

# 2021 Financial Results

Analyst Meeting Presentation

21 January 2022

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# Today's agenda

- 1 Economic update**
- 2 Key highlights**
- 3 Review of 2021 results**
- 4 2022 strategic priorities & financial guidance**

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# Economic update

# Economic outlook for 2022



**Omicron has become the dominant COVID-19 variant globally, as daily infections reached a record high of 3 million in early January and total cases surpassed 300 million.** The latest data suggests Omicron is highly transmissible but may be less deadly than other previous variants.



**The EIC expects Omicron to cause further inflationary pressure through the first half of the year.** Omicron poses heightened risks of supply disruption, especially for China and other manufacturing bases in Asia that boast zero-COVID policies, whereby factories and logistics facilities may face possible lockdowns or long delays. Meanwhile, global demand remains solid, esp. for durables, despite an expected drop in service activities owing to government containment measures and Omicron concerns.



**The Fed and some major central banks are poised to tighten monetary conditions early** amid a tight labor market and rising inflation. The Fed pivot toward quelling inflation through a set of measures will introduce some volatility on capital movement and will cause a rise in long-term borrowing costs globally.



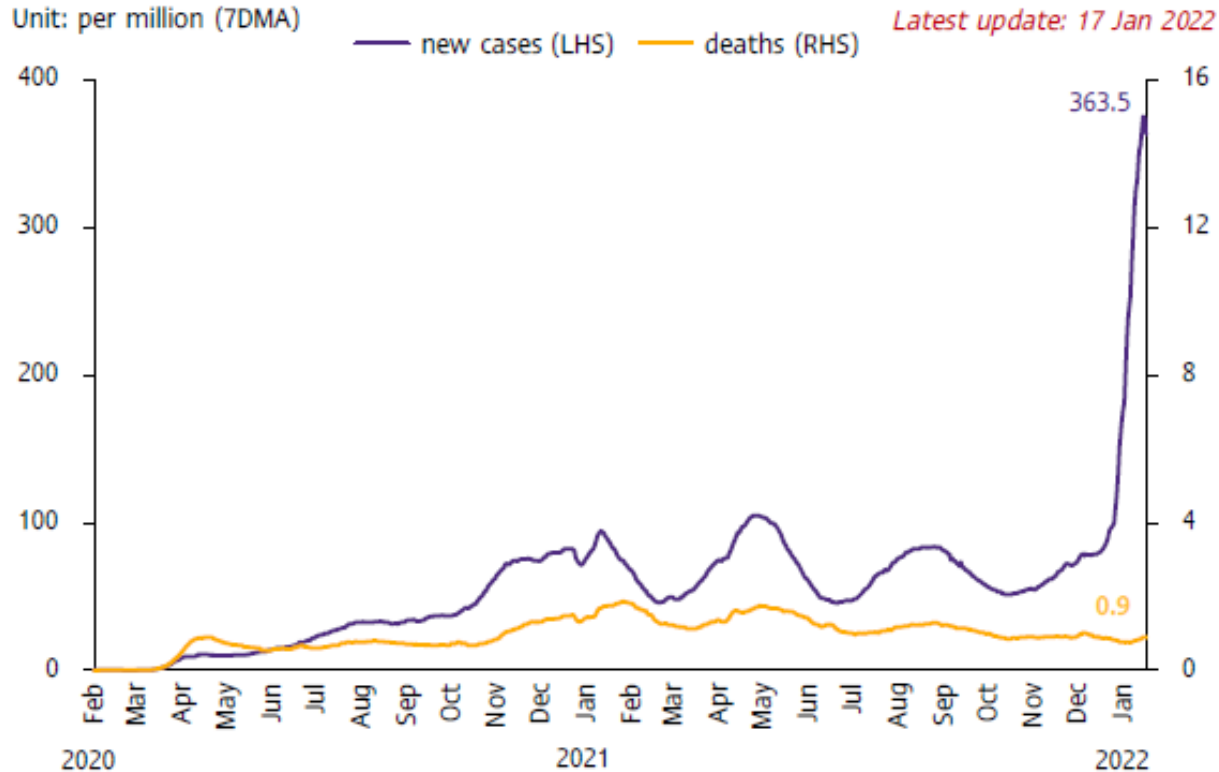
**The EIC revised its forecast for Thailand's GDP growth to 3.2%** as tourism, domestic activities, and exports slow due to Omicron in 1Q22. The economy is expected to pick up in 2H22 as activities resume and tourism returns. **Tourist arrivals are expected to total 5.9 million in 2022.** With gradual recovery resulting from COVID-inflicted scars, the Thai economy will only return to the pre-pandemic level in mid-2023.



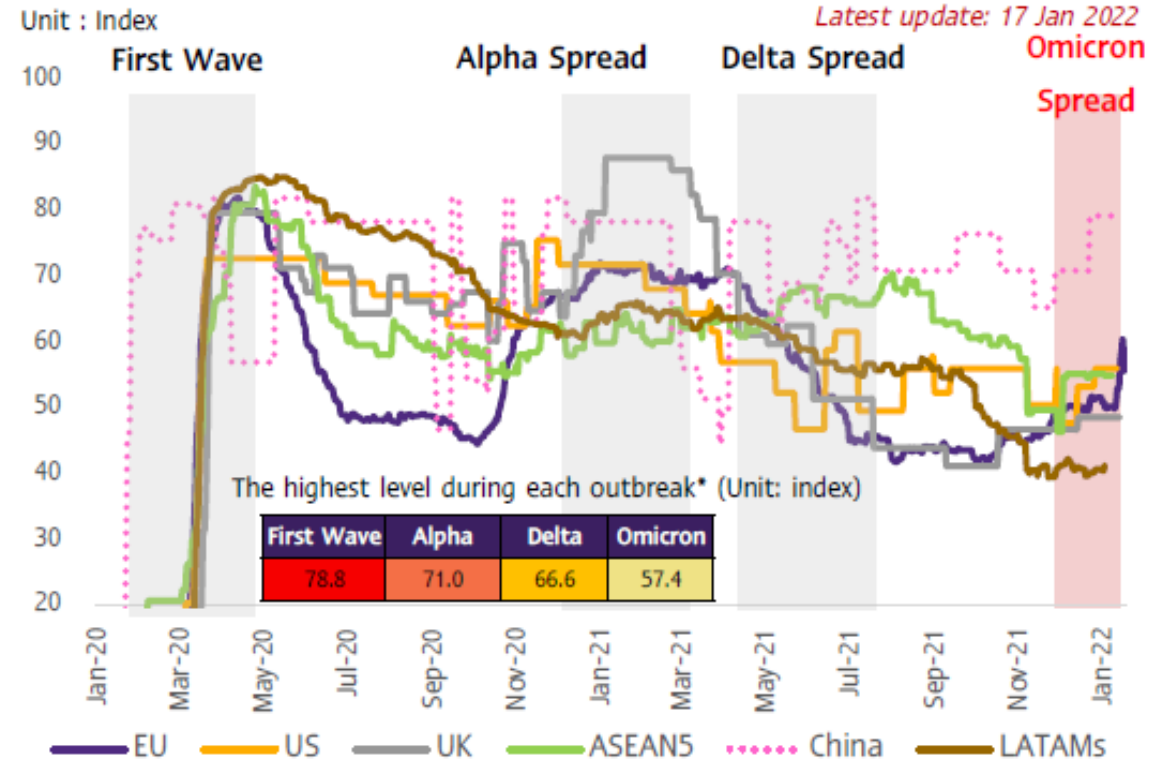
**The EIC expects the MPC to hold the policy rate at 0.5% through 2022** to support fragile economic recovery amid rising inflation caused by supply issues, which are expected to alleviate in the latter half of the year.

# Global COVID-19 daily infections reached a record high, but the Omicron death rate appears much lower than that of earlier waves. Governments have tightened lockdown measures, albeit to a smaller degree.

Global new cases and deaths



Oxford Stringency Index



- **Global new cases hit a record high in many countries** due to high transmissibility of the Omicron variant. **However, the death rate remains subdued** as Omicron’s severity is found to be lower than other previous variants.
- **The governments around the world have tightened their lockdown measures, albeit in a smaller degree, in order to cope with the sharp rise in new cases.** Thanks to increased vaccination rate, public awareness and adaptation to live with COVID-19, economic impact of the measures are expected to be less severe compared to previous waves.

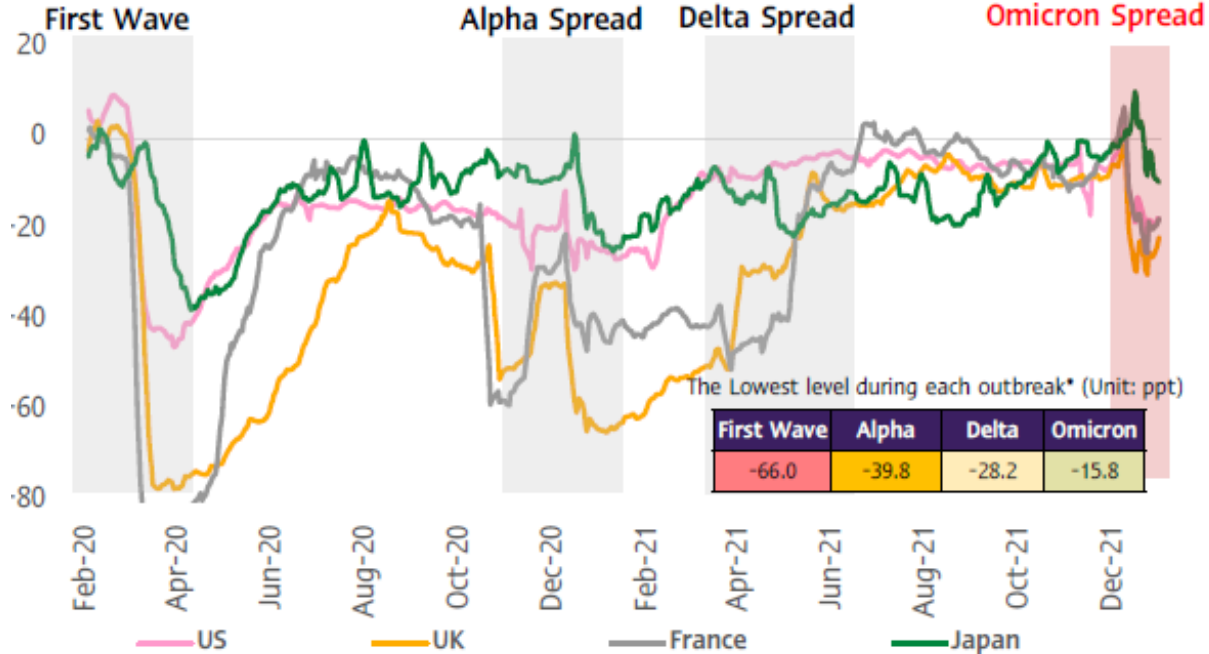
Source: EIC analysis based on data from the World Health Organization (WHO) and University of Oxford  
 \*An unweighted average of selected economies such as US, UK, China, India, Japan and EU and LATAMs

# Omicron is expected to slow down the global economy in 1Q22 and prolongs supply bottlenecks. However, the effects will be less severe than previous waves.

Google Mobility : Retail and Recreation

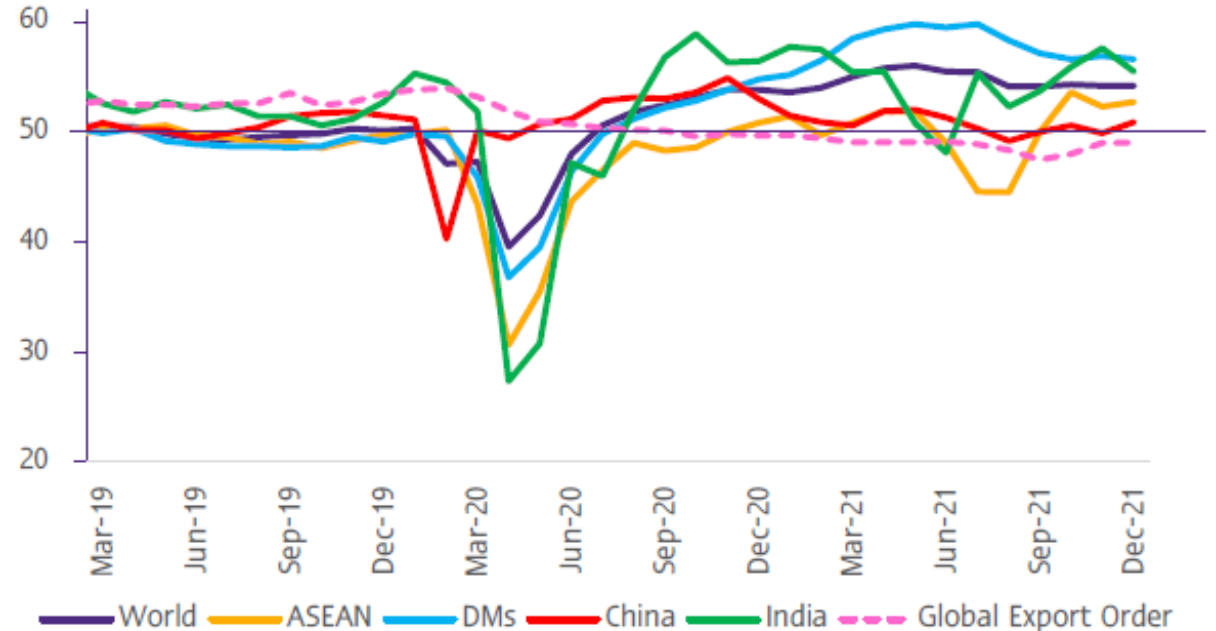
Data as of 15 Jan 2022

Unit : % change from base case (median of period Jan. 3 – Feb. 6, 2020), 7-day ma.



Manufacturing Purchasing Managers Index

Unit : index, seasonally adjusted, (>50 = expansion)



- **Governments have resumed containment measures. As a result, economic activities are expected to decelerate in 1Q22.**
- **However, the measures are expected to be less stringent and will have less impact on economic activities than in previous waves,** due to the higher public immunity level, high household savings rates and continuing government subsidies (although in a smaller degree). These will support demand recovery.
- **Service sector is expected to be worse hit by lockdown measures,** as reflected by the drop in mobility. **Meanwhile, the manufacturing sector may slow down slightly** in the first quarter of this year.

Source: EIC analysis based on data from Google Mobility Report and CEIC

\*unweight average of selected economy such as US, UK, China, India, Japan and some countries in EU and LATAMs

# The EIC expects the global economy to grow by 4.1% in 2022. Post-pandemic disparities will widen as emerging economies suffer from greater output loss and are yet to recover to pre-COVID trends.

## EIC GDP growth forecast by economy

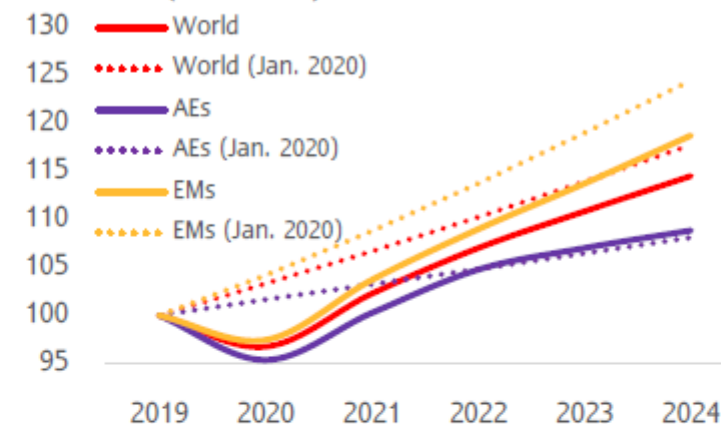
Unit: %YOY

GDP growth (%YOY)	2020	2021F	2022F	
World	-3.1%	5.8%	4.1%	↓
US	-3.4%	5.5%	3.7%	↓
Euro	-6.3%	5.0%	4.2%	↓
Japan	-4.6%	1.9%	2.5%	↑
China	2.3%	7.8%	4.6%	↓
India	-7.3%	8.8%	8.6%	↓
Brazil	-4.1%	4.7%	0.5%	↓
Indonesia	-2.1%	3.3%	4.9%	↑
Malaysia	-5.6%	3.0%	6.5%	↑
Philippines	-9.5%	5.0%	7.5%	↑
Inflation AE	0.7	2.8	2.3	↓
Inflation EM	5.1	5.5	4.9	↓

Source: EIC analysis based on data from IMF WEO (Oct 2021)

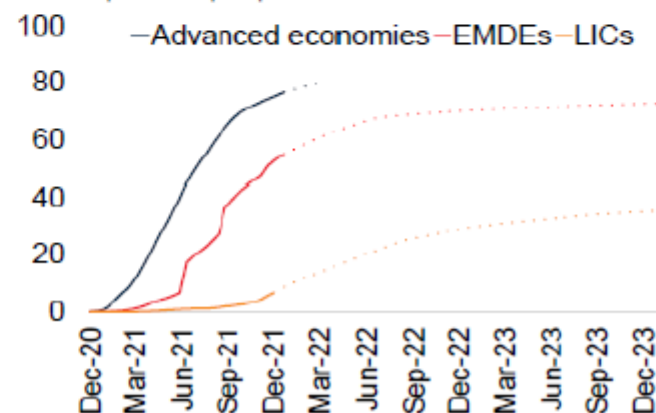
## Projected Output Paths (IMF projections)

Unit: Index (2019 = 100)



## Projected vaccine coverage (World Bank)

Unit: per 100 people



## Disparities will widen in the post-pandemic period

- EMs face a weak recovery due to slow vaccination rates, longer lockdown, and a smaller government support. As a result, economic scars in EMs are deeper.
- High public debt in EMs could affect fiscal sustainability due to a shortfall in income collection, despite smaller expenditures.
- Income and employment prospects among the low-skilled workers and youth worsened. These groups are often employed in the COVID-sensitive sectors and sectors that are prone to technology disruptions.

## Risks to the global economy

- Uncertainty from the outbreak of the Omicron variant
- Prolonged supply bottlenecks
- Tightening of financial conditions, caused by rising inflation
- Fading fiscal stimulus measures and increasing NPLs
- Geopolitical risks, including US-China trade tension, US-Russia relations, Iran's nuclear advances



# Supply bottlenecks will keep global inflation elevated in 1H22, but upward price pressure will slowly subside in the latter half of the year. With a tight labor market, the Fed is expected to tighten monetary conditions early.

## Inflation to remain high in 1H2022

- Durable goods inflation remains high** as stringent control measures are resumed
- Wages remain high** from continued tight labor supply
- Commodity and energy prices to remain high** from consistently low inventory and investments
- Service inflation may decelerate slightly**, due to lower demand from new COVID-19 wave

## Inflation will subside in the latter half

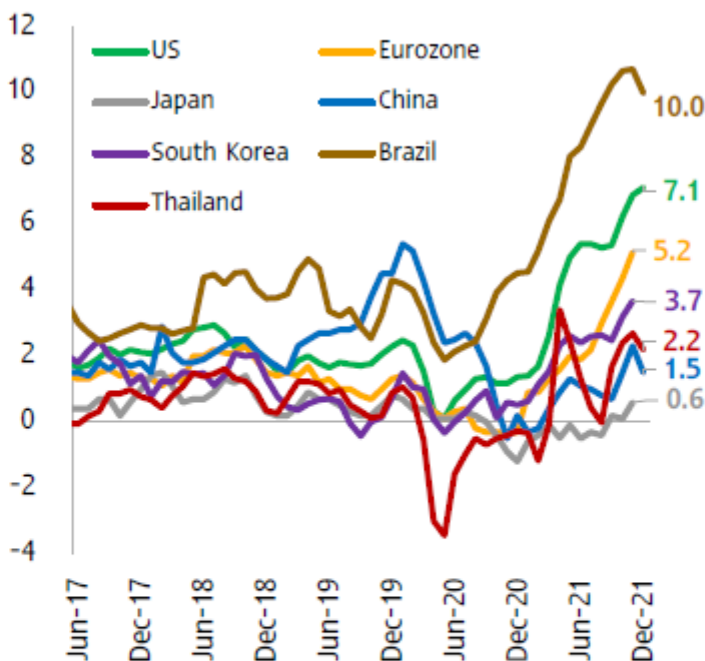
- Supply shortage will gradually ease** in 2H2022 after the outbreak is under control
- Low base effect will gradually fade** in 2Q2022
- Demand for durable goods will ease** as consumer spending shift to service sector

However, inflation will be higher than pre-pandemic trends

1. Changing in the structure of labor market e.g. aging, participation
2. Low investments in commodities and semiconductor production

## Headline Inflation

Unit: %YOY



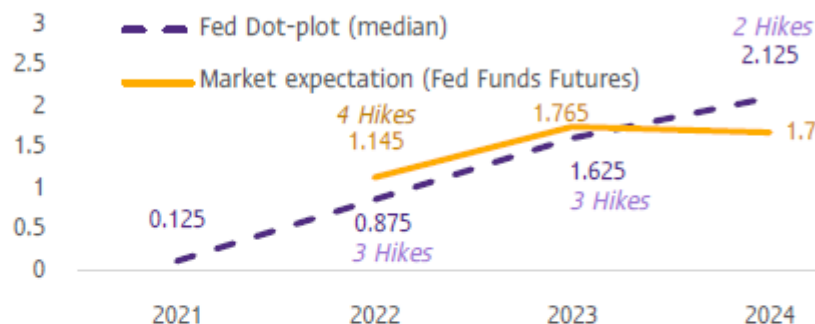
## Implications of high inflation

- Softer consumption** from lower purchasing power
- Less profit margin for businesses**
- Exacerbate the inequality** as low-income households are more affected by rising inflation

## Fed is going to tighten monetary policy faster.

### Fed funds rate expectation

Unit: % (Data as of Jan 19, 2022)



Monetary policy tools	Expected timeline
QE Tapering	Nov 2021 – March 2022
Rate hike	March, June, Sep, Dec 2022
Quantitative tightening	July 2022

US government bond yield tends to rise further following QE tapering and expected Fed's balance sheet runoff.

