



Management Discussion and Analysis

For the first quarter ended March 31, 2022

SCB X Public Company Limited

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1. Executive Summary

Important Notice: Information of SCB X Public Company Limited (SCB^x) has not yet reflected the operating results after the shareholding restructuring plan. Hence, Management Discussion and Analysis on the financial position and operating performance of the Company will be based on the financial position and operating performance of the Bank under its financial statements for the quarter ended March 31, 2022.

Siam Commercial Bank and its subsidiaries reported consolidated net profit of Baht 10.2 billion for the first quarter of 2022, up 1.0% yoy due to net interest income growth and lower provision. Pre-provision operating profit fell 4.1% yoy to Baht 21.7 billion with a decline in non-interest income as a result of rising business and investment uncertainty as well as higher expenses from a low base level during lockdown measures last year.

For the first quarter of 2022, net interest income increased 5.9% yoy to Baht 24.7 billion. The primary reasons for this increase were the Bank's effective funding cost management and higher loan yields despite limited loan growth.

Non-interest income fell 9.9% yoy to Baht 13.0 billion largely from lower gains on the investment and a slowdown in the wealth management business under the prevailing risk-off sentiments.

Expenses increased 5.9% yoy to Baht 16.0 billion driven by an increase in overall business activities. Nevertheless, the Bank's cost-to-income ratio for the first quarter remained at 42.4%.

Provisions in the first quarter were set at Baht 8.8 billion, down 12.6% yoy from the elevated levels in the past two years.

Non-performing loan (NPL) ratio declined to 3.70% at the end of March 2022 from 3.79% at the end of December 2021. The Bank also maintained a high NPL coverage ratio at 143.9% as well as a strong capital adequacy ratio at 18.6%.

2. Thailand's Economic Outlook

EIC revised down Thailand's 2022 economic growth forecast to 2.7%, from the previous 3.2%.

The downward revision was attributed to the Russia-Ukraine war, which sent energy and commodity prices soaring. This year, Thailand's annual average headline inflation will jump to a 14-year high at 4.9%, while domestic spending should pick up more slowly than our previous forecast. In particular, private consumption will be adversely affected by a decline in household purchasing power—on the back of surging fuel and food prices—and a sluggish rebound in labor wages, which currently fell behind living costs. Meanwhile, the increase in pent-up demand, driven by changes in consumer behavior with a better pandemic situation and lockdown easing, will be highly concentrated in upper-income households. Also, higher costs and falling profit margins will pressure firms to raise common product prices—passing on more rising costs to consumers—and hold up their investment amidst higher uncertainties.

The Russia-Ukraine war will take toll on Thai exports through a slowdown in the global economy—especially among the European nations—and exacerbated supply chain disruption. Overall, Thai exports are expected to witness a 6.1% increase this year. Still, the growth would mainly come from higher prices—especially from energy-related products, due to rising costs—rather than an increase in exports volume. For the tourism sector, an easing of entry restrictions and travel route reopening among Asian countries would partly help offset a slowdown in tourist arrivals from Russia and European countries affected by the Russia-Ukraine war as well as higher travel costs. Hence, we expect Thailand to welcome around 5.7 million foreign tourists in 2022, a slight decline from our previous estimate of 5.9 million.

As for the labor market, a recovery in the service sector following the lockdown easing should help domestic employment resume growth momentum. Nonetheless, Thailand's labor market remains fragile due to a sharp fall in working hours, more workers returning to farms, and the rise of an independent workforce. These trends have caused short-term problems from a sharp decline in labor earnings and longer-term dilemmas from an increase in long-term unemployment as well as lower access to labor welfare and skills training. Meanwhile, entrepreneurs still face migrant labor shortages whilst more Thai workers returned to their hometowns. In particular, construction and hotel businesses in big cities have experienced hardships due to labor shortages and higher operating costs, which could worsen an already-fragile balance sheet of SMEs. Furthermore, given such trends, labor wages would pick up at a slow pace, thus unable to cover rising costs of living.

As for financial condition, Thailand's headline inflation will likely exceed the target range of 1-3% this year. Nonetheless, EIC expects the Monetary Policy Committee (MPC) to keep the policy rate steady at 0.5% throughout 2022. The reasons are that: (1) Maintaining growth of the currently fragile economy should remain MPC's top priority. (2) Accelerating inflation was primarily cost-push, and the racing pace will likely subside next year. (3) Policy rate hikes would exacerbate the debt service burden on households and SMEs, leading to NPL spikes and thus impairing financial stability. Meanwhile, we expect the Thai baht to be volatile and linger on the weaker side in the first half of 2022, given widening

current account deficits—on the back of rising energy prices—and policy rate hikes among major central banks. The baht will return slightly to 32.5-33.5 against the greenback in late 2022, as promising tourism recovery helps improve the current account balance.

