020.

Throughout this crisis, helping customers has always been one of the Bank's key priorities. The Bank has provided assistance to over 1.2 million customers with relief loans peaking in 2Q20 at Baht 839 billion. Since then, loans under relief program had steadily declined to Baht 402 billion (or 18% of total loan book) at the end of 2020 but rose slightly in the first quarter of 2021 following the second wave of COVID-19 to Baht 429 billion (or 19% of total loan book). The increase was mainly driven by the retail segment, of which 80% were from customers re-entering the relief programs. Since the majority of these loans are collateralized, the Bank believes the risk to be well under control. The qoq decline of SME loans in the relief program was due to the Bank's restructuring efforts, limited lockdown that allowed certain activities to continue, and, to a certain degree, a pick up in global trades. With the third wave of COVID-19 appearing towards end-March, the situation remains highly uncertain.

The hotel industry accounted for 19% of loans in the relief program. The BOT, the MOF and other related agencies have announced an asset warehousing scheme which allows businesses to transfer assets to banks with buy-back options at an agreed upon price (selling price plus carrying costs) and timeframe (up to 5 years). SCB is studying the full effect of this measure and has been discussing with customers who need lengthy recovery periods to help reduce their financial burdens. SCB has established a working team to prepare for the implementation when the measure takes effect in April this year.

At the end of the first quarter, NPL ratio rose qoq to 3.8%, driven by normal organic flows as well as qualitative downgrade of the most vulnerable customers, mainly in the retail segment. By frontloading some NPL recognition, the Bank hopes to avoid a spike in NPLs when the BOT's temporary relaxations on loan classification rules expire at the end of this year. The Bank maintained a prudently high level of provision at 177 bps though we believe that it has peaked last year. The Bank's coverage ratio remained high at 140%.

1Q21 Performance

Siam Commercial Bank reported (unreviewed) consolidated **net profit** of Baht 10,088 million for the first quarter of 2021, a 9.0% yoy increase from Baht 9,251 million in 1Q20. The increase was due to higher net fee income, higher net gain on financial instruments measured at FVTPL and effective cost control measures. These positive factors were partly offset by lower net interest income (NII) and lower gain on investments.

On a **quarter-on-quarter** basis, net profit increased significantly by 103.2% qoq. The main source of the quarterly surge was lower provisions, coupled with two other factors that also drove the qoq increase which were higher net gain on financial instruments measured at FVTPL and lower OPEX. On the other hand, net fee income and NII fell in the first quarter of 2021.

Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	1Q21	4Q20	% qoq	1Q20	% yoy
Net interest income	23,376	23,621	-1.0%	25,777	-9.3%
Non-interest income	14,377	12,745	12.8%	11,864	21.2%
Total operating income	37,753	36,366	3.8%	37,641	0.3%
Operating expenses	15,101	16,050	-5.9%	16,393	-7.9%
Pre-provision operating profit	22,652	20,316	11.5%	21,248	6.6%
Expected credit loss	10,008	14,234	-29.7%	9,726	2.9%
Income tax	2,597	1,164	123.0%	2,316	12.1%
Non-controlling interests	(41)	(48)	NM	(46)	NM
Net profit (attributable to shareholders of the Bank)	10,088	4,965	103.2%	9,251	9.0%
Other comprehensive income (loss)	(689)	310	NM	117	NM
Total comprehensive income	9,399	5,276	78.2%	9,368	0.3%
ROAE	9.7%	4.9%		9.3%	
ROAA	1.3%	0.6%		1.2%	

NM denotes "not meaningful"

Share Information

Unit: Baht	1Q21	4Q20	% qoq	1Q20	% yoy
EPS	2.97	1.46	103.2%	2.72	9.0%
BVPS	123.80	121.04	2.3%	116.27	6.5%
Closing price	111.50	87.50	27.4%	69.25	61.0%
Shares outstanding* (Million shares)	3,399	3,399	0.0%	3,399	0.0%
Market capitalization (Baht billion)	379.0	297.4	27.4%	235.4	61.0%

* Include both common and preferred shares

Income statement for the first quarter ended March 31, 2021 (Consolidated basis)