Source: EIC analysis based on data from Bloomberg and CEIC

# Thai exports will expand by 3.4% in 2022, down from 4.7% previously forecast, as Omicron compromises global demand and escalates supply disruption risks

## Exports by product

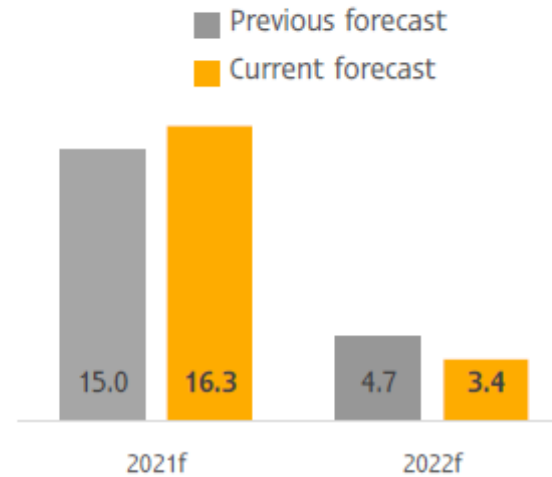
Unit : %YOY

(Share in 2020)

	Sep-21	Oct-21	Nov-21	YTD
Total (100%)	17.1%	17.4%	24.7%	16.4%
Total (ex. gold) (94.2%)	18.9%	17.0%	23.7%	22.3%
Electrical appliances (10.2%)	11.2%	5.4%	13.1%	20.7%
Auto & parts (9.2%)	4.9%	10.3%	12.0%	35.3%
Agriculture (9.1%)	12.9%	22.5%	14.2%	23.7%
Chemical & plastics (8.1%)	39.9%	33.1%	42.6%	37.4%
Agro (7.8%)	11.3%	13.5%	21.2%	5.2%
Computer & parts (8.1%)	22.6%	1.7%	19.9%	16.9%
Rubber products (5.2%)	2.6%	-4.6%	-2.3%	21.3%
IC (3.1%)	16.2%	18.6%	26.7%	19.4%
Machinery & parts (2.8%)	32.8%	15.7%	8.9%	23.3%
Refined fuel (2.3%)	114.4%	169.7%	146.0%	68.9%
Textile (2.5%)	19.2%	11.2%	27.3%	13.4%

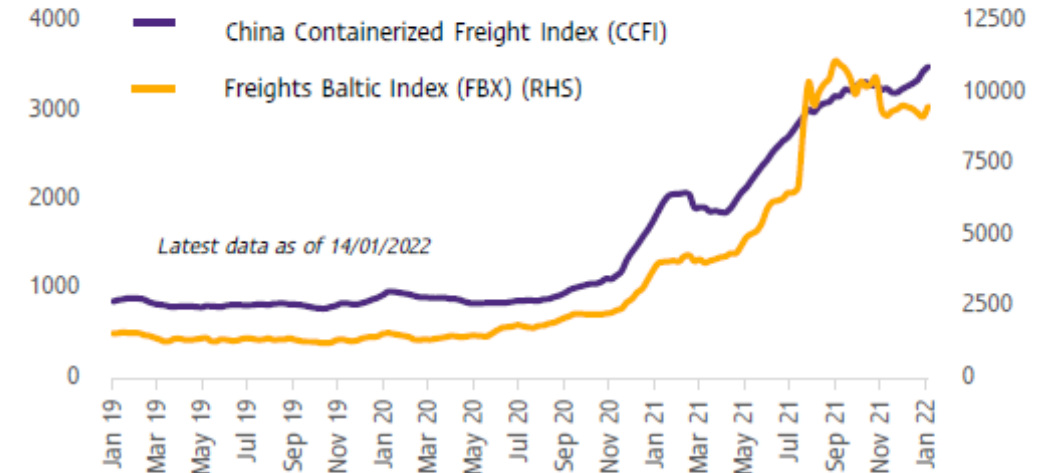
## EIC exports forecast

Unit : %YOY (BOP Basis)



## Freight Index

unit : index (1 Jan 1998 = 1000) unit : index (weighted average of 12 regional route, USD/FEU)



## Supporting factors for export in 2022

- Continued global trade expansion following vaccination progress and country reopening
- The Regional Comprehensive Economic Partnership (RCEP) agreement that came into effect this year

## Risk factors

- Container shortages and supply disruption
- Slowdown in the Chinese economy resulting from overleveraging in real estate and power shortage
- Outbreak of the Omicron or other emerging variants may lead to lockdowns in several countries

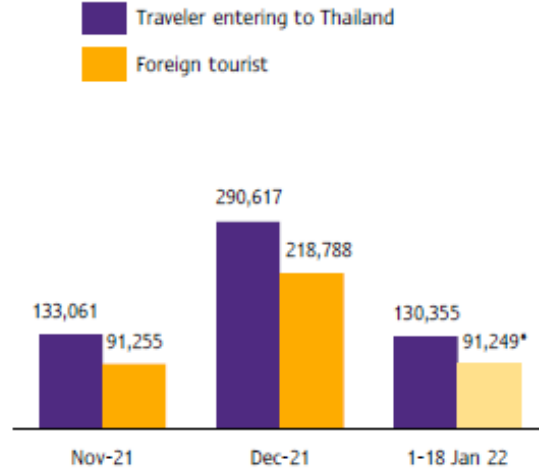
Source: EIC analysis based on data from Freights and Shanghai Shipping Exchange, and Ministry of Commerce

# Visitor arrivals are expected to register 5.9 million in 2022, with majority coming in 2H22

## Foreign travelers continue entering Thailand through Sandbox and Alternative Quarantine

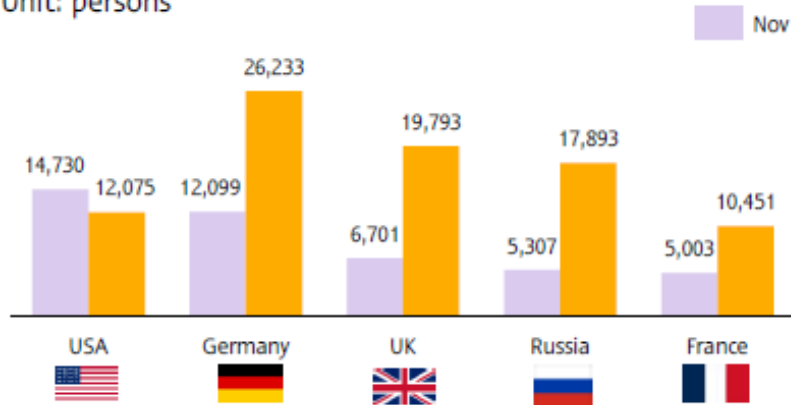
Unit: persons

Average daily arrivals, including Thais (persons/day)			
	Nov 21	Dec 21	1-18 Jan 22
Test & Go	3,540	7,760	3,607
Sandbox	2,144	1,382	2,549
Quarantine	180	232	1,085
<b>Total</b>	<b>4,435</b>	<b>9,375</b>	<b>7,241</b>
<b>Sandbox + Quarantine</b>	<b>2,324</b>	<b>1,614</b>	<b>3,634</b>



## Top 5 origin countries by the number of arrivals

Unit: persons

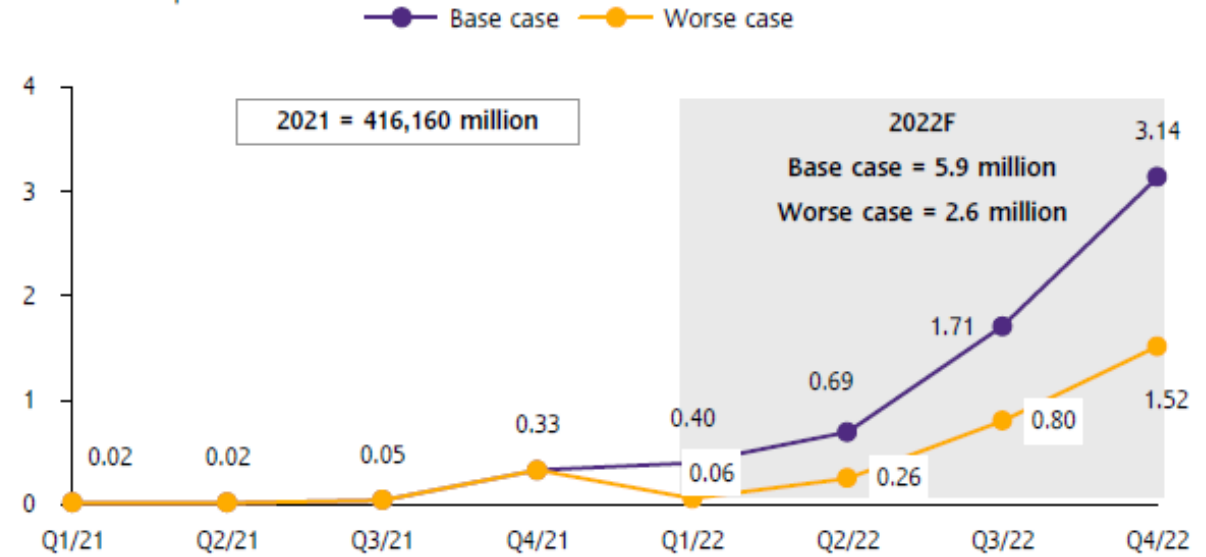


As most travelers are from high-income countries, 4-5 star hotels will particularly benefit.

Latest updated: 19 Jan 2022

## Estimated tourist arrivals

Unit: million persons



## Factors influencing the number of foreign arrivals



Concern over the Omicron variant



Quarantine measures upon returning home or postponement on border reopening



Progress in the booster vaccination program in both Thailand and other countries

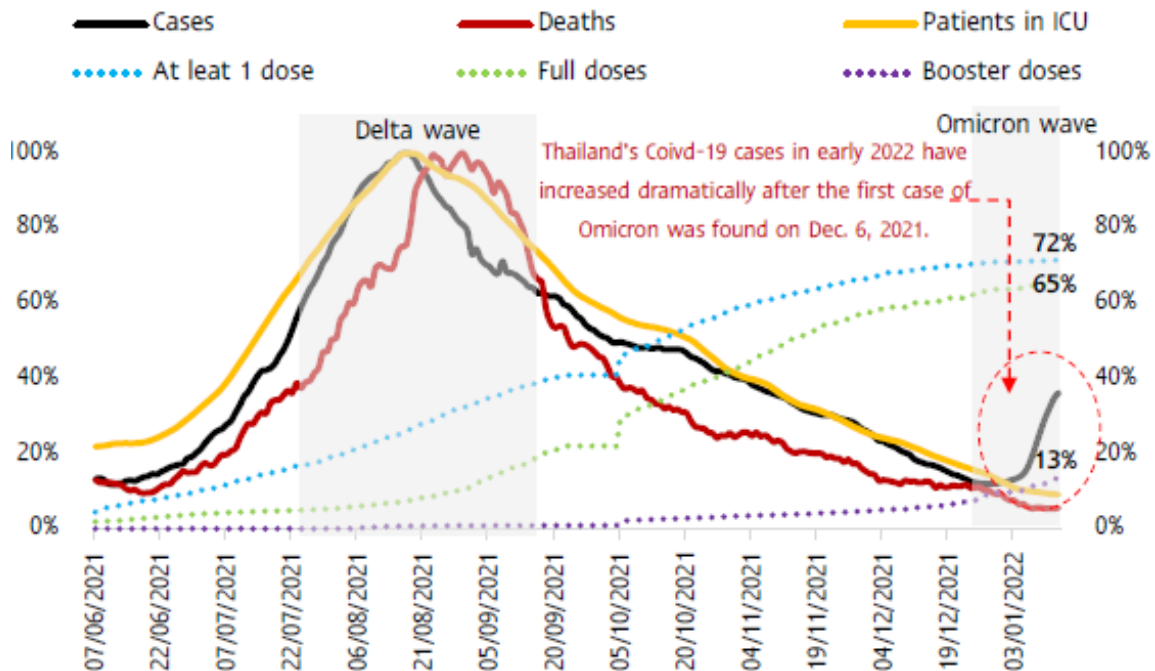
Remark: estimated foreign tourists as 70% of travelers entering to Thailand

Source: EIC analysis based on data from Ministry of Tourism and Sports

# Thailand's daily COVID-19 cases surged due to the emergence of Omicron, but hospitalization and death rates are lower than that of Delta with higher vaccination rate and booster progress

## Comparison between Delta wave and Omicron wave

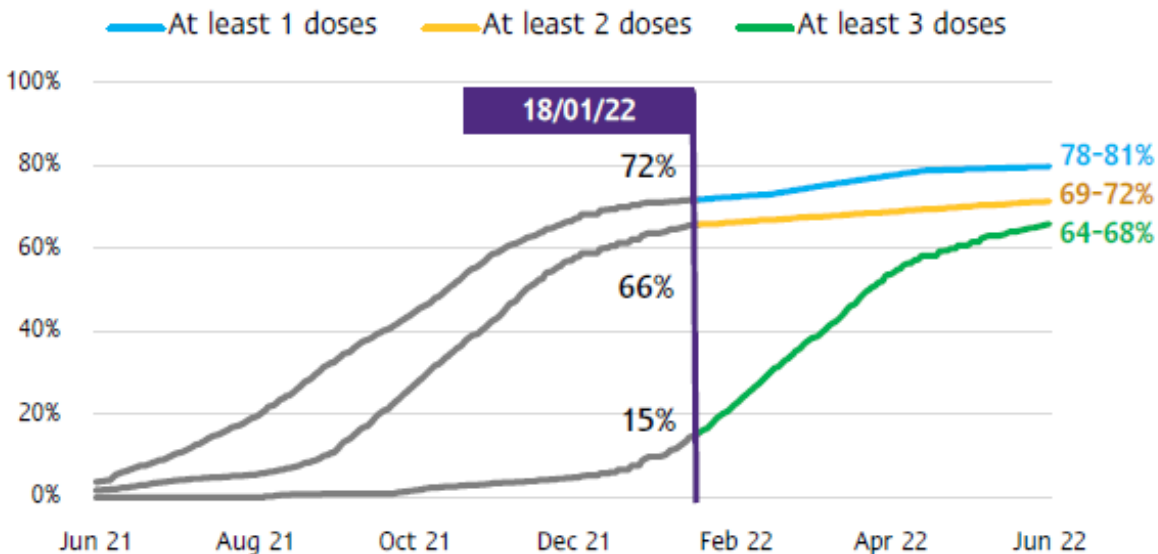
Unit: % from the highest rate during Delta wave, and % population (RHS)



The number of daily new infections in Thailand is likely to increase, while the number of deaths is declining steadily. The number of people who have received at least one dose vaccination exceeds 70%. Meanwhile, the population with booster shots is on the rise.

## Vaccination forecast (Latest data as of 18 Jan 2022)

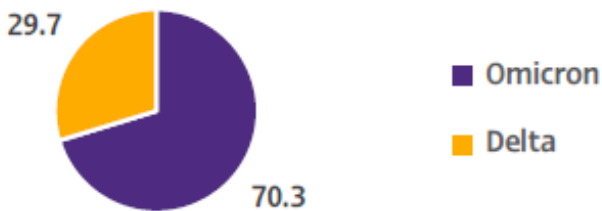
Unit: % of population (latent population included)



## Proportion of Covid-19 variant cases between 2-8 Jan 2022

Unit: % cases

Between 2-8 Jan 2022, around 70 percent of the country's infected cases are of the Omicron variant, and two deaths have been reported from Omicron.



Source: EIC analysis based on Department of Disease Control

# Indicators point to early signs of pickup by end-2021, prior to the emergence of domestic Omicron cases

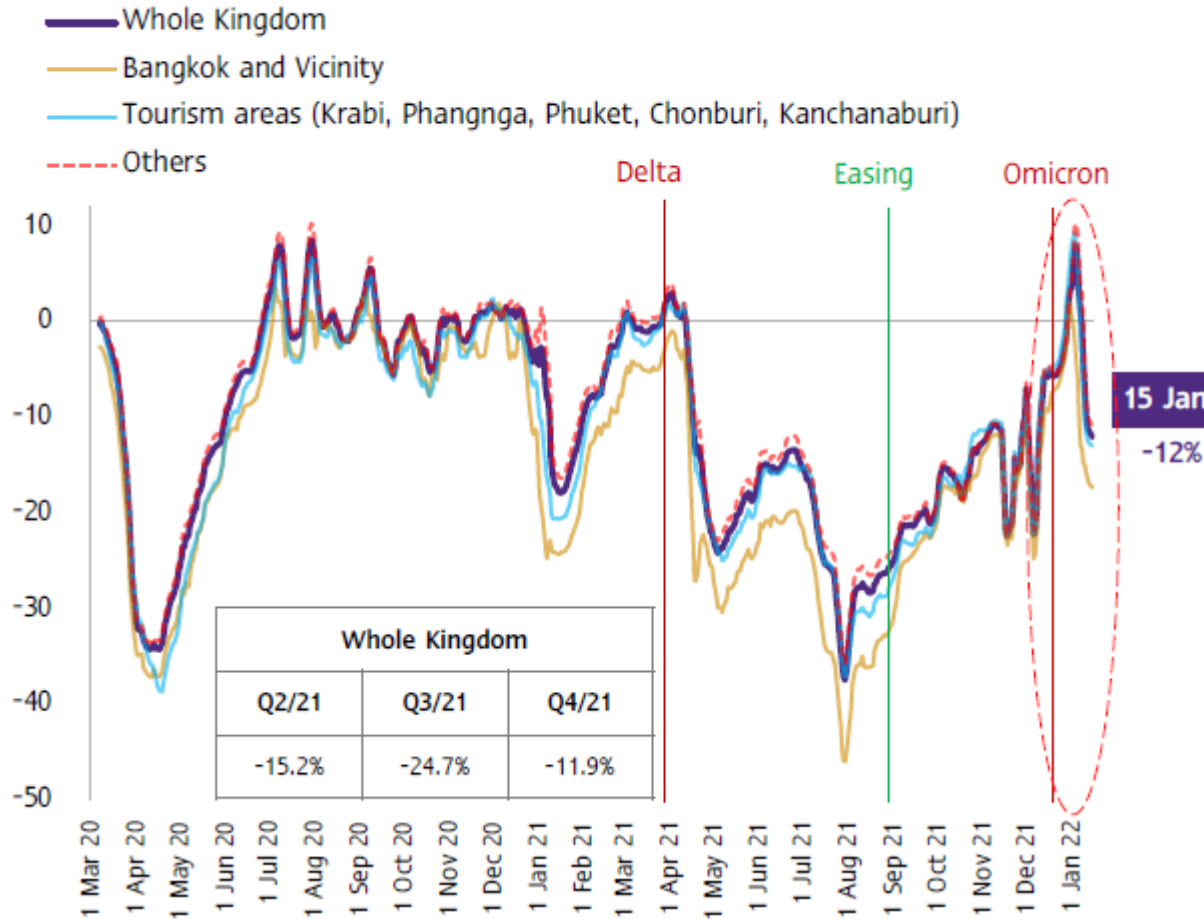
Thailand's economic indicators	Unit	2020	Q2/21	Q3/21	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	YTD
ผลิตภัณฑ์มวลรวมของประเทศ (GDP)	%YOY	-6.1	7.6	-0.3												1.3
<b>Demand Side</b>																
Private Consumption Index	%YOY	-1.5	3.7	-7.2	-3.8	-1.7	4.3	12.4	-0.1	-1.0	-7.1	-8.6	-5.6	-2.6	-3.9	-1.7
Domestic Auto Sales	%YOY	-21.4	36.8	-26.5	-23.0	-13.6	23.6	93.1	38.4	6.5	-11.6	-38.8	-27.0	-13.0	-9.4	-5.2
Private Investment Index	%YOY	-5.5	19.7	8.3	2.8	7.0	10.5	15.3	25.4	18.5	10.7	6.5	7.9	7.6	5.8	10.3
Export ex. Gold and Weapons	%YOY	-8.5	40.1	23.6	6.0	3.7	13.3	28.7	48.8	43.5	28.6	23.8	18.9	17.0	23.7	22.3
Google Mobility (Retail & Recreation)	% compared to 3 Jan-6 Feb 20	-15.2	-14.7	-21.5	-17.7	-3.8	5.1	-10.9	-20.8	-11.5	-19.9	-28.5	-16.2	-1.4	6.6	-10.9
Consumer Confidence Index	Index (100 = previous month)	52.6	44.6	40.6	47.8	49.4	48.5	46.0	44.7	43.1	40.9	39.6	41.4	43.9	44.9	44.6
Business Sentiment Index	Index (50 = previous month)	43.1	45.2	41.3	44.2	45.6	50.1	46.0	43.0	46.5	41.4	40.0	42.6	47.0	48.4	45.0
<b>Supply Side</b>																
Farm Income	%YOY	2.6	18.1	-1.1	6.2	10.3	11.7	23.6	14.8	16.2	5.8	0.8	-8.3	-10.1	-3.5	4.0
Manufacturing Production Index	%YOY	-9.3	20.6	-0.2	-2.0	-1.3	5.9	18.0	25.7	18.3	3.9	-4.7	0.3	3.0	4.8	5.8
Capacity Utilization, sa	%	61.0	67.5	60.2	64.1	64.0	63.9	71.5	65.8	64.7	60.8	57.5	62.4	64.1	64.5	64.0
Tourist Arrivals	%YOY (2020), thousands	-83.2	20.3	45.4	7.7	5.7	6.7	8.5	6.1	6.0	18.1	15.1	12.2	20.3	91.3	197.4
Domestic Trips	%YOY	-46.4	88.3	-87.8	-65.9	-37.4	71.5	5261.5	140.2	-70.8	-91.3	-92.0	-80.6	-66.4	-30.9	-48.2
Hotel Occupancy Rate	%	29.5	8.3	5.5	10.9	16.0	21.5	14.6	5.0	5.2	3.5	3.5	9.4	16.2	25.0	11.9
Domestic Passengers (28 airports)	%YOY	-40.5	99.3	-92.0	-77.1	-68.0	-6.1	2134.8	3.7	-40.8	-88.1	-99.6	-88.0	-68.1	-51.8	-58.2
<b>Labour Market</b>																
Unemployment Rate	%	1.7	1.9	2.3	na	na	na	na	na	na	na	na	na	na	na	2.0
Youth Unemployment Rate	%	7.3	8.5	8.6	na	na	na	na	na	na	na	na	na	na	na	8.5
Unemployment Rate (SSO)	%	3.1	2.8	2.7	3.3	2.8	3.1	2.9	2.7	2.8	2.8	2.8	2.5	2.6	2.6	2.8
Average Hours Worked	%YOY	-4.7	8.7	-2.1	na	na	na	na	na	na	na	na	na	na	na	-4.4

Source: EIC analysis based on data from CEIC, BoT, OAE, OIE, NSO, TAT and Google

# Economic activities dropped as Omicron cases surged in early January. The government however has refrained from imposing stricter domestic movement measures.