Overall, Thailand will likely see a slow economic recovery as inflation continues to rise and hover high throughout 2022, together with more limited policy space and lasting economic scars. Annual GDP growth is unlikely to return to 2019's level until the latter half of 2023. Furthermore, there are still major downside risks to the Thai economy through the remainder of 2022: (1) Possible surges in already-high oil prices which might last longer than expected as the Russia-Ukraine war drags on. Given such circumstances, Thailand might fall into a long period of stagflation (bleak economy but high inflation). (2) Supply chain disruption in the manufacturing and transport sector, caused by China's Zero-Covid strategy and international sanctions on Russia. The supply disruption may result in a larger-than-expected slowdown in the global economy—a big hindrance to Thai exports. (3) Tightening monetary policy of major central banks, particularly the US Federal Reserve (Fed), could lead to a more volatile and tightening global financial condition. (4) Slower recovery in tourist arrivals due to the Russia-Ukraine war and possible COVID-19 resurgence. (5) Scarring effects could be aggravated by higher living costs, thus broadly affecting the household's ability to service debt.

3. Management Discussion and Analysis

For the first quarter ended March 31, 2022

The Company (SCB^X) was incorporated on September 15, 2021 to implement the Bank's shareholding restructuring plan. The Company operates as a holding company and does not operate its own business. Financial position and operating performance of the Company will have no significant differences from financial position and operating performance of the Bank before the shareholding restructuring. Therefore, the Management Discussion and Analysis on the financial position and operating performance of the Company will be based on the financial position and operating performance of the Bank under its financial statements for the quarter ended March 31, 2022.

The first quarter of 2022 was fraught with tension and uncertainty from yet another infectious COVID-19 variant as well as inflation headwinds on the back of Russia-Ukraine conflict in late February. Concerns over rising interest rates and stagflation were palpable everywhere including Thailand. In this difficult environment, SCB remains firmly committed to helping customers in need and proactively works with customers to arrive at comprehensive debt restructuring solutions to ensure their long-term survival.

The Bank's 1Q22 performance remained resilient, showing slight net profit growth with high coverage ratio and a strong capital base. Though interest income expanded yoy, it was offset by lower fee income from wealth business and lower mark-to-market gains. Continued cost control initiatives as well as lower expected credit loss helped support net profit for the quarter.

The tender offer made by SCB^X during March 2 to April 18 had been well received with acceptance rates surpassing the minimum requirement of 90%. This triggered the next step of the group restructuring plan where the official listing of SCB^X and delisting of SCB on the Stock Exchange of Thailand will take place on April 27, 2022.

SCB's new direction and 1Q22 operating performance

SCB will serve as the core cashflow generating business within the new group structure. To achieve the new objective "To be a Better Bank," SCB will adopt a more measured risk and return approach in view of the current fragile economic conditions. At the same time, the Bank needs to maintain its disciplined approach on costs. Technology adoption has enabled the Bank to redesign its service model and reduce branch dependency. As for business growth, the Bank will focus on growing wealth management and insurance brokerage businesses increasingly through digital channels. In addition, the Bank will also use its data analytics and digital capabilities to deliver better, faster, and more customized financial solutions for customers.

Following the new direction and strategic priorities, loans expanded 2.1% driven mainly by the selected good quality non-retail and housing loans segments. Net interest income increased 5.9% yoy from higher loan yields and well-managed funding cost. Although the Omicron variant has not triggered a lockdown or strict movement restriction during the first quarter of 2022, investors were in a cautious mode given the war between Russia and Ukraine. Weak investor sentiments put a slight dent on fee

income growth from wealth management businesses but the Bank's disciplined cost control despite higher operating expenses from a recovery in business activities kept cost-to-income ratio at a reasonable level of 42.4%.

In summary, the Bank's 1Q22 operating profit was Baht 21.7 billion, down 4.1% yoy mainly because of higher operating expenses while total income was relatively stable. With lower expected credit losses (-12.6% yoy), net profit increased 1.0% yoy to Baht 10.2 billion.

Asset quality and impact of COVID-19

With the pandemic still inflicting a heavy toll on the economy, helping customers get through this crisis together remains one of SCB's top priorities. Loans under the comprehensive debt restructuring (CDR blue scheme only) now stood at Baht 249 billion or 11% of total loans, rising from Baht 221 billion at the end of last year as we continued to transition our customers from relief programs. The volume of CDR remained within expectations.

Following the war between Russian and Ukraine, SCB EIC revised the GDP growth for Thailand down to 2.7% from the earlier forecast of 3.2%. The Bank therefore prudently set aside a rather high provisions at Baht 8.8 billion in 1Q22 or a credit cost of 151 bps despite a qoq decline in NPL ratio to 3.7%. This prudence arose from the preliminary assessment of the potential impact of the war on the Thai economy. As a result, coverage ratio rose to 143.9% at the end of March 2022.