Net interest income

Consolidated Unit: Baht million	1Q21	4Q20	% qoq	1Q20	% yoy
Interest income	27,719	28,325	-2.1%	32,272	-14.1%
Loans	23,286	23,617	-1.4%	26,796	-13.1%
Interbank and money market	647	652	-0.8%	1,038	-37.6%
Hire purchase	3,073	3,184	-3.5%	3,259	-5.7%
Investments	707	866	-18.3%	1,128	-37.3%
Others	5	6	-7.5%	51	-89.4%
Interest expenses	4,344	4,705	-7.7%	6,495	-33.1%
Deposits	2,519	2,892	-12.9%	4,333	-41.9%
Interbank and money market	181	168	7.5%	362	-50.2%
Borrowings	216	224	-3.2%	489	-55.8%
Contribution to the Deposit Protection Agency & FIDF	1,423	1,417	0.5%	1,293	10.1%
Others	4	5	-20.0%	17	-76.8%
Net interest income	23,376	23,621	-1.0%	25,777	-9.3%

- **Net interest income** in 1Q21 fell 9.3% yoy to Baht 23,376 million because of net interest margin (NIM) compression from interest rate cuts last year as well as the shift in our strategy toward high quality loans despite the 8.7% yoy loan growth.
- On a **quarter-on-quarter** basis, net interest income decreased by 1.0% qoq largely from the decline in loan yield as a result of the Bank's focus on higher quality loans in the current economic uncertainties.

Yield and cost of funding

Consolidated Unit: Percentage	1Q21	4Q20	3Q20	2Q20	1Q20
Net interest margin	3.01%	3.02%	3.12%	3.20%	3.54%
Yield on earning assets	3.57%	3.63%	3.76%	3.93%	4.44%
Yield on loans	4.65%	4.84%	5.01%	5.16%	5.71%
Yield on interbank and money market	0.48%	0.46%	0.51%	0.67%	0.82%
Yield on investment	0.93%	0.99%	1.04%	1.21%	1.51%
Cost of funds ^{1/}	0.66%	0.70%	0.75%	0.86%	1.06%
Cost of deposits ^{2/}	0.66%	0.71%	0.76%	0.85%	1.01%

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

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

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

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

Non-interest income

Consolidated	1Q21	4Q20	% qoq	1Q20	% yoy
Unit: Baht million					
Net fee and service income	10,439	11,422	-8.6%	8,915	17.1%
Fee and service income	12,752	13,649	-6.6%	11,466	11.2%
Fee and service expenses	2,313	2,228	3.8%	2,552	-9.3%
Net gain on financial instruments measured at FVTPL	3,155	1,164	171.0%	2,125	48.5%
Share of profit from investment in associate	411	-	100.0%	-	100.0%
Dividend income	27	6	354.9%	46	-41.0%
Other income	247	140	76.1%	32	682.5%
Non-interest income excluding net gain on investments	14,278	12,732	12.1%	11,117	28.4%
Net gain on investments	99	14	632.4%	747	-86.7%
Total non-interest income	14,377	12,745	12.8%	11,864	21.2%

NM denotes "not meaningful"

- **Non-interest income** surged 21.2% yoy to Baht 14,377 million in 1Q21 largely due to strong recurring income from bancassurance and wealth management businesses, the quarterly recognition of performance-linked compensation on bancassurance starting in 2021 (as opposed to the recognition in 4Q20 of this full year performance-linked bonus) and gains on financial instruments measured at FVTPL in the investment portfolio of the Bank and its subsidiary.
- On a **quarter-on-quarter** basis, non-interest income increased by 12.8% qoq largely due to gains on financial instruments measured at FVTPL in the investment portfolio of the Bank and its subsidiary which was partly offset by lower bancassurance income. The qoq decrease in bancassurance income was a result of the recognition of the performance-linked compensation for the year 2020 being booked in 4Q20 compared to quarterly booking in 1Q21.