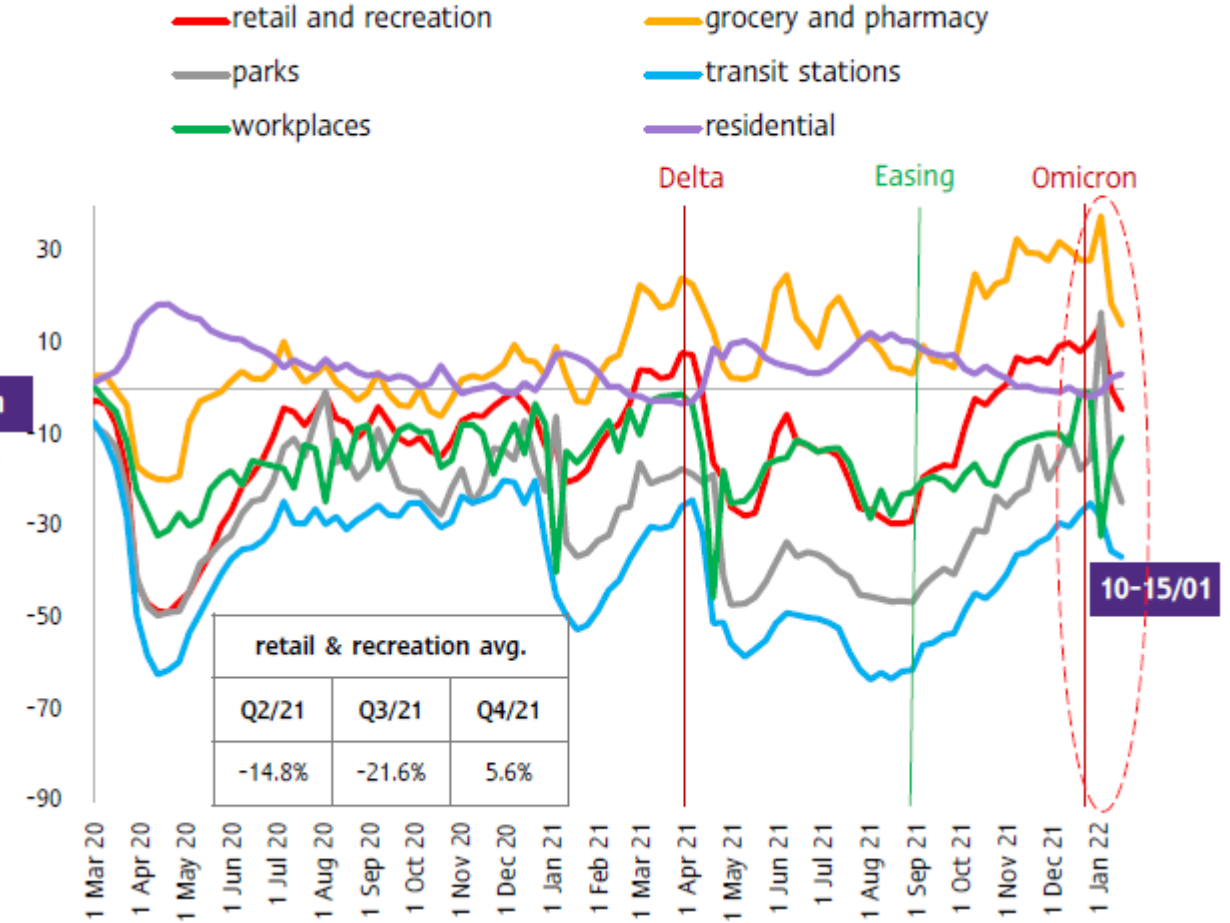
## Facebook Movement Range Index

Unit: % change from baseline (February 2020), 7DMA



## Google Mobility Report

Unit: % change from baseline (Jan-Feb 2020), weekly average

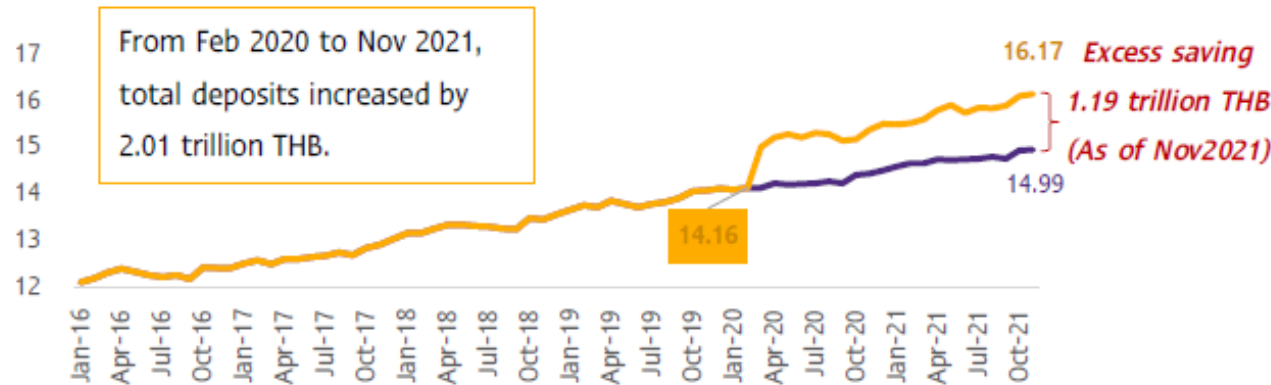


Source: EIC analysis based on data from Facebook and Google

# Consumption is expected to be boosted by pent-up demand, likely to concentrate largely in high income households. This is in line with rising deposits during COVID, which concentrated mostly among big ticket deposits.

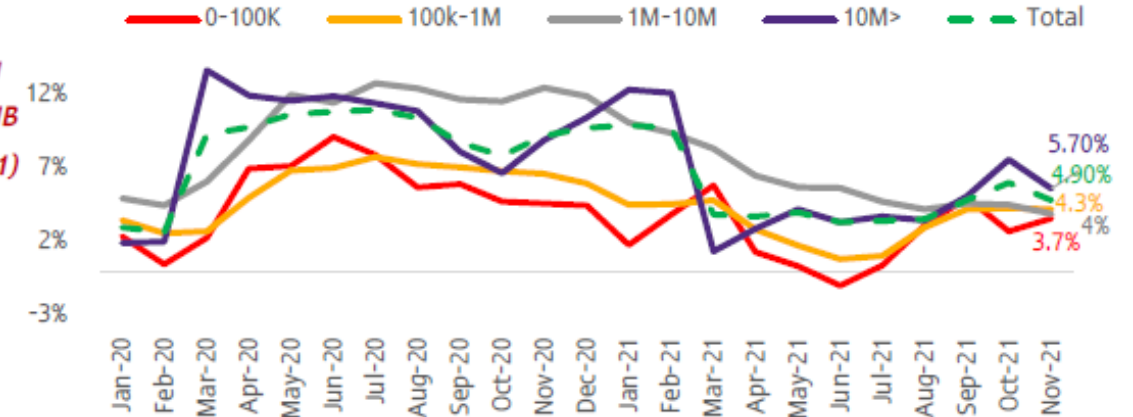
Total deposits, compared with its 5-year trend

Unit: trillion THB



Change in total deposits, classified by account sizes

Unit: % YOY



Shares of increased deposits, classified by account sizes

Unit: % Note: Share of increased deposits compares Nov 2021 to Feb 2020

Share of increased deposits	Share of value*	Share of account numbers*
0-100K	1.65%	91.1%
100K-1M	10.32%	7.4%
1M-10M	26.11%	1.4%
10M+	61.91%	0.1%
Total	100%	100%

*Most increased deposits are in large account, which have small share of account numbers*

Note: \* = Share of value and Share of account numbers is the data of Feb 2020

Source: EIC analysis from the data of BOT



Thailand's total deposits are still at a high level with THB 2.01 trillion increase since February 2020. In November 2021, total deposits grew 4.9%YOY.



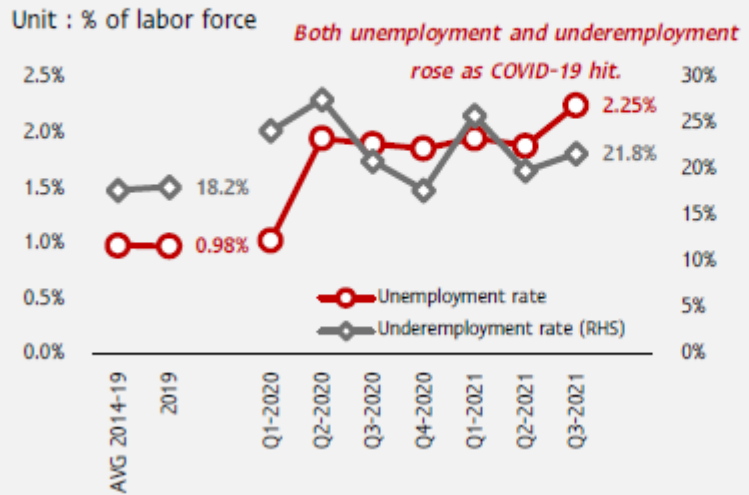
Deposits accelerated (YOY) in every account size. Deposit accounts of over THB 10 million saw the largest expansion while accounts of less than THB 100 thousand had the smallest expansion.



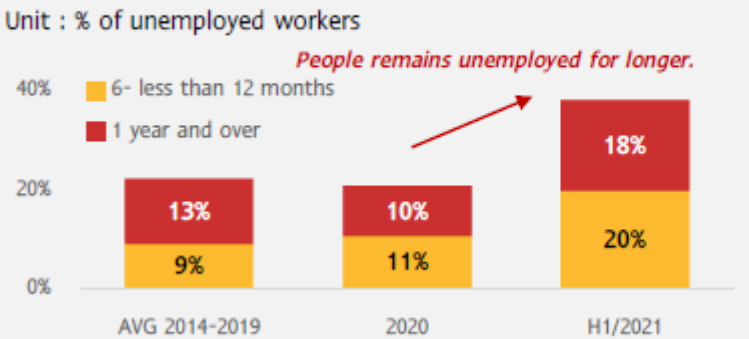
Individual deposits began to decelerate. This could be a result of increasing spending after easing restrictions. However, the spending may not accelerate much as most of the deposits are accumulated by the wealthy who tend to have lower spending per additional income.

# Economic recovery ahead is expected to be slow due to major economic scars including **1** long term weaknesses in labor market, and **2** household debt overhang and rise of informal debt.

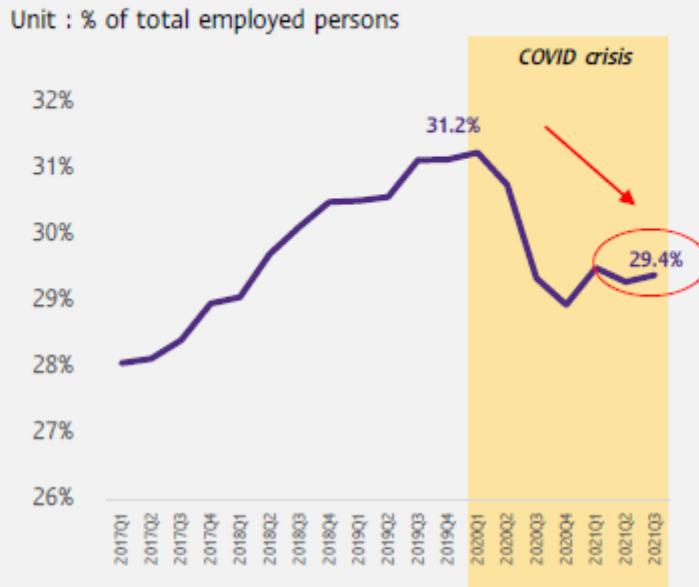
## 1 Unemployment and underemployment (<35hr/wk)



## Proportion of long-term unemployment (6 months+)

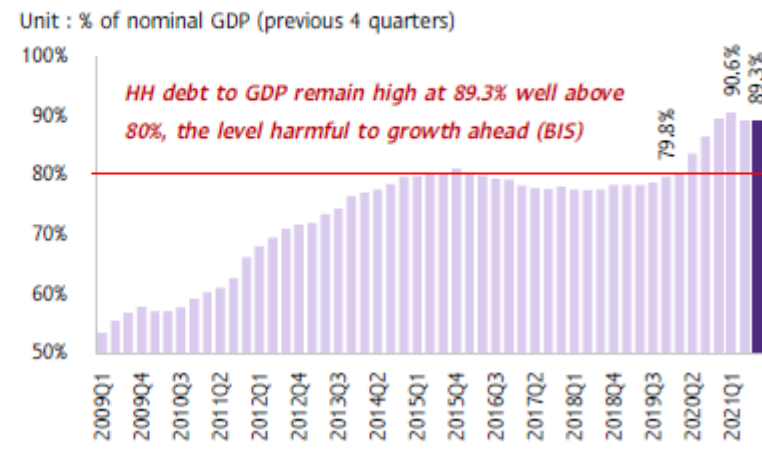


## Proportion of formal workers (section 33\*)

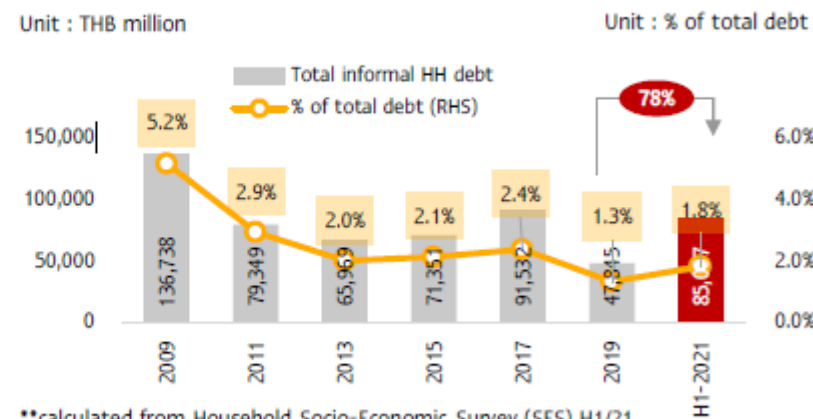


- Around 600k workers has turned informal during COVID crisis.
- NSO data shows that informal workers earn 30% less than employees on average.
- Many businesses have also cut labor demand post-Covid and utilizing automation technology and software to replace human.

## Household debt to GDP **2**



## Informal debt\*\*



\*\*calculated from Household Socio-Economic Survey (SES) H1/21

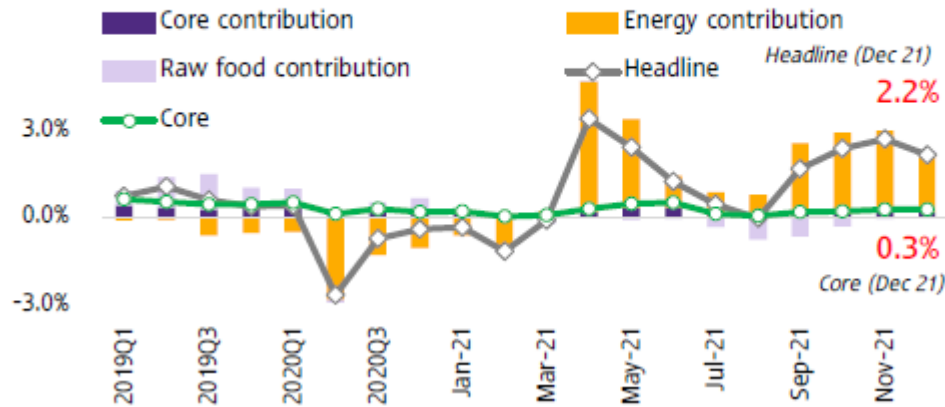
Source : EIC analysis based on data from National Statistical Office, Social Security Office, and Bank of Thailand



# Energy costs explain much of Thailand's rising inflation, but raw food prices have surged in recent months, while demand side pressure remains subdued

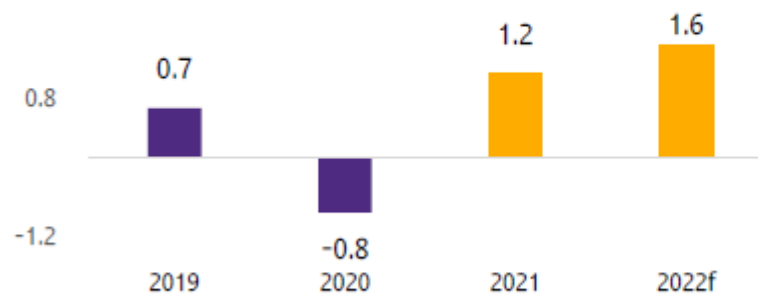
## Thailand's headline inflation

Unit: %YOY



## Forecast inflation by EIC

Unit: %YOY



## Contribution to growth of CPI in December 2021

	%YoY	Share	2020	Oct-21	Nov-21	Dec-21	YTD
<b>Total</b>		100%	-0.8%	2.4%	2.7%	2.2%	1.2%
<b>Food and non-alcoholic beverages</b>		40.4%	1.2%	-0.3%	0.4%	0.8%	-0.1%
- Raw food		20.6%	1.7%	-1.5%	-0.2%	0.6%	-1.0%
- Meat (excl. duck, chicken, and aquatic animal)		3.5%	5.8%	-2.8%	0.6%	4.0%	2.3%
Apparel and footwears		2.2%	0.0%	-0.3%	-0.2%	-0.2%	-0.3%
Housing and Furnishing		23.2%	-1.0%	-0.2%	-0.1%	-0.1%	-1.7%
Medical and Personal Care		5.7%	0.3%	0.3%	0.4%	0.3%	0.2%
Vehicle, transport, and communication		22.7%	-4.6%	11.6%	11.7%	8.7%	7.7%
Recreation, reading, education, and religion		4.5%	0.1%	-0.9%	-1.0%	-1.0%	-0.4%
Tobacco and alcoholic beverages		1.4%	0.0%	0.6%	1.2%	1.4%	0.3%