New strategic direction and digital initiatives update

SCB^X has made a tender offer to the Bank's shareholders for a 1-for-1 share swap during March 2 to April 18, 2022. An official outcome indicated 99.06% acceptance which led to the next step of listing SCB^X shares and delisting SCB shares on April 27. The Bank is currently awaiting the BOT's final approval to pay one-time dividend to SCB^X in the amount of Baht 61 billion, after approximately Baht 9 billion (Baht 2.63 per share) dividend payment in April to fund transfer of certain SCB's subsidiaries to SCB^X and credit card and unsecured personal loans to subsidiaries of SCB^X.

At the end of 1Q22, the number of digital users rose to 21.4 million from 15.4 million a year earlier. Digital loans grew at a solid rate of 59% yoy and made up 29% of total unsecured loans. As a result, digital revenue surged 88% yoy and contributed 4% to total income in 1Q22.

Other recent digital initiatives and updates are as follows:

- SCB 10X participated in the world's first digital asset bank Sygnum's Series B, paving the way for a borderless future with decentralized Web 3.0 offerings for institutional investors.
- SCB 10X continued to invest in Darwinbox, Asia's leading HR tech platform, and its latest funding round elevated it to unicorn status.
- "Token X" has partnered with girl group BNK48's agency "iAM" and launched "BNK Governance Token" on iAM48 application, opening up new opportunities for the Thai entertainment industry through digital tokens.

- SCB announced a US\$100M strategic investment in AKULAKU, Southeast Asia's leading digital consumer finance platform, to become a regional financial technology group.
- ALPHA X, a high-end vehicles financial service provider, is preparing to launch an auto loan business that targets HNWIs with new luxury vehicle ownership offers aiming to build a Baht 20 billion portfolio by 2025.

1Q22 Performance

Siam Commercial Bank reported (reviewed) consolidated **net profit** of Baht 10,193 million for the first quarter of 2022, a 1.0% yoy increase from Baht 10,088 million in 1Q21. The increase was mainly from lower expected credit losses as well as higher net interest income (NII). These positive factors were partly offset by lower non-NII and higher operating expenses (OPEX).

On a **quarter-on-quarter** basis, net profit increased significantly by 29.4% qoq largely from lower expected credit losses and lower OPEX, which was partly offset by lower non-NII.

Table 1. Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	1Q22	4Q21	% qoq	1Q21	% yoy
Net interest income	24,744	24,787	-0.2%	23,376	5.9%
Non-interest income	12,960	14,423	-10.1%	14,377	-9.9%
Total operating income	37,704	39,210	-3.8%	37,753	-0.1%
Operating expenses	15,990	17,256	-7.3%	15,101	5.9%
Pre-provision operating profit	21,714	21,954	-1.1%	22,652	-4.1%
Expected credit loss	8,750	11,954	-26.8%	10,008	-12.6%
Income tax	2,864	2,190	30.8%	2,597	10.3%
Non-controlling interests	(93)	(68)	NM	(41)	NM
Net profit (attributable to shareholders of the Bank)	10,193	7,879	29.4%	10,088	1.0%
Other comprehensive income (loss)	(288)	7,271	NM	(689)	NM
Total comprehensive income	9,905	15,149	-34.6%	9,399	5.4%
ROAE	9.1%	7.3%		9.7%	
ROAA	1.2%	1.0%		1.3%	

NM denotes "not meaningful"

Table 2. Share Information

Unit: Baht	1Q22	4Q21	% qoq	1Q21	% yoy
EPS	3.00	2.32	29.4%	2.97	1.0%
BVPS	132.65	129.74	2.2%	123.80	7.1%
Closing price	114.00	127.00	-10.2%	111.50	2.2%
Shares outstanding* (Million shares)	3,399	3,399	0.0%	3,399	0.0%
Market capitalization (Baht billion)	387.5	431.7	-10.2%	379.0	2.2%

* Includes both common and preferred shares

Income statement for the first quarter ended March 31, 2022 (Consolidated basis)**Table 3. Net interest income**

Consolidated Unit: Baht million	1Q22	4Q21	% qoq	1Q21	% yoy
Interest income	29,019	29,065	-0.2%	27,719	4.7%
Loans	24,709	24,697	0.1%	23,286	6.1%
Interbank and money market	775	724	7.1%	647	19.8%
Hire purchase	2,894	3,054	-5.2%	3,073	-5.8%
Investments	634	577	9.8%	707	-10.4%
Others	7	13	-50.0%	5	21.2%
Interest expenses	4,275	4,278	-0.1%	4,344	-1.6%
Deposits	2,303	2,353	-2.1%	2,519	-8.6%
Interbank and money market	248	240	3.2%	181	37.5%
Borrowings	234	222	5.6%	216	8.4%
Contribution to the Deposit Protection Agency & FIDF	1,487	1,460	1.8%	1,423	4.4%
Others	3	3	29.0%	4	-12.7%
Net interest income	24,744	24,787	-0.2%	23,376	5.9%

- **Net interest income** in 1Q22 increased 5.9% yoy to Baht 24,744 million due to a 3 bps net interest margin improvement from higher loan yields and lower funding costs coupled with loan growth of 2.1% yoy.
- On a **quarter-on-quarter** basis, net interest income was relatively flat from 1.1% qoq loan growth which was offset by NIM compression by 8 bps from a decline in loan yield following the full quarter impact of comprehensive debt restructuring done in late 4Q21.