Non-interest income

Consolidated	1Q21	4Q20	% qoq	1Q20	% yoy
Unit: Baht million					
Transactional banking *	2,922	2,579	13.3%	3,478	-16.0%
Lending related **	1,305	1,441	-9.4%	1,432	-8.9%
Wealth management ***	3,246	2,423	33.9%	2,022	60.5%
Bancassurance	3,778	5,130	-26.3%	3,159	19.6%
Recurring income	11,250	11,573	-2.8%	10,092	11.5%
Non-recurring and others	3,127	1,172	166.8%	1,772	76.5%
Total non-interest income	14,377	12,745	12.8%	11,864	21.2%

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

** Including loan related fee and credit cards

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

Operating expenses

Consolidated	1Q21	4Q20	% qoq	1Q20	% yoy
Unit: Baht million					
Employee expenses	8,018	7,503	6.9%	7,953	0.8%
Premises and equipment expenses	3,044	3,219	-5.4%	3,463	-12.1%
Taxes and duties	920	996	-7.6%	1,011	-9.0%
Directors' remuneration	29	30	-0.8%	27	8.5%
Other expenses	3,089	4,303	-28.2%	3,939	-21.6%
Total operating expenses	15,101	16,050	-5.9%	16,393	-7.9%
Cost to income ratio	40.0%	44.1%		43.6%	

- **Operating expenses** fell 7.9% yoy to Baht 15,101 million in 1Q21 with the Bank's continued cost control measures as well as the cost reduction benefits from accelerated digital migration.
- On a **quarter-on-quarter** basis, operating expenses decreased by 5.9% qoq due to the seasonality of marketing and promotional expenses as well as the Bank's tight control over discretionary expenses. However, employee expenses increased by 6.9% qoq from annual salary adjustments as well as higher staff incentives and new hiring in the digital banking area.

Due to the Bank's effective cost control, cost-to-income ratio declined to 40.0% in 1Q21, compared with 44.1% in 4Q20 and 43.6% in 1Q20.

Expected credit loss (ECL)

Consolidated	1Q21	4Q20	% qoq	1Q20	% yoy
Unit: Baht million					
Expected credit loss	10,008	14,234	-29.7%	9,726	2.9%
Credit cost (bps)	177	257		185	

- In 1Q21, the Bank set aside **expected credit losses** of Baht 10,008 million (177 bps of total loans), down 29.7% from the peak level of last year. This amount not only took into account the pro-cyclicality of forward-looking Expected Credit Loss (ECL) models as required by the TFRS 9 framework but also included management overlay given the current deteriorating economic environment.

Balance sheet as of March 31, 2021 (Consolidated basis)

As of March 31, 2021, the Bank's total assets increased 1.3% yoy to Baht 3,177 billion largely due to loan growth of 8.7% yoy despite a decline in interbank and money market items and investments. Details on the consolidated balance sheets are provided in the following sections:

Net loans and accrued interest receivables

Consolidated Unit: Baht million	Mar 31, 21	Dec 31, 20	Mar 31, 20
Loans to customers	2,311,366	2,288,307	2,127,596
Less Deferred revenue	(33,909)	(33,065)	(32,092)
Total loans	2,277,458	2,255,242	2,095,504
Add Accrued interest receivables and undue interest receivables	13,498	14,508	5,021
Total loans and accrued interest receivables and undue interest receivables	2,290,955	2,269,750	2,100,525
Less Unamortised modification losses	(2,188)	(2,124)	(472)
Less Allowance for expected credit loss	(139,644)	(137,318)	(110,776)
Total loans and accrued interest receivables, net	2,149,123	2,130,308	1,989,277

Loans

By Segment (Consolidated) Unit: Baht million	Mar 31, 21	Dec 31, 20	% qoq	Mar 31, 20	% yoy
Corporate	845,723	844,089	0.2%	758,618	11.5%
SME	383,831	368,622	4.1%	349,534	9.8%
Retail	1,047,904	1,042,531	0.5%	987,352	6.1%
Housing loans*	678,947	671,401	1.1%	645,881	5.1%
Auto loans	230,257	229,448	0.4%	212,938	8.1%
Unsecured loans	136,136	138,541	-1.7%	126,011	8.0%
Other loans	2,564	3,141	-18.4%	2,522	1.6%
Total loans	2,277,458	2,255,242	1.0%	2,095,504	8.7%

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

Total loans (net of deferred revenue) increased by 8.7% yoy and 1.0% qoq at the end of March 2021. Changes in loan volume by customer segments are as follows:

- **Corporate** loans increased by 11.5% yoy and 0.2% qoq which comprised mainly top-quality corporates as the Bank's shifted its focus to higher quality loans.
- **SME** loans rose 9.8% yoy and 4.1% qoq as a result of lower repayments from loans under the relief programs as well as more lending in the form of soft loans to qualified customers, loans under Thai Credit Guarantee Corporation scheme, and loans targeted at existing small SME customers assessed as high quality. The Bank's primary focus for this segment has been to ensure adequate relief efforts for qualified customers who have experienced cashflow

difficulties during the pandemic. Given this objective, the Bank has proactively provided financial assistance in the form of relief programs and soft loans which reflected in the observed loan growth in this segment.