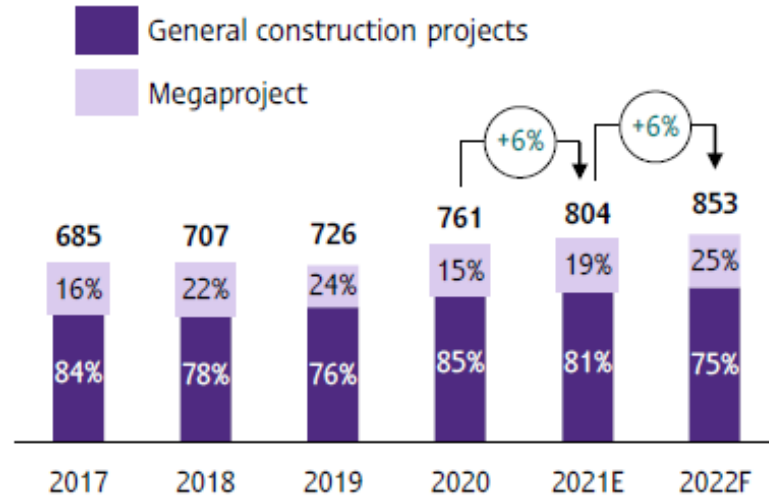
Items	Government imposed measures to reduce possible impact from higher energy and raw food price
Diesel	• Limit diesel price up to TBH30/liter until March 31, 2022
LPG, NGV	• Limit LPG price in household cooking up to TBH318/15Kg cylinder until March 31, 2022
Electricity	• TBH13,594 million in the Take or Pay benefit account from Myanmar to help reduce electricity costs by TBH0.22/unit.
Transport services	• Requesting cooperation for transport operators to slow down the raise in fares and freight
Pork	• Prohibition of pork exports for a period of 3 months (may consider extending the measure as appropriate)

Source: EIC analysis based on data from Ministry of Commerce and CEIC

# Government has an important role to financing public investment and support programs in order to shore up economic recovery

## Government Construction

Unit: TBH Billions



Transport system development will support public investment in the medium term

- Thai-Laos-China Railway Connection
- Motorway and Railway Master Plan : MR-MAP

### Possible challenges in public investment

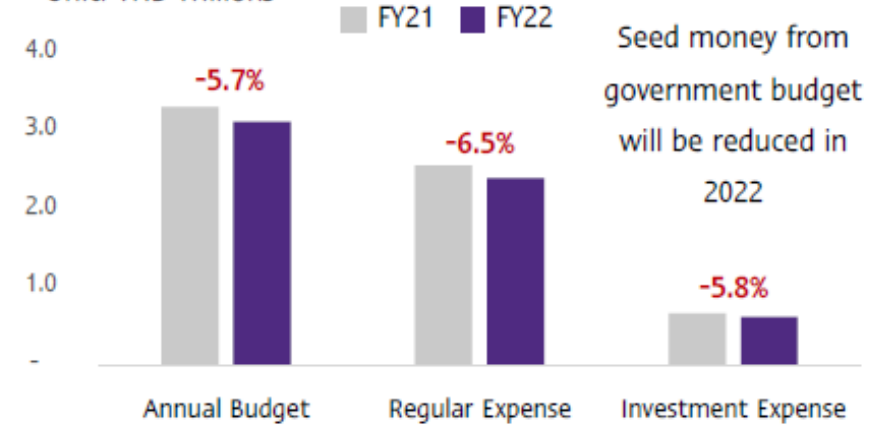
- Possible delays in bidding for new projects
- Labor shortage
- Higher materials cost

### Public debt level forecast

- If the current TBH500 billion loan decree is expired and there is no more loan in line, public debt is likely to reach 63% of GDP at the end of FY2022.
- The government still has room to borrow about THB 1 trillion before hitting the public debt ceiling of 70% per GDP. Government has planned on the budget deficit for at least the next 5 fiscal years

## Annual Budget Framework

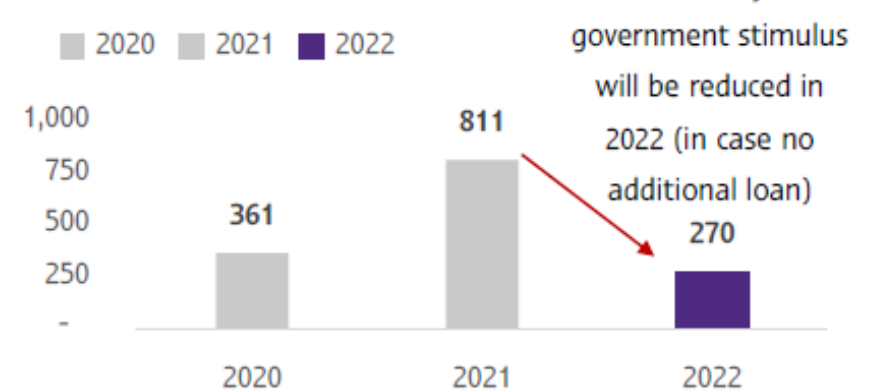
Unit: THB Trillions



Seed money from government budget will be reduced in 2022

## Additional Government Stimulus

Unit: THB Billions

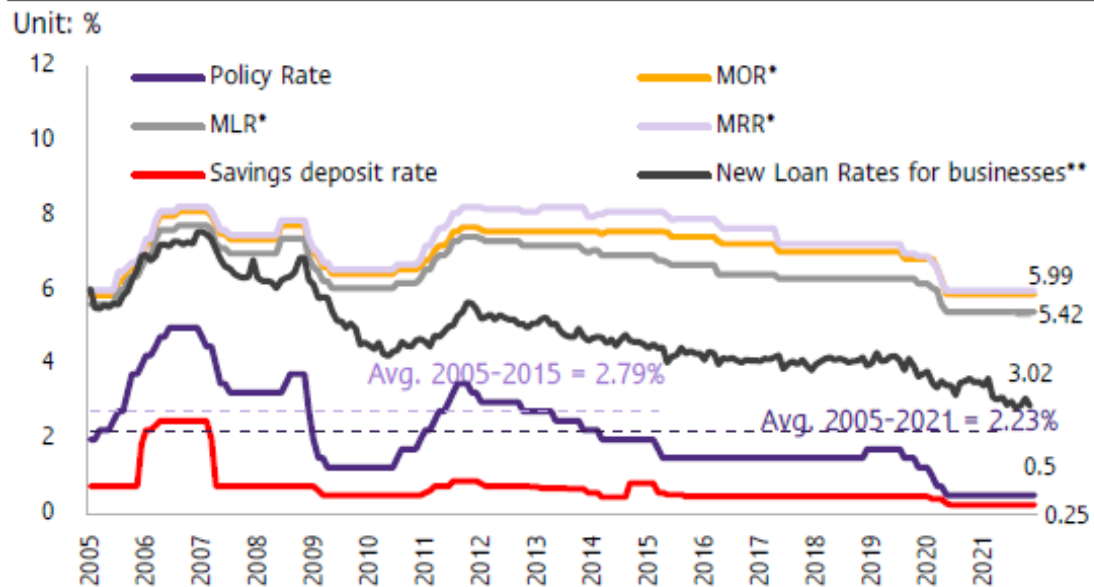


Seed money for government stimulus will be reduced in 2022 (in case no additional loan)

Source: EIC analysis based on data from the Government House of Thailand

# EIC expects the MPC to keep rate on hold at 0.5% through 2022, despite tightening monetary stances in major economies, in order to support growth recovery. Thai yield curve will steepen in 2022.

## Interest Rates in Financial Market



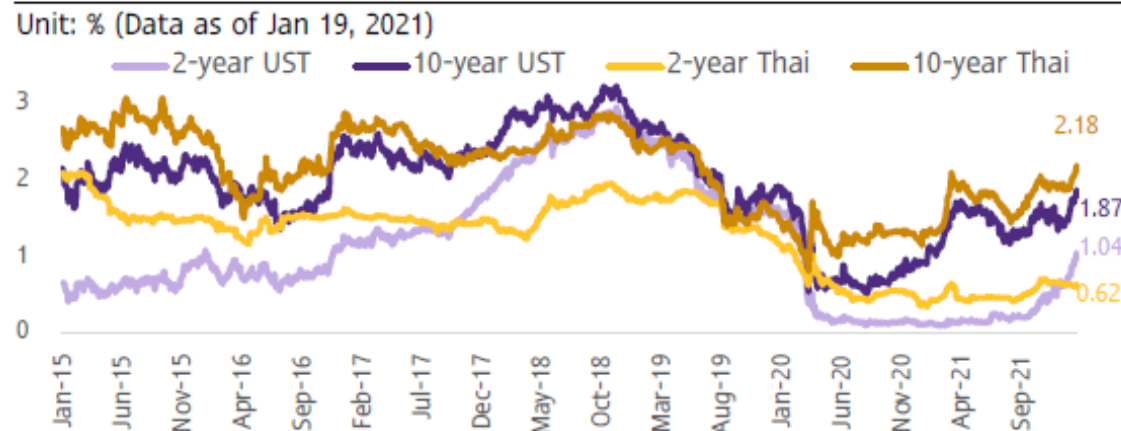
Note : \*average of max and min rate \*\*weighted average of interest rates on new loans

## External factors have limited impacts on Thai economy

Low external debts	Low foreign investment	Large international reserves
36% of GDP (38% ST external debts to all external debts)	26% in equity market 9% in bond market	3 times of short-term external debts

Source: EIC analysis from the data of BOT

## Government bond yield



EIC expects the MPC to keep rate on hold at 0.5% throughout 2022

as Thai economy will only begin to recover in 2022H2 and will likely return to the pre-COVID level in mid-2023. The first policy rate hike may occur in 2023.



Tightening monetary policies of major economies will have only limited

impact on Thai economy as Thailand's external stability remains strong with a low risk of large capital outflows and rapid baht depreciation.



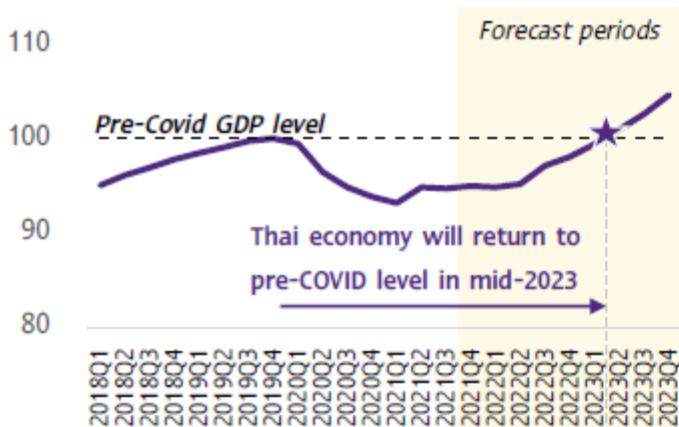
Thai yield curve tends to steepen in 2022 from rising long-term yield (10Y yield 2.2-2.3% at YE2022) which may lead to a higher cost of funds in the bond market.

# Thai economy will expand 3.2% in 2022 as Omicron weighs on recovery through the first quarter

EIC Forecast	Unit	2021f	2022f
GDP	%YOY	1.1	3.2
Private Consumption	%YOY	0.9	3.4
Public Consumption	%YOY	2.8	-0.6
Private Investment	%YOY	3.2	4.0
Public Investment	%YOY	3.8	4.8
Export of Goods and Services (USD BOP basis)	%YOY	16.3	3.4
Import of Goods and Services (USD BOP basis)	%YOY	23.5	4.3
Tourist Arrivals	millions	0.3	5.9
Headline Inflation	%YOY	1.2	1.6
Policy Rate (year-end)	%	0.50	0.50

## Forecast of Thailand's Real GDP

Unit: 4-quarter rolling sum (2019Q4 = 100)



### Key risks to monitor

- **Emerging variants** of COVID-19
- **Supply chain disruptions** on production and logistics of trading partners, esp. China
- **High inflation** that may prompt central banks' early tightening and FX volatility
- Impact from **economic scars** may compromise domestic demand recovery
- **Heightened geopolitical tensions**

### 2022 Economic Outlook

**Omicron** will weigh on Thailand's recovery in the first quarter, as suspension of Test&Go scheme in January turned away some arrivals. With high vaccination, the ramp-up of booster shots and Omicron's low hospitalization risks, the Covid-19 pandemic will slowly become an endemic. **Inflation** will edge up mainly as a result of supply issues but will slowly subside. Despite global tightening conditions, EIC expects **BoT to hold the policy rate at 0.5%** through 2022 to support Thai economy's gradual recovery.

### Key opportunities

- **Pent-up demand** from accumulated savings
- **Export** will keep expanding as global demand rises
- **Investment in technology and machinations** to ready the business for the post-Covid world (shrinking labor force, e-commerce, platforms)
- **FDI relocation** into ASEAN to mitigate impact from US-China rivalry and to benefit from RCEP

Source: EIC analysis

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## **Key highlights**

# Key Highlights

## I. Manageable asset quality

- Asset quality remained under control
- Relief customers being transitioned to comprehensive debt restructuring to increase long term survival

## II. Solid performance in 2021

- Strong financial performance with a resumption of earnings growth (31% YoY)
- Banca/Wealth performing well and higher gains from investments
- A leap in digital adoption (digital banking/lending) and customer engagement (food delivery)

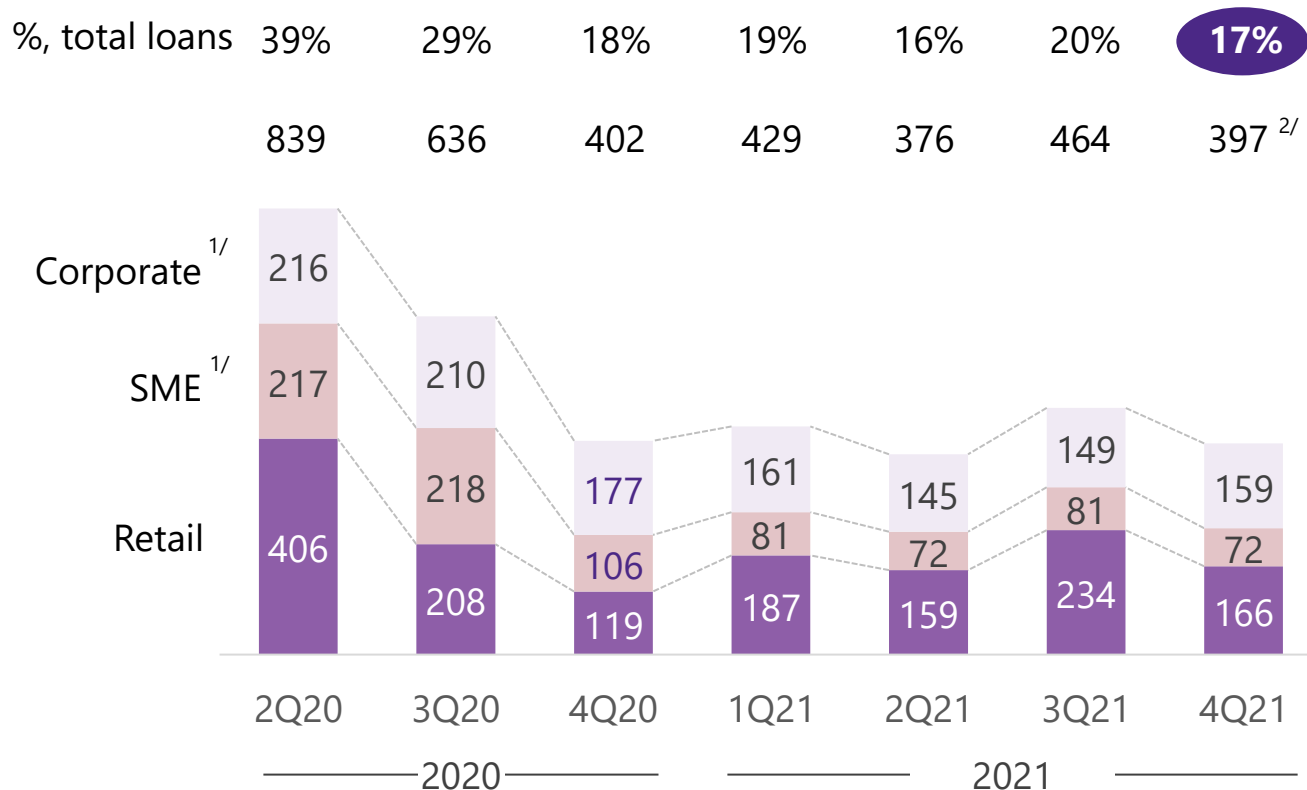
## III. Positioning for post pandemic recovery in 2022

- Expand Banca/Wealth customer base through digital channels
- Enhance digital engagement
- Complete SCB<sup>X</sup>-related processes for a new growth journey

# Loans under relief program declined to 17% of total loans in 4Q21

## Loans under the relief program

(Baht billion)



- In 4Q21, the relief program declined QoQ, following end of BOT's two-month debt holiday (Housing & Auto) and lower new/re-entry customers.
- About two-thirds of the relief program as of 4Q21 has been migrated to the comprehensive debt restructuring program.
- Of the total ever enrollment in the relief program (Baht ~920 billion), stage 3 is 7-8% at the end of 4Q21.
- Further deterioration in asset quality of the remaining relief customers should be limited.

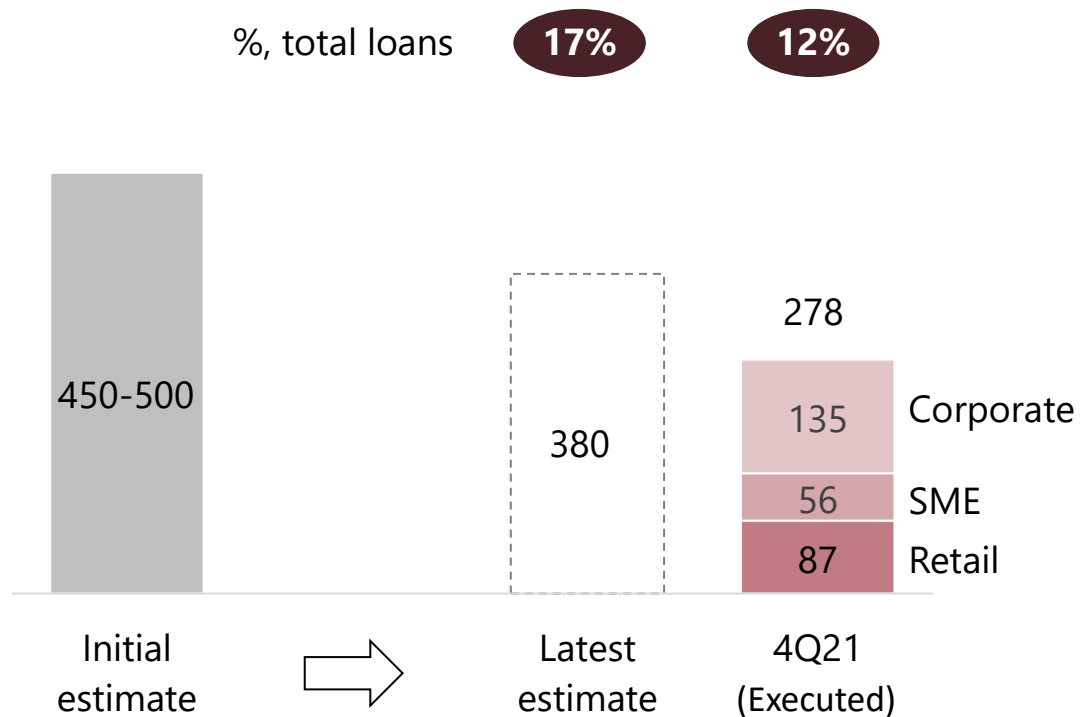
<sup>1/</sup> Based on exposures at the customer level which is higher than the account level under the relief program

<sup>2/</sup> Including loans under the comprehensive debt restructuring plan

# Comprehensive debt restructuring to ensure survival and sustainable recovery

## Loans under the comprehensive debt restructuring program

(Baht billion)



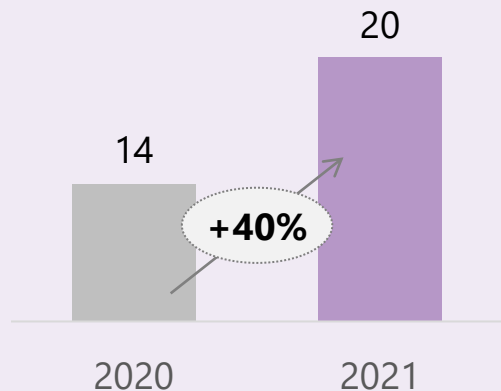
- The volume is lower from the initial estimate due to improved visibility of customers' financial situation.
- So far, restructured loans under the comprehensive program amounted to Baht 278 billion.
  - 80% of the restructured loans was under the blue scheme <sup>1/</sup>
  - "Ability to pay" of customers improved after restructuring and with financial cushion.
- We expect not more than 10 bps p.a. decline in NIM from the debt restructuring this year.