Table 4. Yield and cost of funding

Consolidated Unit: Percentage	1Q22	4Q21	3Q21	2Q21	1Q21
Net interest margin	3.04%	3.12%	3.02%	3.04%	3.01%
Yield on earning assets	3.57%	3.66%	3.56%	3.59%	3.57%
Yield on loans	4.77%	4.85%	4.64%	4.61%	4.65%
Yield on interbank and money market	0.51%	0.52%	0.46%	0.51%	0.48%
Yield on investment	0.76%	0.71%	0.74%	0.86%	0.93%
Cost of funds ^{1/}	0.62%	0.63%	0.63%	0.64%	0.66%
Cost of deposits ^{2/}	0.61%	0.63%	0.63%	0.64%	0.66%

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

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

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

In 1Q22, NIM increased 3 bps yoy to 3.04% largely from higher loans yields on the back of improved loan repayment outlook following the comprehensive debt restructuring and lower funding cost. However, these factors were partially offset by lower yield on investments (-17 bps).

On a qoq basis, NIM fell 8 bps from lower loan yields (-8 bps) following the full quarter impact of comprehensive debt restructuring done in late 4Q21. Table 19 on page 17 provides a detailed breakdown of loan yields by segment/product.

Table 5. Interest rates

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 for 3, 6, and 12 month term deposits.

	Mar 12, 14	Mar 11, 15	Apr 29, 15	Dec 19, 18	Aug 7, 19	Nov 6, 19	Feb 5, 20	Mar 23, 20	May 20, 20
Policy rate (%)	2.00	1.75	1.50	1.75	1.50	1.25	1.00	0.75	0.50

Table 6. Non-interest income

Consolidated	1Q22	4Q21	% qoq	1Q21	% yoy
Unit: Baht million					
Net fee and service income	9,457	10,284	-8.0%	10,439	-9.4%
Fee and service income	12,113	12,981	-6.7%	12,752	-5.0%
Fee and service expenses	2,656	2,697	-1.5%	2,313	14.8%
Net gain on financial instruments measured at FVTPL	2,653	2,775	-4.4%	3,155	-15.9%
Share of profit (loss) from investment in associate and joint ventures	63	61	3.0%	411	-84.6%
Dividend income	40	16	151.4%	27	47.9%
Other income	746	1,248	-40.2%	247	202.7%
Non-interest income excluding net gain on investments	12,959	14,384	-9.9%	14,278	-9.2%
Net gain on investments	1	40	-97.9%	99	-99.2%
Total non-interest income	12,960	14,423	-10.1%	14,377	-9.9%

Table 7. Non-interest income breakdown

Consolidated Unit: Baht million	1Q22	4Q21	% qoq	1Q21	% yoy
Transactional banking *	3,175	3,026	4.9%	2,938	8.1%
Lending related **	1,342	1,412	-4.9%	1,305	2.9%
Wealth management ***	2,401	2,625	-8.5%	3,229	-25.7%
Bancassurance	3,770	3,726	1.2%	3,778	-0.2%
Recurring income	10,688	10,789	-0.9%	11,250	-5.0%
Non-recurring and others	2,272	3,635	-37.5%	3,127	-27.3%
Total non-interest income	12,960	14,423	-10.1%	14,377	-9.9%

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

** Including loan related fees and credit cards

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

- **Non-interest income** decreased 9.9% yoy to Baht 12,960 million in 1Q22. This decrease was largely due to lower recurring income from wealth management products amid unfavorable markets as well as lower non-recurring income largely from lower net gain on financial instruments measured at FVTPL.
- On a **quarter-on-quarter** basis, non-interest income decreased 10.1% qoq largely due to lower non-recurring income from lower net gain on financial instruments measured at FVTPL and lower gains on the sale of written-off unsecured loans compared to the previous quarter. However, recurring income fell slightly qoq from less wealth management activities under given markets sentiment.