- **Retail** loans increased 6.1% yoy and 0.5% qoq with the following details.
 - **Housing loans** increased 5.1% yoy and 1.1% qoq largely due to demand in high-end housing developments coupled with the effect of payment holiday for a portion of customers under the Bank's relief program.
 - **Auto loans** increased 8.1% yoy and 0.4% qoq primarily from higher, though uneven, demand for new cars as well as the payment holiday for customers under the relief measures.
 - **Unsecured loans** (personal loans and credit card receivables) increased 8.0% yoy but fell 1.7% qoq. The yoy growth was caused by the low base effect when the outstanding unsecured loan balances at the end of the first quarter in 2020 dipped given the uncertainties at the start of the pandemic. The slight qoq decrease reflected the seasonality pattern of high credit card spending at each year end coupled by the second wave outbreak at the start of the year that led customers to be more cautious.

Deposits

Consolidated Unit: Baht million	Mar 31, 21	Dec 31, 20	% qoq	Mar 31, 20	% yoy
Demand	104,741	93,336	12.2%	83,278	25.8%
Savings	1,709,644	1,758,903	-2.8%	1,571,137	8.8%
Fixed	535,086	568,216	-5.8%	621,545	-13.9%
Less than 6 months	106,552	114,006	-6.5%	142,164	-25.0%
6 months and up to 1 year	185,277	169,547	9.3%	128,011	44.7%
Over 1 year	243,257	284,663	-14.5%	351,370	-30.8%
Total deposits	2,349,471	2,420,455	-2.9%	2,275,960	3.2%
CASA - Current & Savings Accounts (%)	77.2%	76.5%		72.7%	
Gross loans to deposits ratio	96.9%	93.2%		92.1%	
Liquidity ratio (Bank-only)	30.1%	32.6%		34.2%	

As of March 31, 2021, total **deposits** increased 3.2% yoy but fell 2.9% qoq with the quarterly decline mainly from long-term fixed deposits and partly from savings accounts. The Bank's CASA proportion rose to 77.2% at the end of March 2021 from 76.5% at the end of last year. Given a decline in deposits and a marginal growth in loans qoq, loans to deposits ratio rose to 96.9% at the end of March 2021.

The Bank's daily liquidity ratio of 30.1%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Investment Classification

Consolidated
Unit: Baht million

Investments	Mar 31, 21	Dec 31, 20	% qoq	Mar 31, 20	% yoy
Financial assets measured at FVTPL	28,401	28,033	1.3%	59,226	-52.0%
Investments in debt securities measured at amortised cost	7,259	7,259	0.0%	7,115	2.0%
Investments in debt securities measured at FVOCI	228,129	302,378	-24.6%	215,328	5.9%
Investments in equity securities measured at FVOCI	1,732	2,159	-19.8%	2,170	-20.2%
Net investment *	237,120	311,796	-24.0%	224,613	5.6%
Investment in associate	542	-	100.0%	78	593.6%
Total	266,063	339,828	-21.7%	283,917	-6.3%

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

Investments at the end of March 2021 dropped 6.3% yoy and 21.7% qoq. The yoy decline was from a drop in financial assets measured at FVTPL while a qoq decline was from lower investment in government and state enterprise securities as well as foreign debt securities measured at FVOCI.

Statutory Capital

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

Furthermore, the Bank has been designated by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which resulted in a requirement to maintain an additional Common Equity Tier 1 (CET1) of 0.5% in 2019 and 1.0% from 2020 onward. This Higher Loss Absorbency requirement (or D-SIBs buffer) is added on top of the 2.5% capital conservation buffer to provide additional stability and resilience.

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

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

Both current and upcoming regulatory changes have been incorporated into the Bank's long-term capital management plan well in advance. The Bank believes that its strong capital position, which is currently above the minimum regulatory requirement, together with high loan loss provisions, will enable the Bank to withstand any adverse shocks, be it Bank-specific or economy-wide.