1/ BOT classifies two groups of customer under the long-term debt restructuring based on the complexity of their restructuring arrangements: those requiring only term extensions (Orange) and those needing more extensive restructuring conditions to reduce debt repayment burdens (Blue)

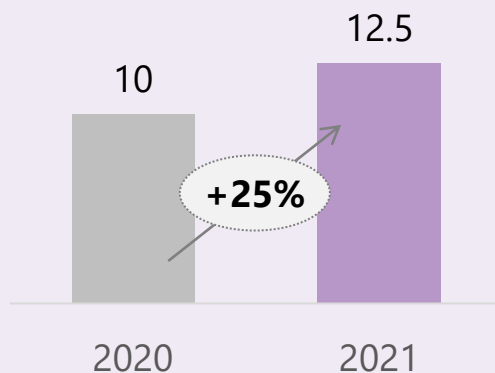


# A leap in digital adoption and engagement

**Digital users** <sup>1/</sup>  
(Registered users, million)

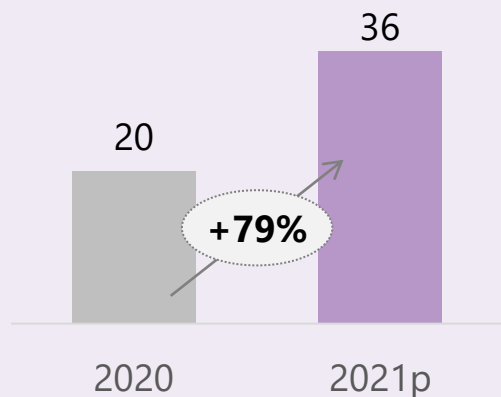


**Digital MAU**  
(Monthly active users, million)

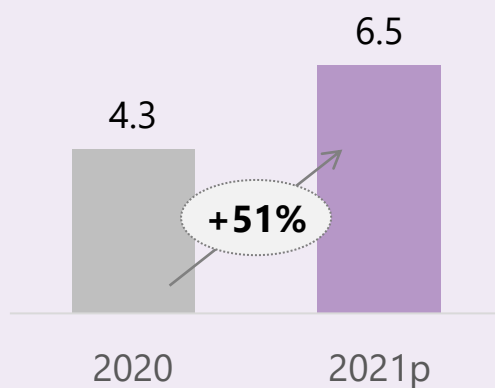


<sup>1/</sup> Combined users of major digital platforms e.g. mobile banking, lending, investment, and food delivery

**Digital loans**  
(Baht billion)



**Digital revenue**  
(Baht billion)



78%  Digital penetration

82%  Monthly active users

~400M  Monthly transactions

110%  Transaction growth



2.4 M  Registered users

186 K  Registered merchants

130 K  Average daily orders

26 K  Riders

# DBank continues to expand reach and deepen engagement with exceptional data capabilities

## Products:

### Personalized for every needs and moments

- **AI-based Lending** with instant approval and gamification features. Expansion into new underserved segments. Incorporation of Big Data into underwriting, risk management and collection.
- **Ever-present Payments** with instant connection to multiple sources of funds, e.g., savings, credit cards, loyalty points, credit line. Embedded payments into various ecosystem partners.
- **Digital Wealth revamp** with digital RMs providing personalized offerings that match the risk and spending behavior. Expansion to Upper Mass and Mass segments.
- **Digital and affordable insurance** that links to customer lifestyle and spending. Extensive connection to real-time triggers. Embedding into partner platforms.

## Platforms:

### Personalized experience with ecosystem partners

#### Revamp existing platforms and engagement engine



#### Go beyond finance to stay close to customers

**SPRING UP**

(Health App in partnership with Good Doctor Technology, launched in Jan 2022)

#### Digital offerings with ecosystem partners



**CENTRAL JD  
FINTECH**





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## **Review of 2021 results**

## 2021 financial summary – Solid performance amid the COVID-19 pandemic

1. **NII** still under pressure (-2% YoY) from **NIM** compression and softer loan growth (2% YoY)
2. Strong **Non-NII** growth (15% YoY) from better-than-expected **MTM & realized gains** on the investment portfolio and robust banca/wealth management performance
3. Effective cost control (-1% yoy) with **cost-to-income ratio** at 42%
4. Lower **credit costs** (184 bps) with additional prudent provisions in 4Q21 and higher reserve level (LLR to loans at 6.6%)
5. Strong **net profit** growth (31% YoY) with rising **ROE** (8.4%) and **ROA** (1.1%)
6. **Asset quality** remained manageable with **NPL ratio** at 3.79% and **NPL coverage** at 139%
7. Strong **capital** position with CET1 ratio at 17.6%

# 2021 financial highlights

(Consolidated)		2021	2020 <sup>1/</sup>			2021	2020
 INCOME/ COST	<b>Total income growth (YoY)</b>	<b>+4%</b>	+2%	 LOANS/ ASSET QUALITY	<b>Total loan growth (YoY)</b>	<b>+2%</b>	+7%
	<b>NII growth (YoY)</b>	<b>-2%</b>	-3%		<b>Net Interest Margin (NIM)</b>	<b>3.00%</b>	3.23%
	<b>Non-NII growth (YoY)</b>	<b>+15%</b>	+12%		<b>Loan/Deposit ratio</b>	<b>93%</b>	93%
	<b>Cost/Income ratio</b>	<b>42%</b>	44%		<b>NPL ratio</b>	<b>3.79%</b>	3.68%
	<b>Pre-provisions operating profit (YoY)</b>	<b>+8%</b>	+12%		<b>Coverage ratio</b>	<b>139%</b>	141%
	<b>Net profit growth (YoY)</b>	<b>+31%</b>	-25%		<b>Credit cost (bps)</b>	<b>184</b>	214
 PROFITABILITY	<b>ROE</b>	<b>8.4%</b>	6.7%	 CAPITAL	<b>CAR</b>	<b>18.7%</b>	18.2%
	<b>ROA</b>	<b>1.1%</b>	0.9%		<b>CET1/ Tier 1</b>	<b>17.6%</b>	17.1%

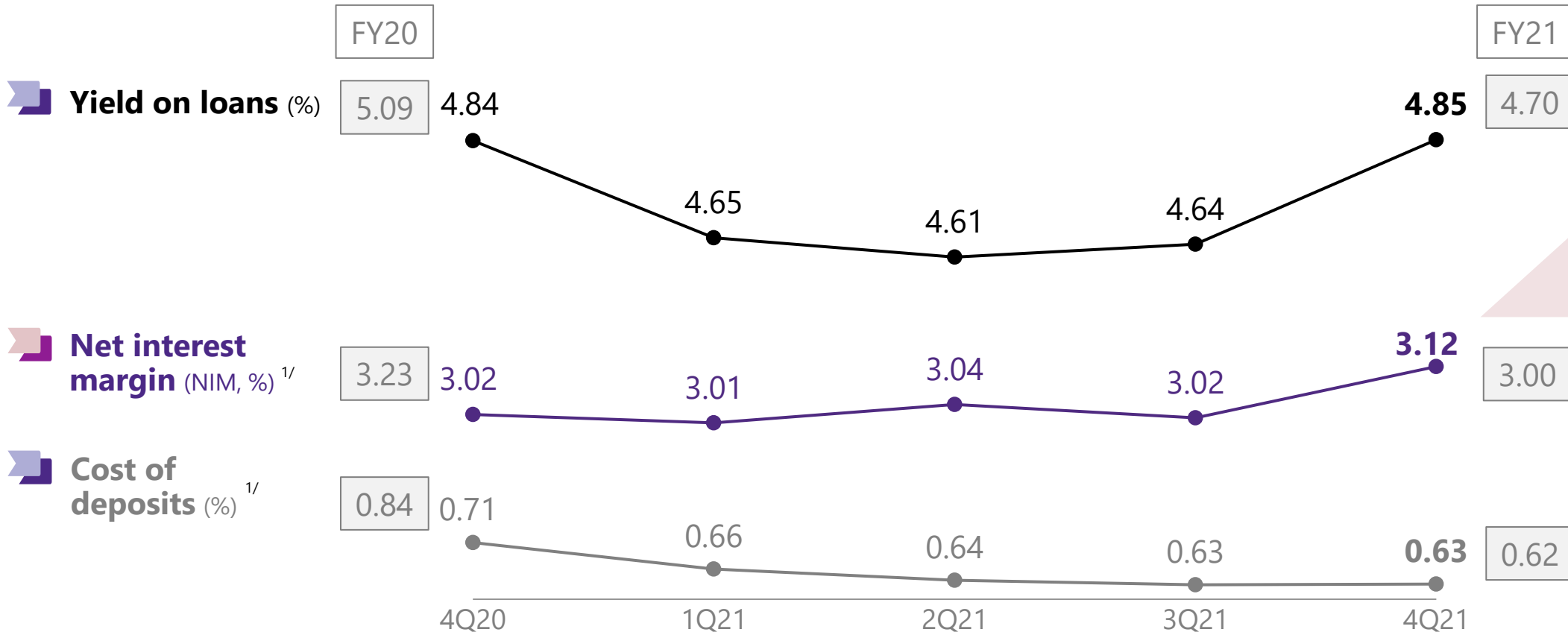
<sup>1/</sup> YoY growth excluded the one-time gain from sale of shares in SCB Life in 2019

## 4Q21 and 2021 financial results

Baht billion (Consolidated)	4Q21	QoQ	YoY	2021	YoY
<b>Total income</b>	<b>39.2</b>	+6%	+8%	<b>150.3</b>	+4%
- Net interest income (NII)	24.8	+5%	+5%	95.2	-2%
- Non-NII	14.4	+8%	+13%	55.2	+15%
a. Recurring	10.8	+2%	-7% <sup>1/</sup>	43.3	+10%
b. Non-recurring & Others	3.6	+31%	+210%	11.9	+38%
<b>Operating expenses</b>	<b>17.3</b>	+9%	+8%	<b>63.5</b>	-1%
<b>Pre-provision operating profit</b>	<b>22.0</b>	+4%	+8%	<b>86.8</b>	+8%
<b>Provisions</b>	<b>12.0</b>	+19%	-16%	<b>42.0</b>	-10%
Tax and others	2.1	-	-	9.2	-
<b>Net profit</b>	<b>7.9</b>	-11%	+59%	<b>35.6</b>	+31%

<sup>1/</sup> High-base effect from the annual performance-linked compensation for bancassurance in 4Q20

# NIM increased qoq largely from higher NII recognition as blue scheme restructuring provides improved repayment outlook....



QoQ

- Yield on EA - Mix impact (-5 bps)
- Yield on EA - Pricing impact (+16 bps)
- Funding cost unchanged

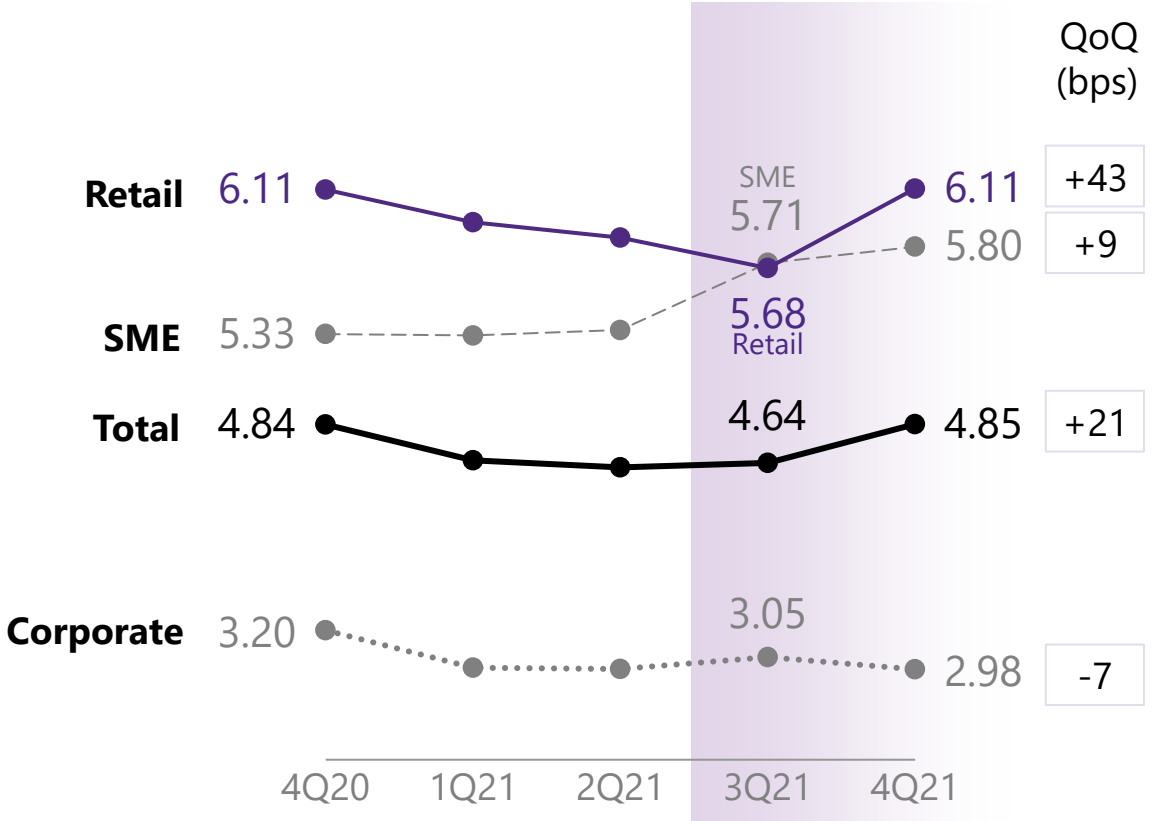
Yield on earning assets (%)	3.63	3.57	3.59	3.56	3.66
Cost of funds (%) <sup>1/</sup>	0.70	0.66	0.64	0.63	0.63

<sup>1/</sup> Including impact of FIDF fee reduction to 0.23% p.a. (1 Jan 2020 – 31 Dec 2022)

# ... similarly, as did overall loan yield

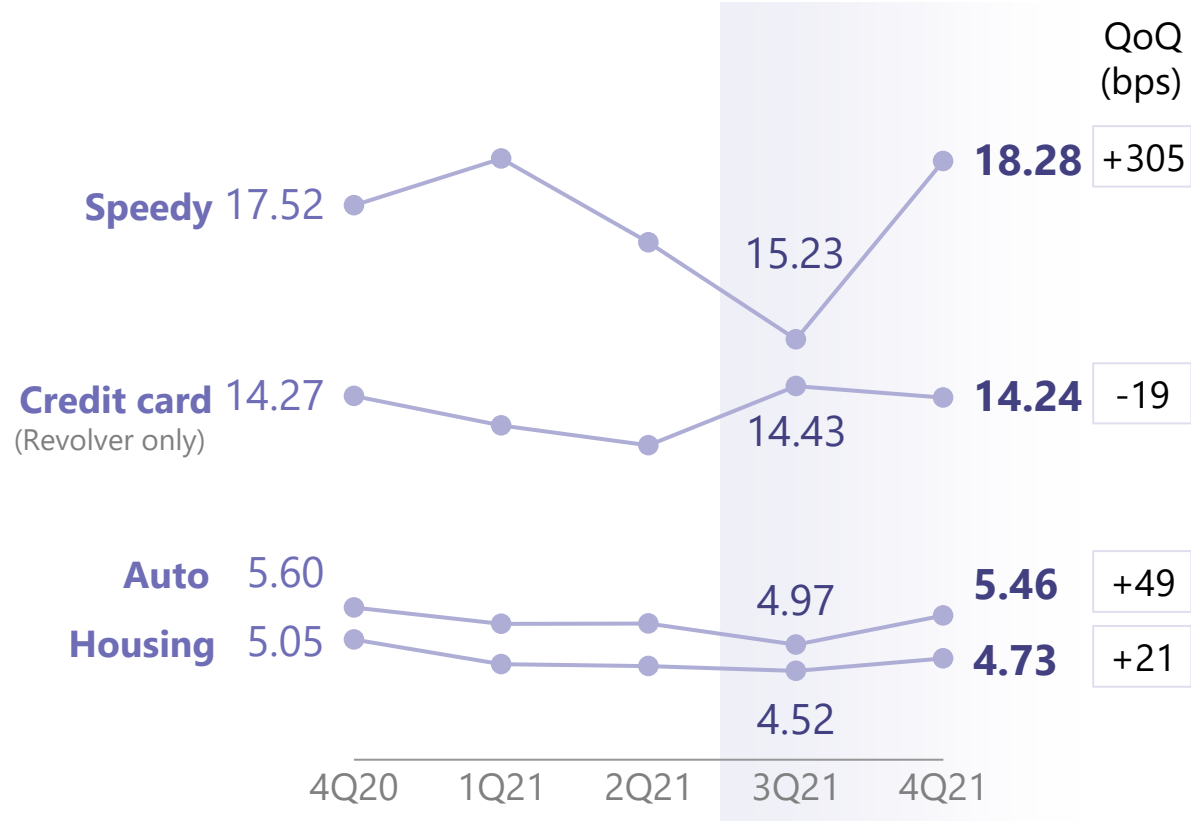
**Yield on loans by segment**

(%)



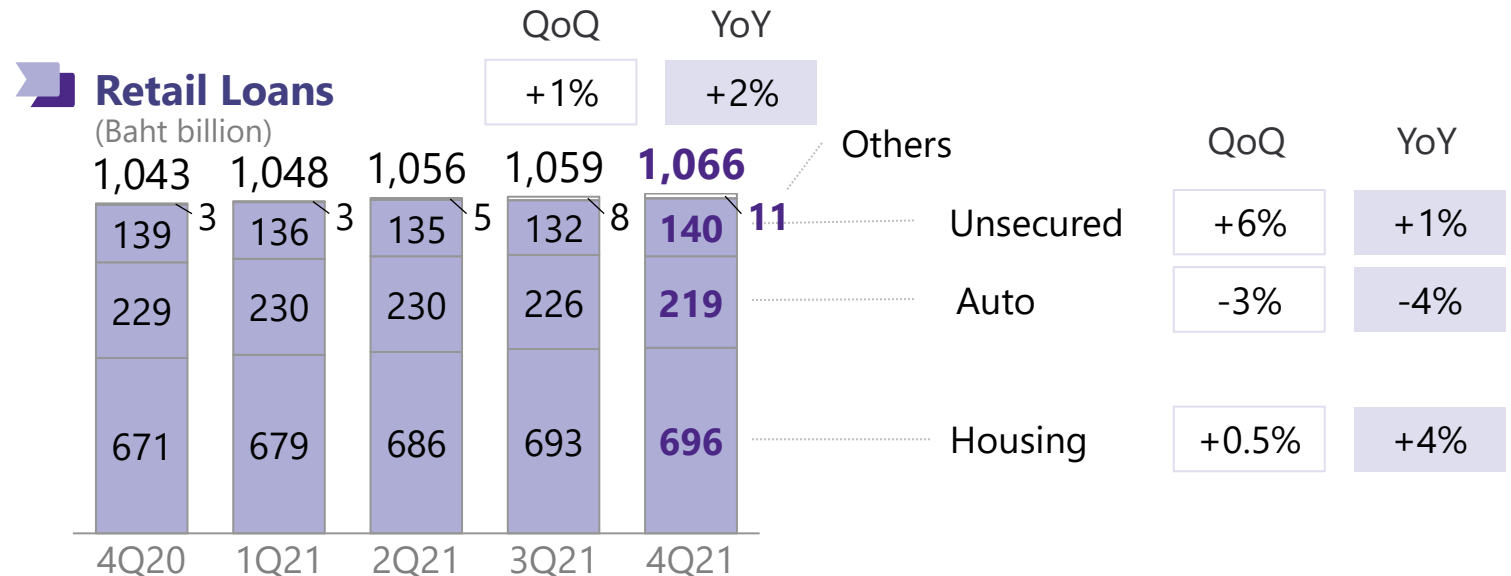
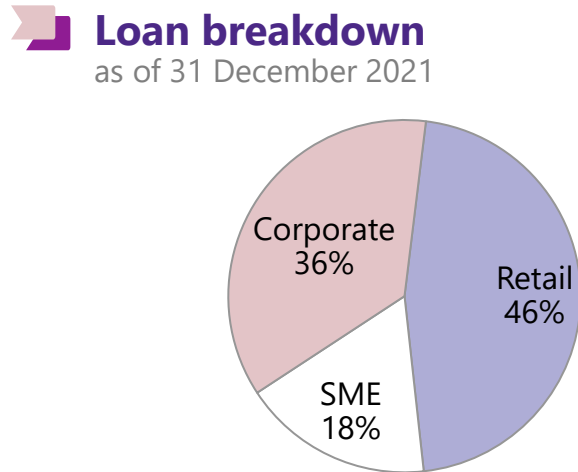
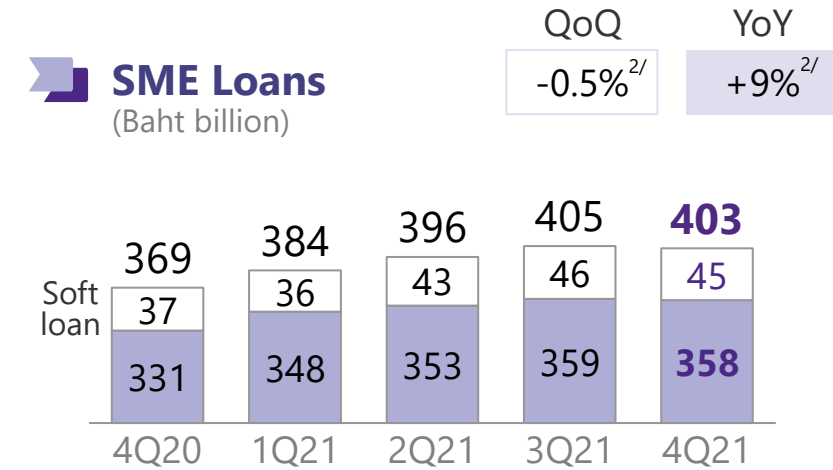
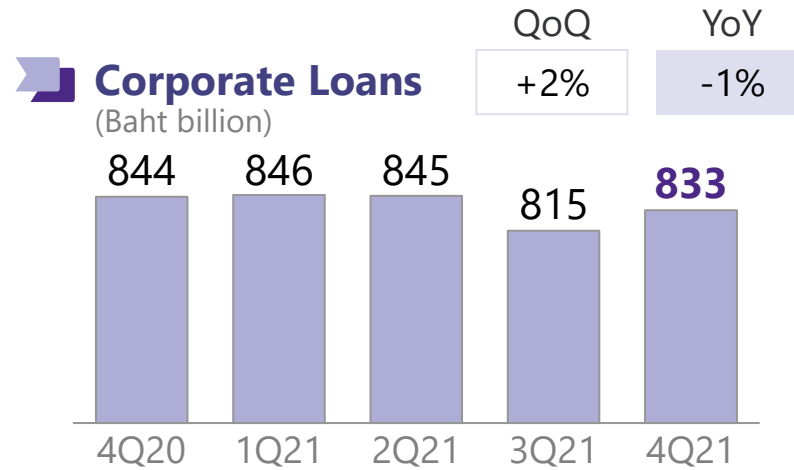
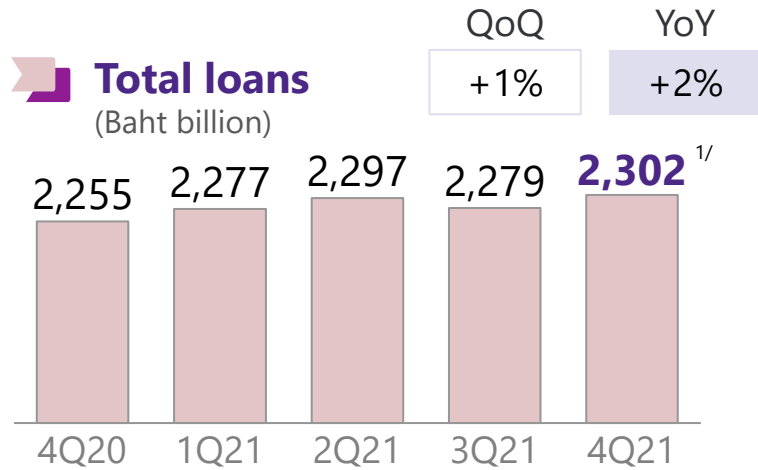
**Yield on loans by Retail products**