Table 8. Operating expenses

Consolidated Unit: Baht million	1Q22	4Q21	% qoq	1Q21	% yoy
Employee expenses	7,567	7,759	-2.5%	8,018	-5.6%
Premises and equipment expenses	2,732	2,845	-4.0%	3,044	-10.3%
Taxes and duties	926	877	5.7%	920	0.7%
Directors' remuneration	31	34	-9.4%	29	4.2%
Other expenses	4,735	5,741	-17.5%	3,089	53.3%
Total operating expenses	15,990	17,256	-7.3%	15,101	5.9%
Cost to income ratio	42.4%	44.0%		40.0%	

- **Operating expenses** increased 5.9% yoy to Baht 15,990 million in 1Q22 largely due to higher other expenses from higher depreciation on software license and marketing campaigns of the Bank's subsidiaries. However, this was offset by a decline in employee expenses and a decrease in premises and equipment expenses.

- On a **quarter-on-quarter** basis, operating expenses decreased 7.3% qoq largely due to lower 'other' expenses, lower staff costs, and lower premise and equipment expenses.

The Bank's cost-to-income ratio was 42.4% in 1Q22, an increase from 40.0% in 1Q21, but a drop from 44.0% in 4Q21. The Bank will continue to exercise disciplined control.

Table 9. Expected credit loss (ECL)

Consolidated Unit: Baht million	1Q22	4Q21	% qoq	1Q21	% yoy
Expected credit loss	8,750	11,954	-26.8%	10,008	-12.6%
Credit cost (bps)	151	209		177	

- Given the uncertainties from the Russian and Ukraine war and weakening economic outlook, the Bank set aside **expected credit losses** in the amount of Baht 8,750 million (151 bps of total loans) in 1Q22. This amount not only took into account the pro-cyclicality of forward-looking Expected Credit Loss (ECL) models as required by the TFRS 9 framework, but also included management overlay given the current uncertain economic environment.

Balance sheet as of March 31, 2022 (Consolidated basis)

As of March 31, 2022, the Bank's total assets increased 6.1% yoy to Baht 3,371 billion largely due to higher investments, more financial assets measured at FVTPL and higher interbank and money market items as well as loan growth of 2.1% yoy. Details on the consolidated balance sheet are provided in the following sections:

Table 10. Net loans and accrued interest receivables

Consolidated Unit: Baht million	Mar 31, 22	Dec 31, 21	Mar 31, 21
Total loans	2,326,395	2,301,834	2,277,458
<i>Add</i> Accrued interest receivables and undue interest receivables	15,886	15,031	13,497
Total loans and accrued interest receivables and undue interest receivables	2,342,281	2,316,865	2,290,955
<i>Less</i> Unamortised modification losses	(4,741)	(5,756)	(2,188)
<i>Less</i> Allowance for expected credit loss	(147,605)	(145,653)	(139,644)
Total loans and accrued interest receivables, net	2,189,935	2,165,456	2,149,123

Table 11. Loans by segment

Consolidated	Mar 31, 22	Dec 31, 21	% qoq	Mar 31, 21	% yoy
Unit: Baht million					
Corporate	854,161	832,720	2.6%	845,723	1.0%
SME	407,809	402,601	1.3%	383,831	6.2%
Retail	1,064,425	1,066,513	-0.2%	1,047,904	1.6%
Housing loans*	700,043	696,522	0.5%	678,947	3.1%
Auto loans	210,860	219,261	-3.8%	230,257	-8.4%
Unsecured loans	136,251	139,734	-2.5%	136,136	0.1%
Other loans	17,271	10,997	57.1%	2,564	573.6%
Total loans	2,326,395	2,301,834	1.1%	2,277,458	2.1%

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

Total loans increased by 2.1% yoy and 1.1% qoq at the end of March 2022. Changes in loan volume by customer segment are as follows:

- **Corporate** loans increased 1.0% yoy and 2.6% qoq due to demand from top quality large corporates.
- **SME** loans grew 6.2% yoy and 1.3% qoq. The yoy and qoq growth arose from targeted lending to high-quality existing small SMEs as well as soft loans to qualified customers. The Bank's primary focus for this segment has been to support existing quality customers as well as to ensure adequate relief efforts for qualified customers who have experienced cashflow difficulties during the pandemic. Given this objective, the Bank has proactively provided financial assistance in the form of relief programs, comprehensive debt restructuring and soft loans.
- **Retail** loans increased 1.6% yoy but decreased slightly by 0.2% qoq. Below are details of changes in retail loan volume by sub-segment.
 - **Housing loans** increased 3.1% yoy and 0.5% qoq largely due to continued demand in high-end housing developments coupled with the effect of payment holidays for customers under the Bank's relief programs.
 - **Auto loans** fell 8.4% yoy and 3.8% qoq largely due to loan repayments and weak demand across all types of products amid slow economic recovery as well as global semiconductor shortage continue to limit the supply of new cars.
 - **Unsecured loans** (personal loans and credit card receivables) increased slightly 0.1% yoy but fell 2.5% qoq. The qoq decrease reflected the seasonality effect with credit card spending typically being higher at year end.