The table below shows the Bank's total capital ratios under Basel III at the end of March 2021.

Unit: Baht million, %	Consolidated			Bank-only		
	Mar 31, 21	Dec 31, 20	Mar 31, 20	Mar 31, 21	Dec 31, 20	Mar 31, 20
Statutory Capital						
Common Equity Tier 1/ Tier 1	379,002	377,036	339,437	376,683	375,490	303,846
Tier 2 capital	23,977	23,875	22,883	24,016	24,015	22,824
Total capital	402,979	400,911	362,320	400,699	399,505	326,670
Risk-weighted assets	2,214,951	2,197,668	2,105,505	2,203,295	2,201,154	2,091,444
Capital Adequacy Ratio	18.2%	18.2%	17.2%	18.2%	18.1%	15.6%
Common Equity Tier 1/ Tier 1	17.1%	17.1%	16.1%	17.1%	17.0%	14.5%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

At the end of March 2021, the Bank's consolidated common equity Tier 1/Tier 1 capital increased significantly yoy, mainly as a result of appropriation of net profit. This strong capital position will enable the Bank to weather the current economic downturn and continue to assist deserving customers during this pandemic.

Asset Quality

At the end of March 2021, **gross NPLs** (on a consolidated basis) increased 24.8% yoy and 2.8% qoq to Baht 104.3 billion. **Gross NPL ratio** increased to 3.79% from 3.68% at the end of December 2020 and 3.17% at the end of March 2020. The qoq increase in NPLs was from normal organic flow as well as from qualitative downgrade of the most vulnerable customers, mainly in the retail segment. With this process of early NPL recognition starting in 3Q20, the Bank hopes to avoid a spike in NPLs when the BOT's temporary relaxation on loan classification rules expire at the end of this year. The Bank has also been continuously and aggressively managing its NPL portfolio with debt restructuring, NPL sales and write-offs. Prudence aside, this proactive approach is justified given that, because of the BOT's relief measures, the reported numbers on gross NPLs, gross NPL ratio and new NPLs may not fully reflect the current economic conditions. Furthermore, the weak economic environment which resulted in higher volume of impaired assets makes value preservation a prudent strategy with regards to NPL sales.

In addition to provisioning required by the ECL model to match weakening macro-economic factors as discussed in the "Expected credit loss (ECL)" section, additional provisions may also be needed to cover an expected rise in NPLs at the end of the relief program. At the end of March 2021, the Bank's **coverage ratio** was 139.6%, down 1.2% from the end of 2020 as a result of higher NPLs. Further, the Bank's loan loss reserve as a percentage of total loans (LLR %) was at 6.2% which was 0.9% higher yoy and relatively flat qoq.

Unit: Baht million, %	Mar 31, 21	Dec 31, 20	Mar 31, 20
Consolidated			
Non-Performing Loans (Gross NPLs)	104,332	101,462	83,621
Gross NPL ratio	3.79%	3.68%	3.17%
<u>Gross NPL ratio by segment/product</u>			
Corporate	3.89%	3.99%	3.51%
SME	11.59%	11.47%	7.76%
Retail	2.57%	2.45%	3.03%
Housing loans	3.17%	3.22%	3.33%
Auto loans	1.50%	1.49%	2.55%
Total allowance*	145,653	142,813	116,730
Total allowance to NPLs (Coverage ratio)	139.6%	140.8%	139.6%
Credit cost (Quarterly, bps)	177	257	185
Bank-only			
Non-Performing Loans (Gross NPLs)	103,189	100,333	82,467
Gross NPL ratio	3.75%	3.64%	3.14%

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

Loan Classification and Allowance for Expected Credit Losses

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

Consolidated Unit: Baht million	Mar 31, 21		Dec 31, 20		Mar 31, 20	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,457,975	50,711	2,460,277	50,733	2,343,999	31,814
Stage 2 (Underperforming)	191,392	35,949	195,736	33,481	207,447	34,717
Stage 3 (Non performing)	104,332	58,993	101,462	58,598	83,621	50,199
Total	2,753,700	145,653	2,757,476	142,813	2,635,067	116,730

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

New NPLs by Segment and by Product (%)

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

New NPL formation, at 0.53% in 1Q21, improved qoq particularly in corporate and SME segments. The qoq improvement in new NPL, however, was not observed in the retail segment because of qualitative downgrade in the case of housing loans and the normal flow in the case of auto loans.