(%)





# Loan growth slowed as focus shifts to quality loans

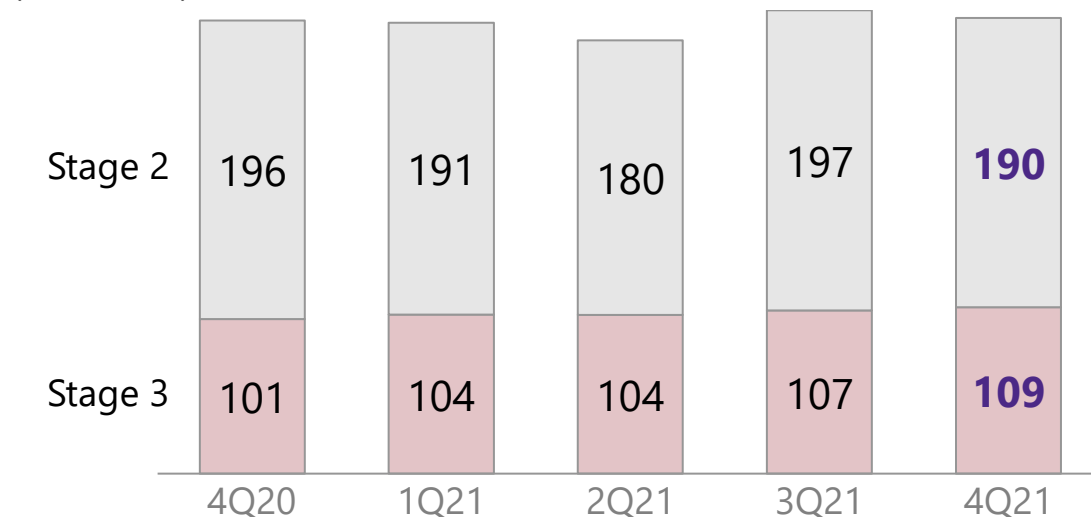


<sup>1/</sup> Including soft loans to business customers (52 billion); <sup>2/</sup> If excluded soft loans, SME loan growth in 4Q21 would be -0.3% QoQ and 8% YoY.

# New NPL formation rose qoq largely from natural flow post-relief program and qualitative downgrades

## Loan stage 2 & 3

(Baht billion)



(Baht billion)

New NPL	20.7	14.6	12.1	15.2	16.9
NPL sales	4.6	2.5	1.7	2.6	-
Write-off	1.0	3.2	4.8	4.3	7.4

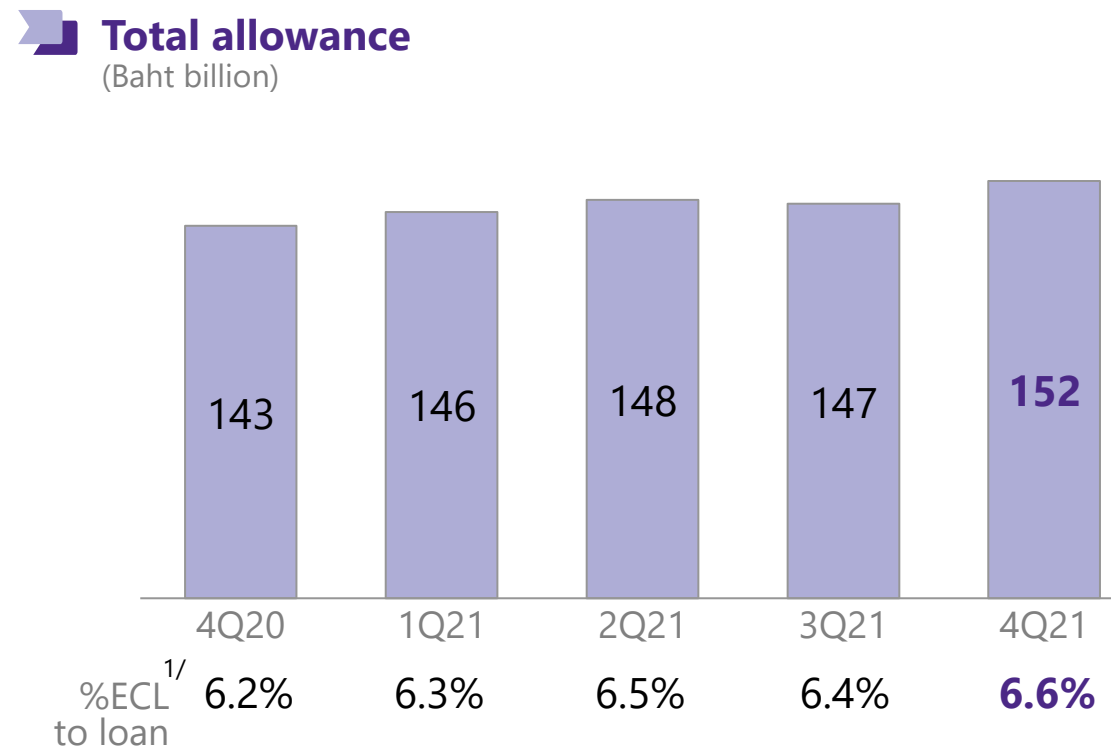
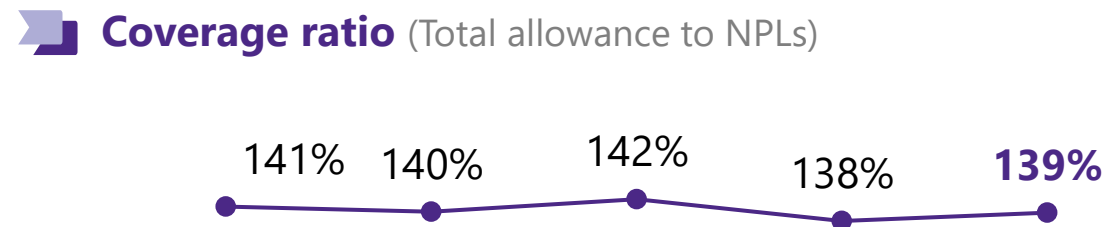
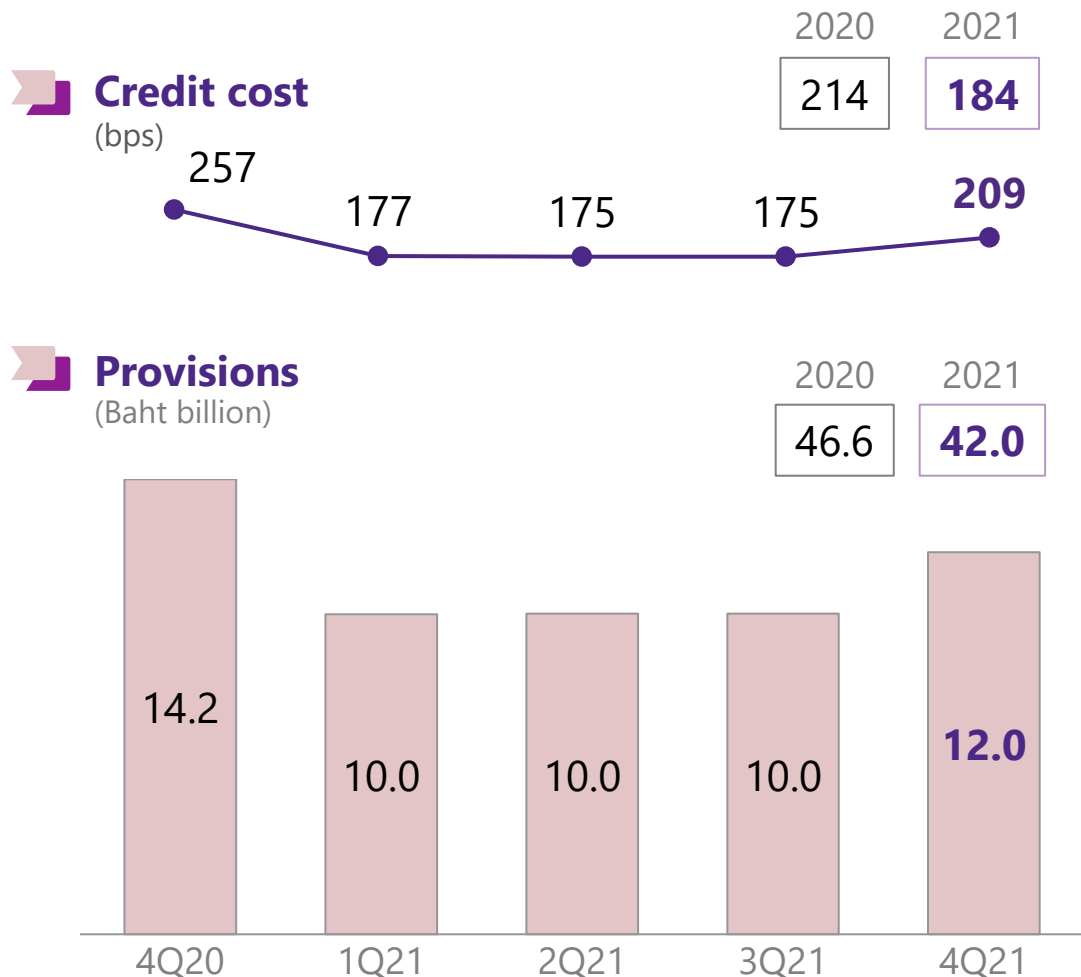
Green / Red fonts indicate decrease / increase from the previous period.

		4Q20	1Q21	2Q21	3Q21	4Q21
<b>Total Loans</b>	NPL%	3.68%	3.79%	3.79%	3.89%	3.79%
	New NPL%	0.75%	0.53%	0.44%	0.55%	0.59%
<b>Corporate</b>	NPL%	3.99%	3.89%	3.87%	4.55%	4.40%
	New NPL%	0.51%	0.08%	0.01%	0.58%	0.07%
<b>SME</b>	NPL%	11.47%	11.59%	11.51%	10.96%	11.59%
	New NPL%	2.90%	1.21%	1.14%	0.42%	1.31%
<b>Housing Loans</b>	NPL%	3.22%	3.17%	2.97%	2.79%	2.94%
	New NPL%	0.54%	0.80%	0.43%	0.38%	0.48%
<b>Auto Loans</b>	NPL%	1.49%	1.50%	1.15%	1.56%	1.55%
	New NPL%	0.45%	0.52%	0.49%	1.11%	1.46%

Note: The Bank started the qualitative loan reclassification since 3Q20

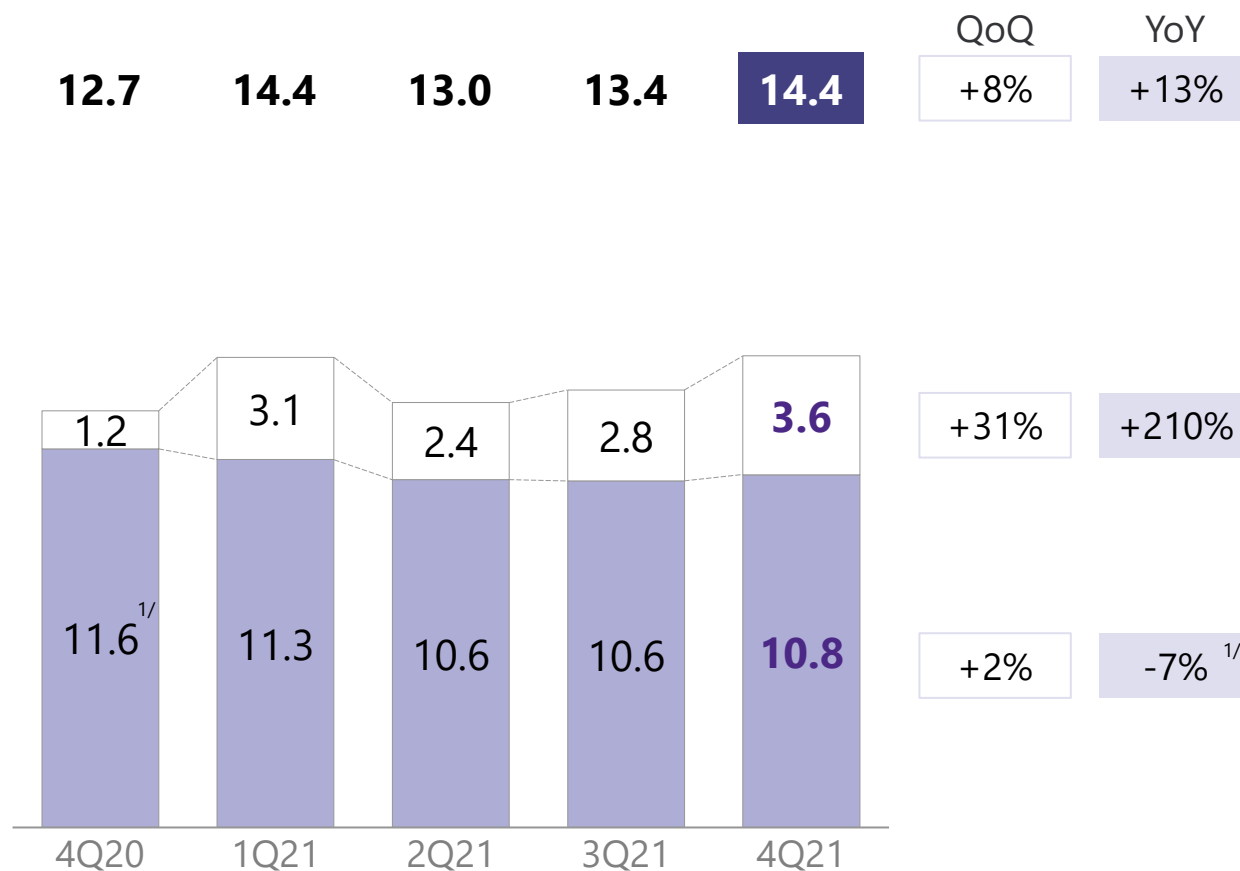
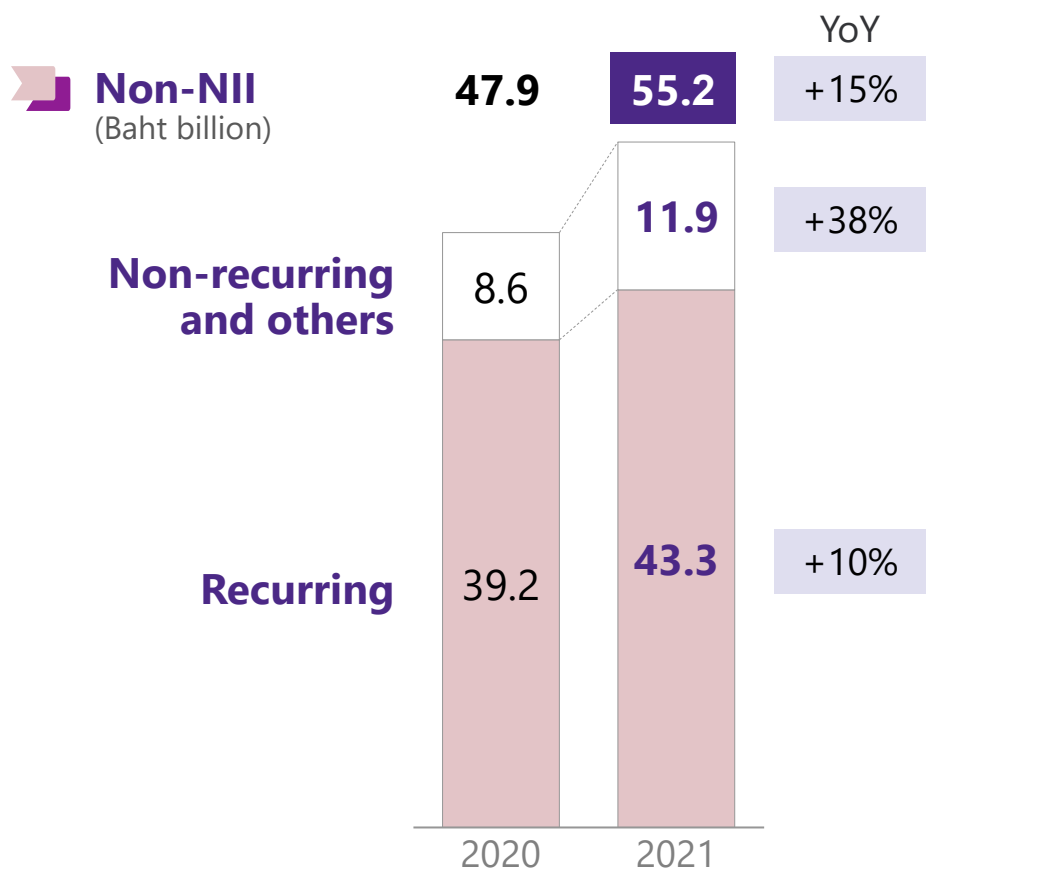
2021 Target   
 Credit cost < 200 bps  
 NPL coverage ≥ 130%