Table 12. Deposits breakdown

Consolidated Unit: Baht million	Mar 31, 22	Dec 31, 21	% qoq	Mar 31, 21	% yoy
Demand	112,529	118,954	-5.4%	104,741	7.4%
Savings	1,884,898	1,840,043	2.4%	1,709,644	10.3%
Fixed	507,694	508,498	-0.2%	535,086	-5.1%
Less than 6 months	106,251	108,205	-1.8%	106,552	-0.3%
6 months and up to 1 year	161,178	157,551	2.3%	185,277	-13.0%
Over 1 year	240,265	242,742	-1.0%	243,257	-1.2%
Total deposits	2,505,121	2,467,495	1.5%	2,349,471	6.6%
CASA - Current & Savings Accounts (%)	79.7%	79.4%		77.2%	
Gross loans to deposits ratio	92.9%	93.3%		96.9%	
Liquidity ratio (Bank-only)	33.9%	33.0%		30.1%	

As of March 31, 2022, total **deposits** increased 6.6% yoy and 1.5% qoq. The yoy increases came mainly from higher demand and saving deposits, resulting in the CASA mix rising up to 79.7% at the end of March 2022 from 79.4% at the end of last year. The gross loans to deposits ratio fell to 92.9% from 93.3% at the end of December 2021 and from 96.9% at the end of March 2021 as a result of higher deposit growth than loan growth.

The Bank's daily liquidity ratio of 33.9%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Table 13. Investment Classification

Consolidated Unit: Baht million	Mar 31, 22	Dec 31, 21	% qoq	Mar 31, 21	% yoy
Investments					
Financial assets measured at FVTPL	78,434	68,707	14.2%	28,401	176.2%
Investments in debt securities measured at amortised cost	47,132	7,548	524.4%	7,259	549.3%
Investments in debt securities measured at FVOCI	249,329	213,450	16.8%	228,129	9.3%
Investments in equity securities measured at FVOCI	1,628	1,636	-0.5%	1,732	-6.0%
Net investment *	298,089	222,634	33.9%	237,120	25.7%
Investment in associates	844	781	8.1%	542	55.8%
Total	377,368	292,123	29.2%	266,063	41.8%

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

Investments at the end of March 2022 increased significantly by 41.8% yoy and 29.2% qoq from higher investments and higher financial assets measured at FVTPL. The increase in investments were mainly from government and state enterprise securities and partly from foreign equity instruments.

Statutory Capital

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

Furthermore, in 2017 the Bank has been designated by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which resulted in a requirement to maintain an additional Common Equity Tier 1 (CET1) of 0.5% in 2019 and 1.0% from 2020 onward. This Higher Loss Absorbency requirement (or D-SIBs buffer) is added on top of the 2.5% capital conservation buffer to provide additional stability and resilience.

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

Table 14. Minimum regulatory capital requirement

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

The Bank incorporates both current and anticipated regulatory changes into its long-term capital management plan well in advance. A strong capital position, which is currently above the minimum regulatory requirement, together with high loan loss provisions, will enable the Bank to withstand any adverse shocks, be it bank-specific or economy-wide.

The table below shows the Bank's total capital ratios under Basel III at the end of March 2022.

Table 15. Total capital

Unit: Baht million, %	Consolidated			Bank-only		
	Mar 31, 22	Dec 31, 21	Mar 31, 21	Mar 31, 22	Dec 31, 21	Mar 31, 21
Statutory Capital						
Common Equity Tier 1/ Tier 1	399,539	399,566	379,002	396,421	397,032	376,683
Tier 2 capital	24,722	24,669	23,977	24,691	24,612	24,016
Total capital	424,261	424,235	402,979	421,112	421,644	400,699
Risk-weighted assets	2,275,652	2,265,443	2,214,951	2,244,874	2,238,352	2,203,295
Capital Adequacy Ratio	18.6%	18.7%	18.2%	18.8%	18.8%	18.2%
Common Equity Tier 1/ Tier 1	17.5%	17.6%	17.1%	17.7%	17.7%	17.1%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

At the end of March 2022, the Bank's consolidated common equity Tier 1/Tier 1 capital increased yoy, mainly as a result of appropriation of net profit which was partly offset by a dividend payment of Baht 7.8 billion (Baht 2.30 per share) and interim dividend of Baht 4.9 billion (Baht 1.43 per share). This strong capital position will not only help the Bank weather the current economic downturn but also make it possible to continue providing assistance to deserving customers during this pandemic.