Sources and Uses of Funds

As of March 31, 2021, deposits accounted for 73.9% of SCB's funding base. Other major sources of funds were: 13.3% from shareholders' equity, 5.4% from interbank borrowings, and 2.1% from debt issuance. Uses of funds for this same period were: 71.7% for loans, 16.8% for interbank and money markets lending, 8.4% for investments in securities, and 1.4% held in cash.

Additional Financial Information

Consolidated Unit: Baht million, %	Mar 31, 21	Dec 31, 20	% qoq	Mar 31, 20	% yoy
Debt issued and borrowings	68,087	67,235	1.3%	72,282	-5.8%
Debentures	63,483	61,546	3.1%	65,863	-3.6%
Structured notes	815	434	87.8%	441	84.8%
Others	191	213	-10.3%	278	-31.3%
Hedge	3,598	5,042	-28.6%	5,700	-36.9%
	1Q21	4Q20	3Q20	2Q20	1Q20
Yield on loans	4.65%	4.84%	5.01%	5.16%	5.71%
Corporate	2.99%	3.20%	3.38%	3.73%	4.13%
SME	5.32%	5.33%	5.52%	5.93%	6.51%
Retail	5.93%	6.11%	6.22%	6.15%	6.74%
Housing loans	4.63%	5.05%	4.92%	4.63%	5.34%
Auto loans	5.32%	5.60%	6.02%	6.01%	6.04%
Credit card ^{1/}	13.96%	14.27%	15.64%	15.90%	16.05%
Speedy	18.32%	17.52%	18.69%	19.74%	21.15%
Auto loans portfolio					
New car	57.3%	57.0%	56.1%	55.6%	55.8%
Used car	24.5%	24.9%	25.6%	25.7%	25.6%
My car, My cash	18.2%	18.1%	18.3%	18.7%	18.6%
NPL reduction methodology ^{2/}					
Repayments, auctions, foreclosures and account closed	44.0%	29.0%	46.5%	56.5%	41.6%
Debt restructuring	6.9%	13.4%	10.3%	6.9%	3.7%
NPL sales ^{3/}	21.4%	46.8%	24.3%	14.3%	24.4%
Write off	27.7%	10.8%	18.9%	22.3%	30.3%

^{1/} Revolving only

^{2/} Preliminary information for 1Q21

^{3/} The Bank sold NPLs of Baht 2.5 billion in 1Q21, Baht 4.3 billion in 4Q20, 2.3 billion in 3Q20, Baht 2.4 billion in 2Q20 and Baht 4.5 billion in 1Q20. NM denotes "not meaningful"

APPENDIX

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

The BOT Relief Measures Phase 1

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

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

The BOT subsequently announced additional relief measures as follows:

For retail customers:

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

For non-retail customers

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

Companies having credit lines with commercial banks not exceeding Baht 100 million are automatically eligible to defer both principal and interest payments for 6 months. However, customers can opt out of the relief program. This payment holiday will not be considered missed payment and will not affect the credit history. This measure has expired and customers from this relief program requiring further assistance has been migrated to the Bank's own relief programs.

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

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

For eligibility, customers must:

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

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

On October 16, 2020, the BOT issued a notice to grant a 6-month extension for financial institutions to apply for the BOT's soft loans in accordance with the Royal Decree and to include companies listed on the Market for Alternative Investment (MAI) as qualified soft loan recipients.

FIDF Fee Reduction

The BOT announced, on April 7, 2020, the reduction of the FIDF fee from 0.46% of deposit base to 0.23% per annum for 2 years beginning January 1, 2020, as a relief for banks to support the economy. The BOT expects banks to pass on the savings to borrowers, and therefore, on April 10, 2020, SCB announced a 0.40% reduction for all "M-based" lending rates.

The Government Soft Loan Program

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

The BOT Relief Measures Phase 2

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

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

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

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

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

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

3. Additional minimum relief measures for retail borrowers in phase 2 (effective from July 1, 2020)

Banks shall extend the scope and duration of assistance for non-NPL (as of March 1, 2020) retail customers affected by COVID-19 by offering at least the minimum relief options to impacted customers according to loan type.