# Higher pre-emptive provisions in 4Q21 but credit cost has peaked



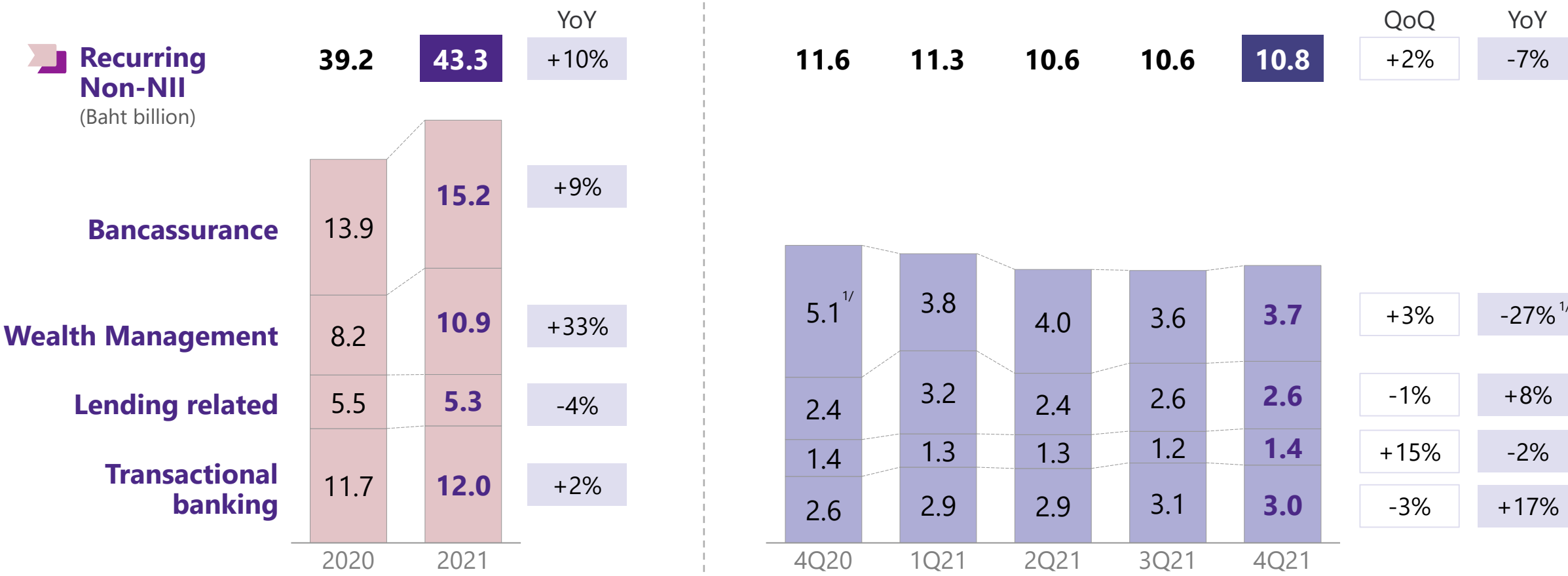
<sup>1/</sup> Loan loss reserve as a percentage of total loans

# Strong non-NII growth with higher gains related to investment/asset sales and resilient recurring income



<sup>1/</sup> Including the annual performance-linked compensation for bancassurance in 4Q20

# Recurring Non-NII driven by wealth management & bancassurance businesses (60% of recurring Non-NII) & boosted by a pick-up in Trade & FX flows



<sup>1/</sup> Including the annual performance-linked compensation for bancassurance in 4Q20

2021 Target   
C/I ratio  
Low-to-mid 40s

# OPEX under control with seasonally higher activities in 4Q21

**Cost-to-Income Ratio** 44% 42% YoY

**Total OPEX** (Baht billion) **64.3** **63.5** -1%

**Employee** 31.5 **30.0** -5%

**Premises & Equipment** 6.6 **6.4** -4%

**Depreciation** 10.1 **9.4** -7%

**Marketing** 5.4 **7.1** +33%

**Others** 6.9 **7.0**

**Taxes and duties** 3.8 **3.6**

Branch 811 **718** -93 <sup>1/</sup>

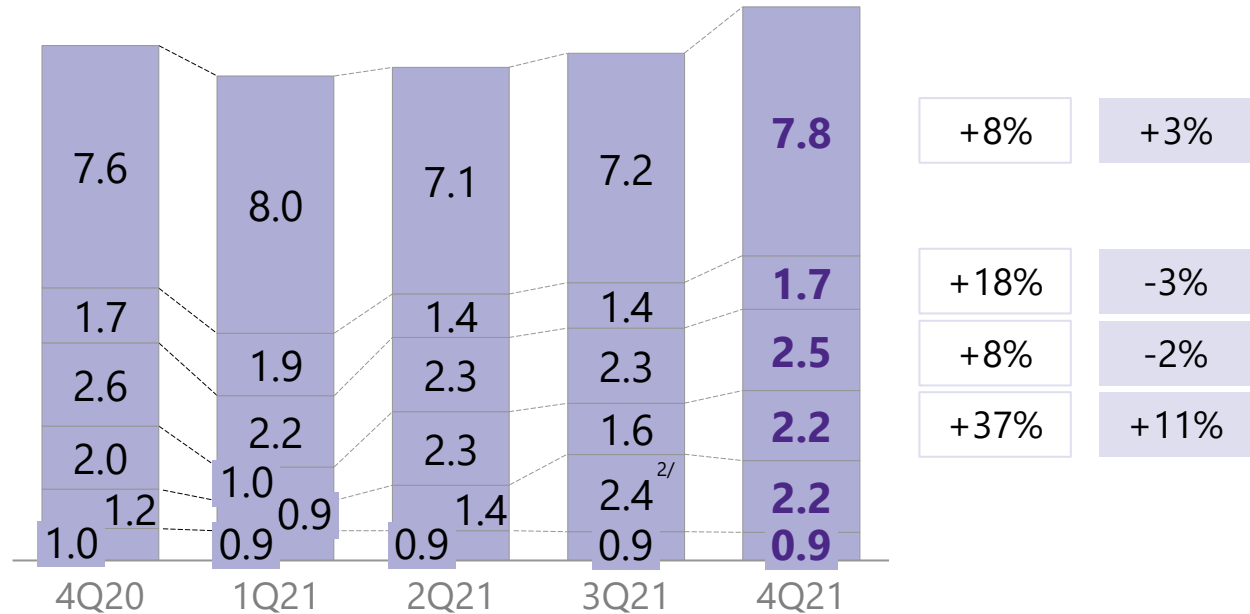
Express (Service point) - **74** +74

Headcount (Bank only) 24.0K **22.1K** -1.9K

44% 40% 42% 43% **44%**

**16.0** **15.1** **15.4** **15.8** **17.3**

QoQ YoY  
+9% +8%



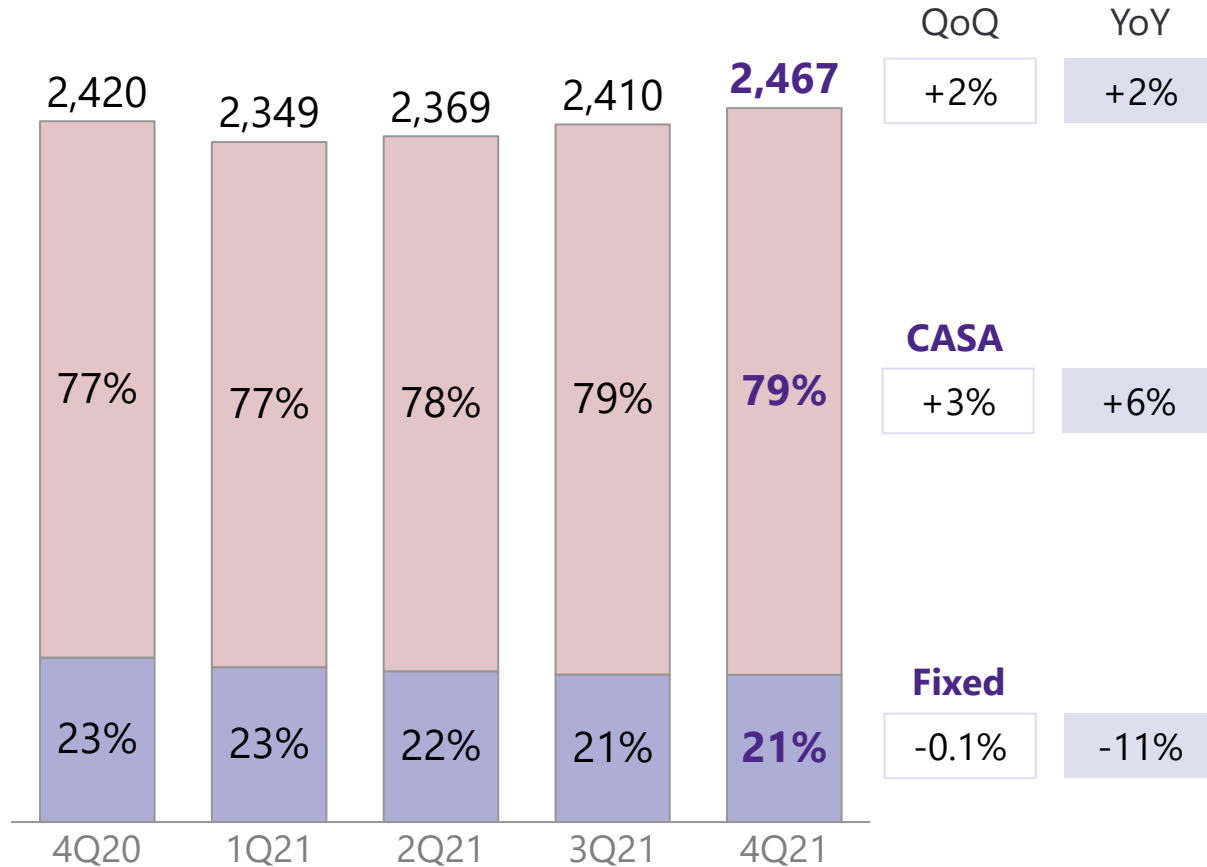
+8% +3%  
+18% -3%  
+8% -2%  
+37% +11%

<sup>1/</sup> Including branch closure and reformat

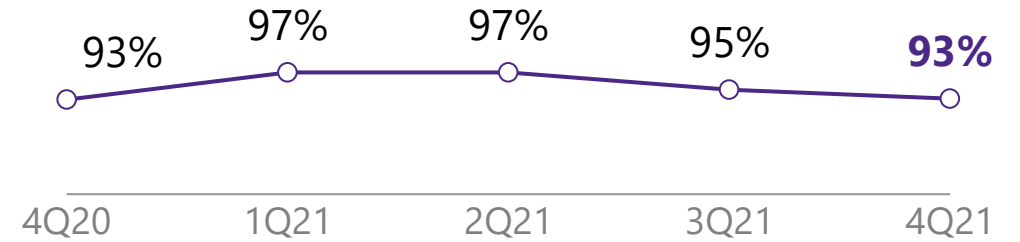
<sup>2/</sup> Including higher NPA impairment

# High liquidity with increasing CASA proportion

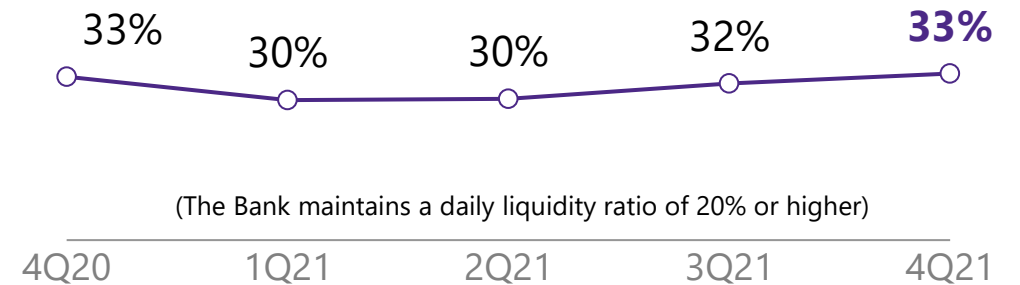
## Deposits (Baht billion)



## Loan-to-Deposit (L/D) Ratio (Consolidated)



## Liquidity Ratio <sup>1/</sup> (Bank-only)



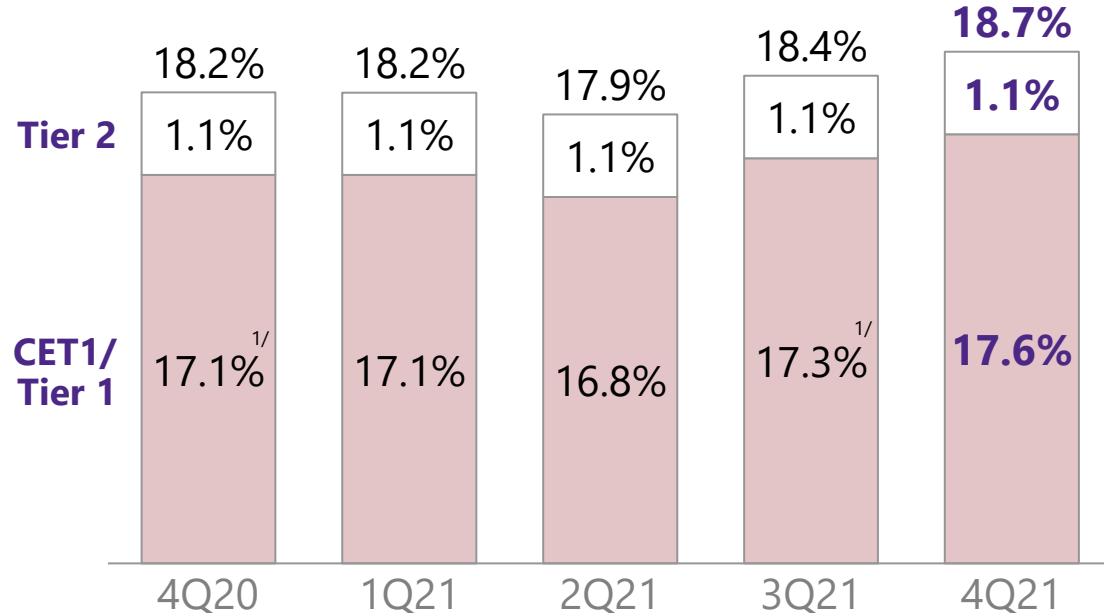
<sup>1/</sup> Liquid assets primarily comprise cash, bank's deposits, net interbank, bilateral repo with the Bank of Thailand and investment in government securities

# Strong capital position with resumption of interim dividend

## Capital Adequacy Ratio (CAR) (Consolidated)

### Regulatory Minimum

CAR	12.0%
Tier 1	9.5%
CE Tier 1	8.0%

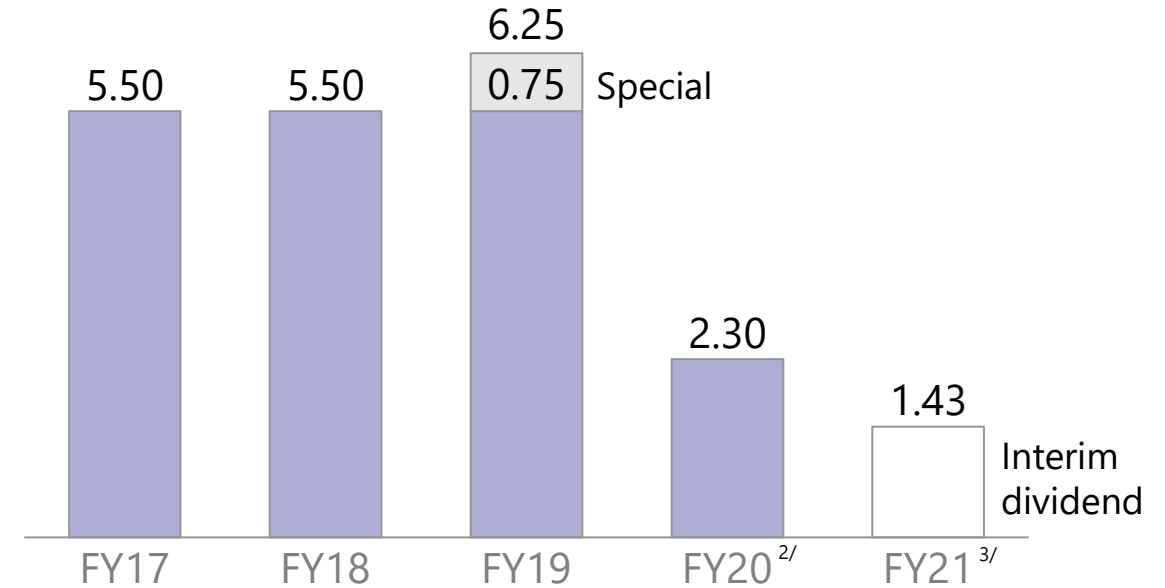


<sup>1/</sup> Including appropriation of the first half net profit (after interim dividend, if any)

## Dividend per share (Baht)

### Dividend policy:

Not less than 30% of net profit (on a consolidated basis)



### Payout ratio (consolidated)

43%      47%      53%      29%

<sup>2/</sup> Under Bank of Thailand (BOT)'s guidelines

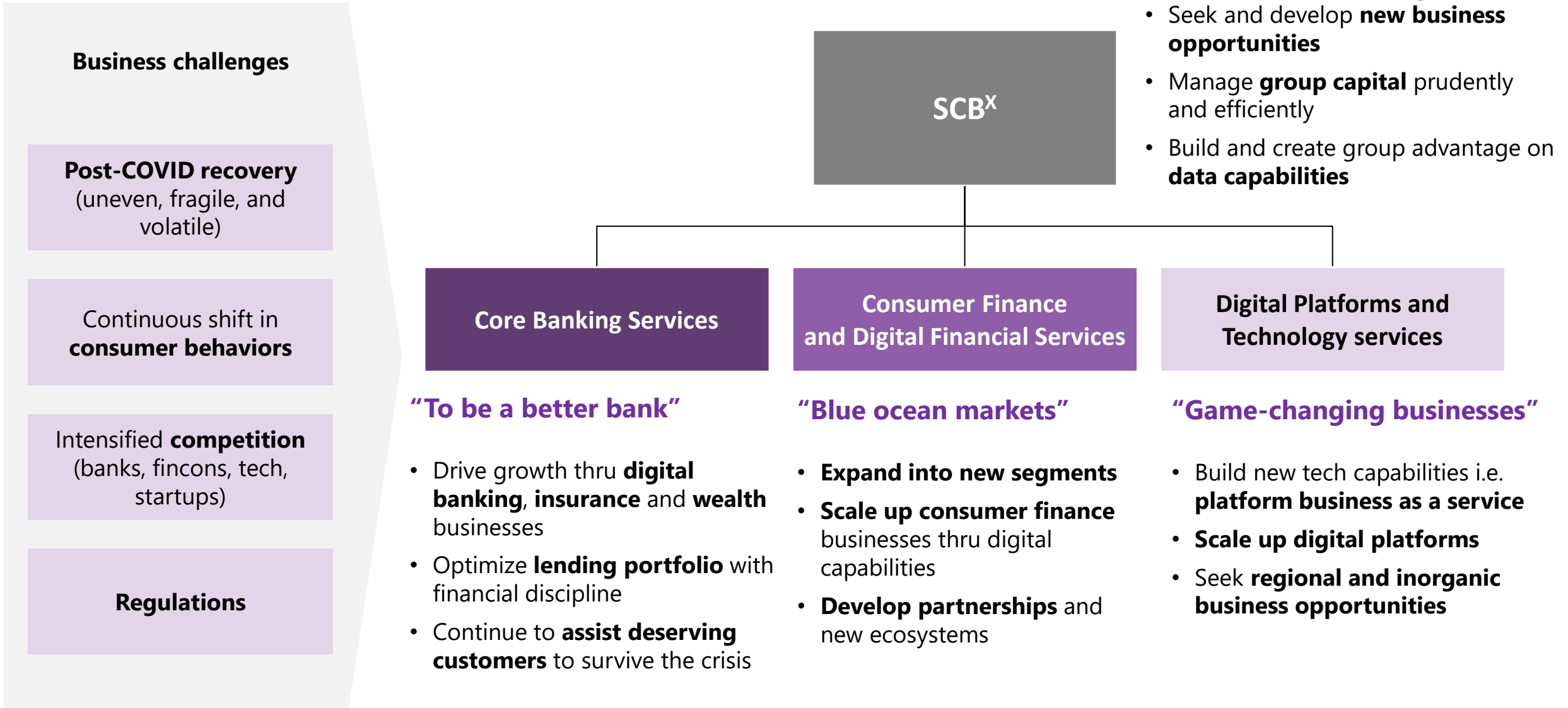
<sup>3/</sup> Not exceeding 50% of FY21 bank only net profit as stipulated by BOT's guidelines



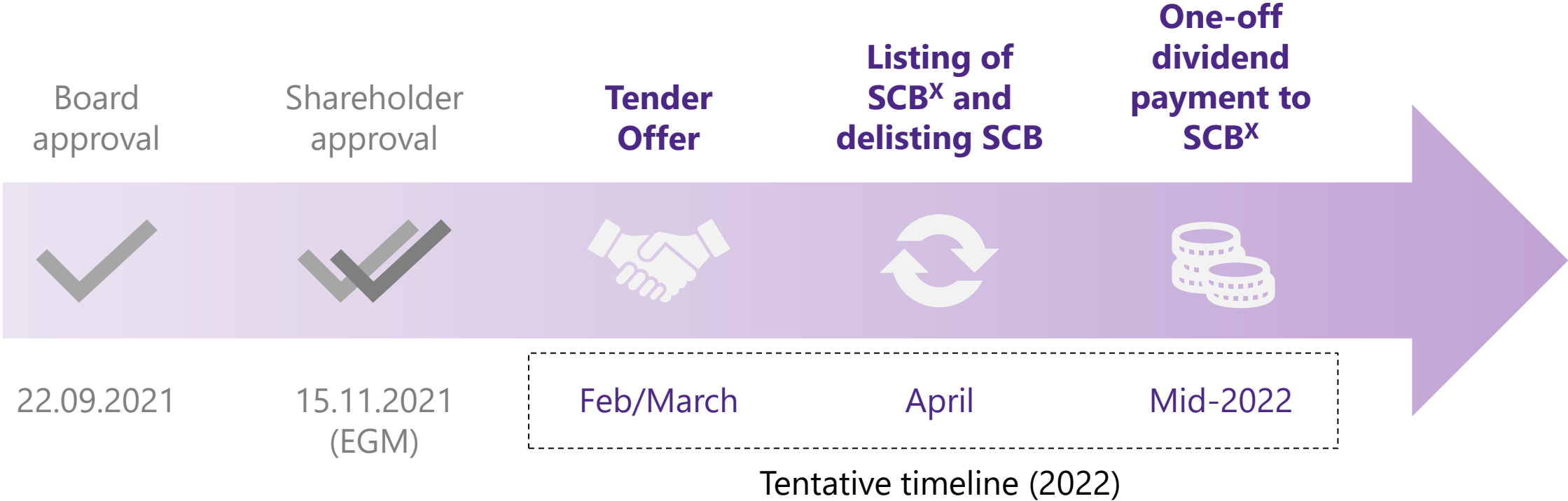
4

# **2022 strategic priorities & financial guidance**

# 2022 strategic priorities



# SCB<sup>X</sup> Timeline



(Subject to final regulatory approvals)

# Recent developments

## Investment announced in 2021 – Key highlights



- Anchorage, a crypto custodian and digital asset platform for institutions
- Darwinbox, Asia's leading HR Technology platform
- Flash Group, a leading Thai full-service e-commerce solution provider
- APE Board, fast growing asset aggregator and portfolio dashboard
- Fireblocks, a world-class unicorn providing custody and network infrastructure platform for digital assets
- MyCloudFulfillment, a leading e-commerce fulfillment solution startup
- Nansen, a blockchain analytics platform



- Announced an acquisition of digital asset exchange (Bitkub Online) in Nov 2021; Due diligence ongoing.