Asset Quality

At the end of March 2022, **gross NPLs** (on a consolidated basis) increased 1.9% yoy but decreased 2.6% qoq to Baht 106.3 billion. **The gross NPL ratio** decreased yoy and qoq to 3.70% from 3.79% at the end of December 2021 and the end of March 2021. The qoq decrease in NPLs was mainly from the Bank's pro-active management of its NPLs portfolio by using debt restructuring, NPL sales and write-offs and partly from the gradual economic recovery. Prudence aside, the Bank's approach is also justifiable on the basis that the reported NPL numbers (e.g., gross NPLs, gross NPL ratio and new NPLs) may not fully reflect current economic conditions as the true severity could be masked by the bank's and BOT's relief measures.

At the end of March 2022, the Bank's **coverage ratio** was 143.9%, up 4.3% points from the end of March 2021 and 4.5% points from the end of 2021. In addition, the Bank's total loan loss reserve as a percentage of total loans (LLR %) was 6.5%, up 0.3% yoy and was relatively flat qoq.

Table 16. Asset quality

Unit: Baht million, %	Mar 31, 22	Dec 31, 21	Mar 31, 21
Consolidated			
Non-Performing Loans (Gross NPLs)	106,305	109,114	104,332
Gross NPL ratio	3.70%	3.79%	3.79%
<u>Gross NPL ratio by segment/product</u>			
Corporate	4.24%	4.40%	3.89%
SME	10.72%	11.59%	11.59%
Retail	2.48%	2.41%	2.57%
Housing loans	2.78%	2.94%	3.17%
Auto loans	1.49%	1.55%	1.50%
Total allowance*	152,972	152,111	145,653
Total allowance to NPLs (Coverage ratio)	143.9%	139.4%	139.6%
Credit cost (Quarterly, bps)	151	209	177
Bank-only			
Non-Performing Loans (Gross NPLs)	105,208	108,051	103,189
Gross NPL ratio	3.67%	3.77%	3.75%

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

Loan Classification and Allowance for Expected Credit Losses

Under TFRS 9, loans are classified into 3 stages based on changes in credit quality since initial recognition. Loans and allowance for expected credit losses at the end of March 2022, December 2021, and March 2021 were classified as follows:

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

Consolidated Unit: Baht million	Mar 31, 22		Dec 31, 21		Mar 31, 21	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,620,976	53,521	2,576,432	46,600	2,457,975	50,711
Stage 2 (Underperforming)	143,553	38,000	189,930	42,920	191,392	35,949
Stage 3 (Non-performing)	106,305	61,451	109,114	62,592	104,332	58,993
Total	2,870,834	152,972	2,875,476	152,111	2,753,700	145,653

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

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

	2022	2021				2020			
	1Q22	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
Total loans	0.42%	0.59%	0.55%	0.44%	0.53%	0.75%	0.73%	0.45%	0.58%
Corporate	0.00%	0.07%	0.58%	0.01%	0.08%	0.51%	0.51%	0.14%	0.11%
SME	0.33%	1.31%	0.42%	1.14%	1.21%	2.90%	2.46%	0.85%	1.12%
Housing loans	0.43%	0.48%	0.38%	0.43%	0.80%	0.54%	0.75%	0.55%	0.78%
Auto loans	1.42%	1.46%	1.11%	0.49%	0.52%	0.45%	0.10%	0.25%	1.20%
New NPLs (Baht billion)	12.2	16.9	15.2	12.1	14.6	20.7	19.8	11.9	15.2

In 1Q22, new NPL formation was at 0.42%, an improvement from 0.59% in 4Q21. The new NPL improved across the board. The lower new NPL formation could be explained by the comprehensive debt restructuring solutions that the Bank has deployed in line with the BOT's regulations under which the assessment of customers ability to repay according to the new term allows for classification under Stage 1 immediately for non-NPL or after repayment of 3 consecutive periods for NPLs.

Sources and Uses of Funds

As of March 31, 2022, deposits accounted for 74.3% of SCB's funding base. Other major sources of funds were: 13.4% from shareholders' equity, 5.3% from interbank borrowings, and 2.2% from debt issuance. Uses of funds for this same period were: 69.0% for loans, 17.5% for interbank and money market lending, 11.2% for investments in securities, and 1.2% held in cash.