Types	Minimum measures
Credit cards	Convert to long-term loans with 48 installments or extend the term according to borrowers' ability to pay at interest rate not exceeding 12%
Personal loans with revolving lines such as cash cards	<ul style="list-style-type: none">• Reduce the minimum payment according to borrowers' ability to pay, or• Convert to long-term loans with 48 installment or extend the term according to borrowers' ability to pay at interest rate not exceeding 22%
Personal loans with installment and car title loans	Reduce installment amount by at least 30% with interest rate not exceeding 22%
Hire purchase loans	<ul style="list-style-type: none">• Payment holiday (principal and interest) for 3 months, or• Reduce installment amount by extending the term
Mortgage loans	<ul style="list-style-type: none">• Payment holiday (principal and interest) for 3 months, or• Payment holiday on principal for 3 months and consider reducing interest rate as appropriate, or• Reduce installment amount by extending the term

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

4. Debt restructuring

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

DR BIZ Program

On August 21, 2020, the BOT and financial institutions launched the DR BIZ program for business customers. The objective of this program is to coordinate assistance and debt relief for customers with multiple creditors which will be done through a standardized debt solution that creditors have agreed upon to ensure quick and comprehensive debt restructuring decisions.

To be eligible, business customers must owe between Baht 50-500 million with multiple financial institutions. Furthermore, customers must not be classified as NPL or, if currently NPL, classified as NPL after January 1, 2019, unless there is sufficient proof of COVID-19 impact. Customers can request to join the DR BIZ program by contacting their banks from September 1, 2020 onwards.

Debt Consolidation

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

Debt consolidation requests can be made directly to customers' own banks from September 1, 2020 to December 31, 2020. With low customer participation, outstanding loan amount in this initiative was not significant (less than 0.1% of total loans).

The BOT's measures for SMEs under the Royal Decree's relief program

On October 16, 2020, the BOT issued a policy guidance on further assistance to SME customers whose payment holiday granted by the Royal Decree ended on October 22. These new measures allow financial institutions to provide targeted assistance as follows:

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

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

1. Redefine the term "Business Group," one of the lending criteria, for both individuals and legal entities.
 - a. For individuals, change from considering all closely related persons deemed the same for lending purposes to only those with close relationships such as legal spouses
 - b. For legal entities, change from considering all associated companies to only subsidiaries with more than 50% ownership
2. Customers can apply for additional loans twice (from once originally), with total soft loan not exceeding 20% of total debt at the end of 2019.

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

The BOT's policy guidance on debt settlement practices

On October 28, 2020, the BOT issued policy guidance on debt settlement practices to reduce potential NPLs and alleviate debt burden for customers. This policy guidance covers 3 areas:

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

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

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

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

Financial rehabilitation measures to support business recovery post-COVID-19

With a concern that the existing relief measures for SMEs under the Royal Decree (or “Soft Loan Emergency Decree”) may not be sufficient, the BOT and the MOF therefore announced additional financial measures to help businesses affected by the COVID-19 outbreak (“Financial Rehabilitation Measures.”)

The Financial Rehabilitation measures aim at supporting viable businesses to survive, keep up employment, and have an opportunity to recover and thrive again post-COVID-19. There are two key components to these measures:

1. **Business recovery loans** in the amount of Baht 250 billion to provide liquidity to affected but still viable SMEs. This measure aims to address the limitations of the previous measures by expanding the pool of eligible borrowers, increasing loan amount, extending repayment period, and setting appropriate interest rates to facilitate business recovery.
2. **Debt settlement** through asset transfers with buy-back options in the amount of Baht 100 billion to assist severely affected businesses with viability potential and collaterals but may require a lengthy recovery period. This measure provides a standardized debt restructuring program that enables borrowers to defer payment and reduce their debt burden.

The BOT provides support for this program by giving banks low-cost funding at the rate of 0.1%. At the same time, the MOF will provide credit guarantee and certain fee reductions.

The draft measures were approved by the cabinet on March 23, 2021 with of a Baht 350 billion budget. The aforementioned Financial Rehabilitation Measures has already been published in the Government Gazette and became effective from April 10, 2021 onwards.

Credit Ratings

Credit Ratings of Siam Commercial Bank PCL

March 31, 2021

Moody's Investors Service

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

S&P Global Ratings

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

Fitch Ratings

Foreign Currency

Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Outlook	Stable
Senior Unsecured	BBB
Viability Rating	bbb

National

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