Table 19. Additional Financial Information

Consolidated Unit: Baht million, %	Mar 31, 22	Dec 31, 21	% qoq	Mar 31, 21	% yoy
Loans by Sector	2,326,395	2,301,834	1.1%	2,277,458	2.1%
Agricultural and mining	14,296	13,598	5.1%	17,487	-18.2%
Manufacturing and commercial	654,529	631,750	3.6%	629,351	4.0%
Real estate and construction	181,001	178,177	1.6%	187,095	-3.3%
Utilities and services	413,498	408,177	1.3%	395,627	4.5%
Housing loans ^{1/}	577,304	576,413	0.2%	561,865	2.7%
Other loans	485,767	493,719	-1.6%	486,033	-0.1%
Debt issued and borrowings	74,596	74,922	-0.4%	68,087	9.6%
Debentures	63,218	63,442	-0.4%	63,483	-0.4%
Structured notes	10,496	8,213	27.8%	815	1187.9%
Others	92	117	-21.4%	191	-51.8%
Hedge accounting adjustment	790	3,150	-74.9%	3,598	-78.0%
	1Q22	4Q21	3Q21	2Q21	1Q21
Yield on loans by segment					
Yield on loans	4.77%	4.85%	4.64%	4.61%	4.65%
Corporate	3.01%	2.98%	3.05%	2.99%	2.99%
SME	5.73%	5.80%	5.71%	5.35%	5.32%
Retail	5.99%	6.11%	5.68%	5.85%	5.93%
Housing loans	4.56%	4.73%	4.52%	4.60%	4.63%
Auto loans	5.36%	5.46%	4.97%	5.32%	5.32%
Credit card ^{2/}	14.29%	14.24%	14.43%	13.42%	13.76%
Speedy	18.46%	18.28%	15.23%	16.89%	18.32%
Auto loans portfolio					
New car	58.4%	58.2%	57.9%	57.8%	57.3%
Used car	22.6%	23.3%	23.9%	24.1%	24.5%
My car, My cash	19.0%	18.5%	18.2%	18.1%	18.2%
NPL reduction methodology					
Repayments, auctions, foreclosures, and accounts closed	36.7%	41.1%	34.5%	34.0%	41.8%
Debt restructuring	3.7%	9.0%	9.3%	12.7%	9.2%
NPL sales ^{3/}	16.8%	0.0%	21.5%	14.1%	21.4%
Write off	42.8%	49.9%	34.7%	39.2%	27.6%

^{1/} Classified by sector/product and excludes retail loans where customers use their home as collateral. (These loans are classified under "Other loans" in accordance with regulatory guidelines). Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of March 31, 2022, December 31, 2021, and March 31, 2021, was Baht 700 billion, Baht 697 billion, and Baht 679 billion, respectively.

^{2/} Revolving only

^{3/} The Bank sold NPLs Baht 2.5 billion in 1Q22, no NPLs sales in 4Q21, Baht 2.6 billion in 3Q21, Baht 1.7 billion in 2Q21, and Baht 2.5 billion in 1Q21.

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

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

BOT Measures for Retail Customers

Key measures	Effective Date
<p>Measures to maintain and provide new liquidity to retail debtors</p> <ul style="list-style-type: none"> • Temporarily relax regulations on credit card loans, supervised personal loans and digital personal loans. <ul style="list-style-type: none"> - Increase credit limits on credit card and personal loans to two times monthly income for those with monthly incomes below Baht 30,000. - Extend the period for reduced minimum percentage credit card payment, which was lowered to 5% during the previous relief phase, until the end of 2022. - Increase credit limits on digital personal loans from the Baht 20,000 limit to Baht 40,000 and extend maximum maturity from 6 months to 12 months. <p>Measures to support existing debt restructuring facilities of financial institutions that assist debtors by offering targeted long-term debt restructuring tailored to specific debtors. Relaxed asset classification rules and provisioning criteria based on the degree of support provided to debtors.</p>	September 3, 2021
<p>Debt consolidation</p> <ul style="list-style-type: none"> • Support individuals in consolidating their mortgage and unsecured personal loans held at different lenders into a single institution via refinancing. • Interest rate ceiling for unsecured personal loans at no more than the mortgage rate used after the teaser rate expires, plus no higher than 2% per year. 	November 22, 2021
<p>Refinance</p> <ul style="list-style-type: none"> • The prepayment fee is temporarily prohibited for personal loans and microfinance loans under supervision, which will be effective until December 31, 2023. 	November 22, 2021

More details can be found on the BOT website at www.bot.or.th.

Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	March 31, 2022
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	Stable
Senior Unsecured (Long Term)	BBB
Senior Unsecured (Short Term)	A-2
Fitch Ratings	
<u>Foreign Currency</u>	
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F2
Outlook	Stable
Senior Unsecured	BBB
Viability Rating	bbb
<u>National</u>	
Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable

4. Awards and Achievement

(Awards received in the first quarter of 2022)

The Asset (H.K.)

- Best Bank in Thailand
- Best M&A Deal in Thailand
- Best sustainability-linked bond (Deal of the year - Manufacturing)
- Best Supply Chain Bank

Global Finance (U.S.)

- Best Investment Bank in Thailand
- Outstanding Innovations in SME Banking

The Global Economics (U.K.)

- Best SME Bank
- Best Retail Bank – Thailand

The Digital Banker (S.G.)

- Outstanding Digital CX – Bank Cards

Retail Banker International (U.K.)

- Best Retail Bank – Thailand
- Best Debit Card Initiative
- Best Loan Offering