- To launch online travel agent (OTA) services in 1Q22



- Obtained ICO portal license (Initial Coin Offering) from SEC in Nov 2021



- New lending (nano-finance) reached Baht 6 billion with more than 5 million downloads in 2021






- Entered JV (SCB 60%) with Publicis Sapient in Dec 2021



- Offered credit for 'cash on delivery' businesses, in collaboration with Thai Post

## 2022 financial targets

	2021 Targets	2021 Actual	2022 Targets	
 LOANS/ NIM	<b>Total loan growth (YoY)</b>	3-5%	2.1%	3-5%
	<b>Net interest margin</b>	3.0-3.2%	3.00%	2.9-3.0%
	<b>Non-NII growth (YoY)</b>	Flat growth	15%	Low-single digit
 INCOME/ COST	<b>Cost/Income ratio</b>	Low-to-mid 40s	42%	Low-to-mid 40s
	<b>NPLs (gross)</b>	4.0-4.5%	3.8%	< 4.0%
 ASSET QUALITY	<b>Credit cost (bps)</b>	< 200	184	< 140
	<b>Coverage ratio</b>	≥ 130%	139%	~130%

### IMPORTANT DISCLAIMER:

The above financial targets are subject to changes due to economic uncertainties and have not reflected the outcome of SCBX's ongoing acquisition deals and set up of certain new subsidiaries.

**Appendix**

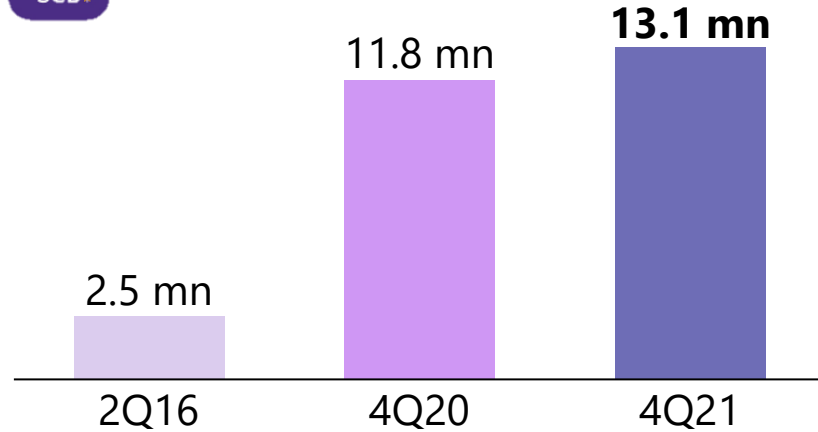
**Digital (4Q21/2021 Update)**

# We have successfully onboarded and engaged more digital customers throughout our transformation journey

## Sizable digital customers



### No. of SCB EASY users



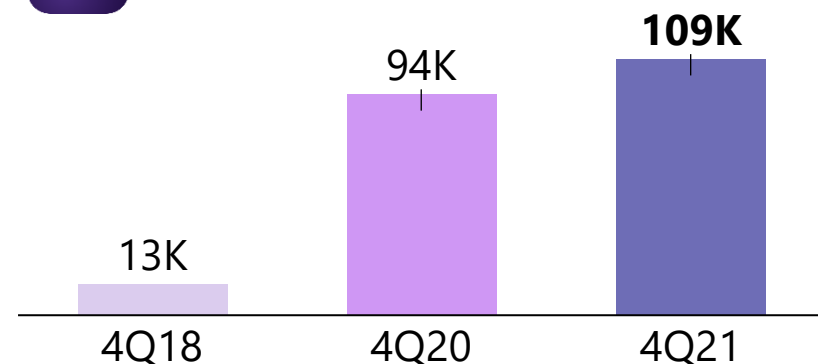
78%  
Penetration

10.7M  
MAU Users  
(9.4M as of 4Q20)

Avg. 38  
Monthly TXN  
/users



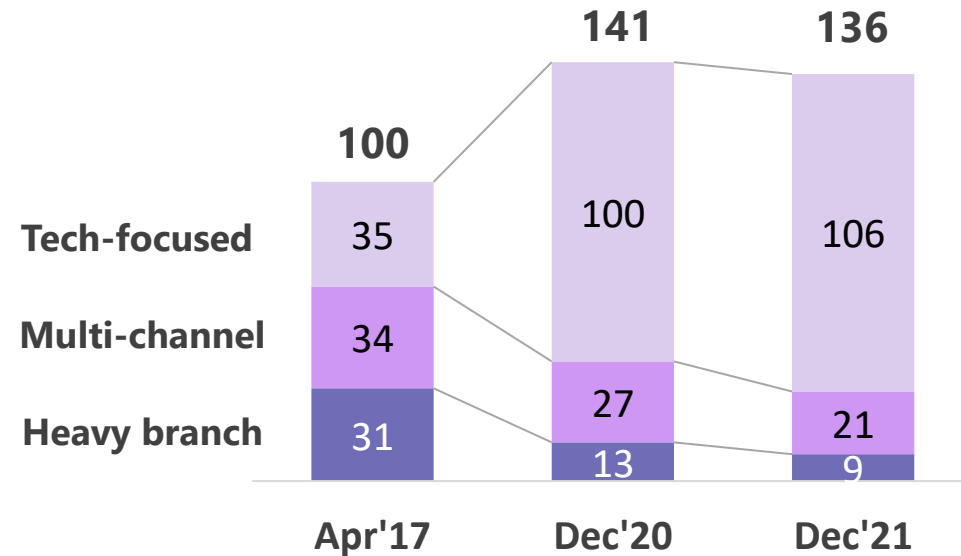
### No. of Biz Anywhere users



MAU = Monthly Active User = Login 1 time

## Customers becoming less reliant on branches

(Index, no. of total individual active customers as of April 2017 = 100)

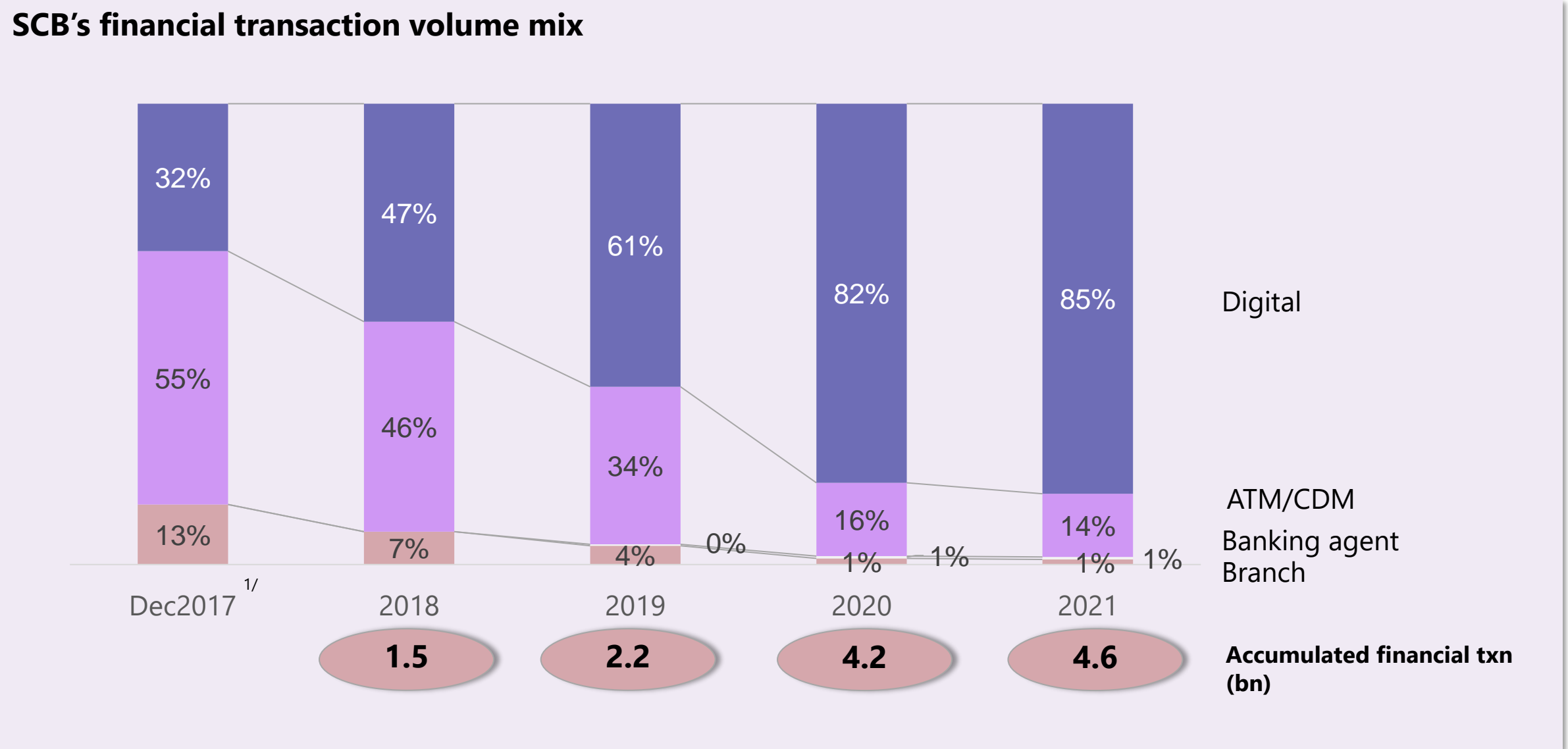


**Heavy branch user:** Visit branch every 1-2 weeks

**Multi-channel user:** Visit branch 2-3 times / quarter, otherwise use digital channel

**Tech-focused user:** Use digital channel for most transactions, visit branch 1-2 times / year

# Customers have shifted their banking transactions to digital in a big way



<sup>1/</sup> Dec2017 monthly financial transaction

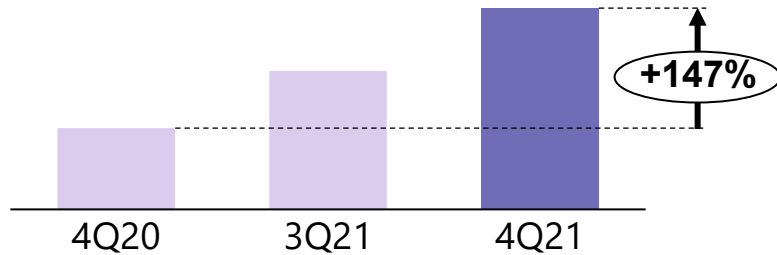


# Digital lending: Digital lending through SCB EASY continues to grow

## Digital sales through SCB EASY (Monthly average comparison)

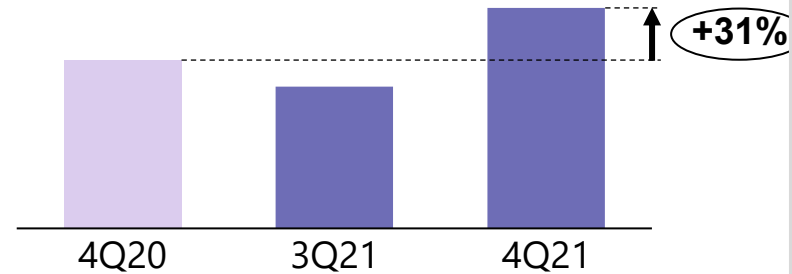
### Speedy loan

Loan amount (Baht)



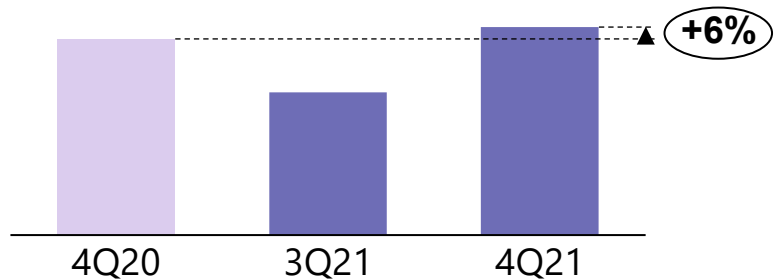
### Speedy cash

No. of card



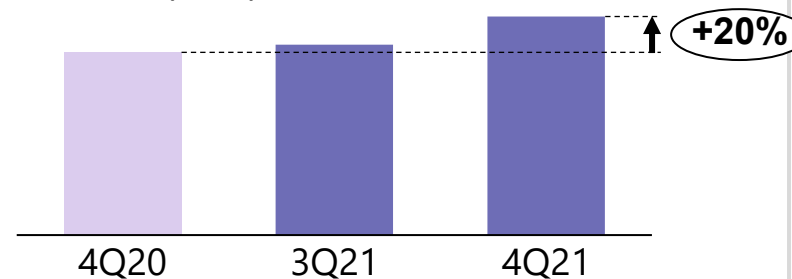
### Credit card

No. of card



### SCB Deejung<sup>1/</sup>

Loan amount (Baht)



1/ Deejung includes (a) Cash advance services which customers can get a cash advance from SCB credit card/ speedy cash card via SCB Easy and pay back the full amount, minimum amount, or in installments (b) Deejung transfer which customer can convert amount left in credit limit into cash which will transfer to customer account and pay back the full amount, minimum amount, or in installments. (c) Deejung installment which customer can convert payment amount to monthly installment at a special interest rate

# Digital wealth: Insurance sales gained traction largely from Easy E-cancer while mutual fund sales slowed down due to unfavorable market condition

## Digital wealth thru digital channel

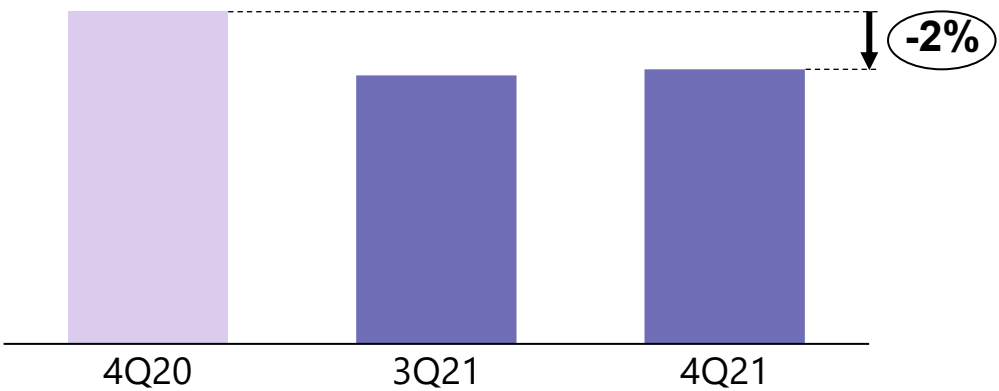


**Account opening**



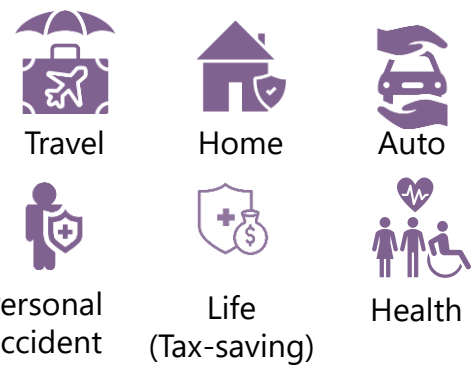
**Manage your portfolio conveniently**

**Mutual fund purchase<sup>1/</sup> thru SCB Easy (Baht)**



<sup>1/</sup> Values include New purchase and Switch-in

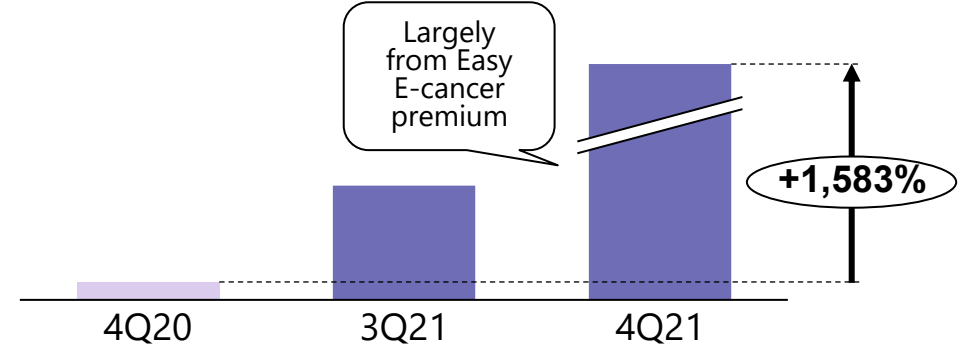
### Available insurance products on SCB Easy<sup>2/</sup>



### Insurance partners



**Insurance sale premium thru SCB Easy (Baht)**

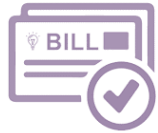


<sup>2/</sup> Home insurance has been available since Mar'19  
 Personal accident insurance has been available since May'19  
 Life insurance has been available since Sep'19  
 Auto insurance has been available since Nov'19  
 Covid-19 was available in Mar'20  
 Easy E-cancer has been available since Aug'20

# Digital payment: Online payments through SCB Easy continues to grow

## Digital payment thru digital channel

### Online payment



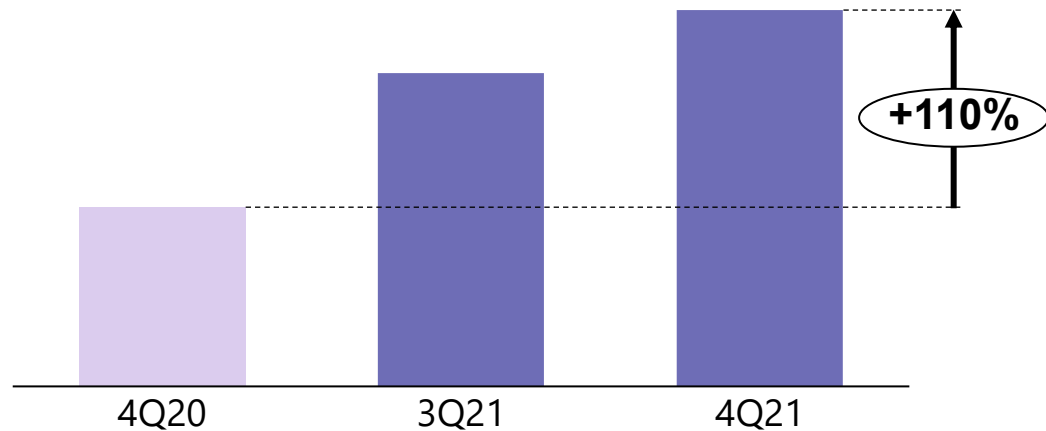
Bill payment



QR payment

### Payment transaction<sup>1/</sup> through SCB Easy

(No. of txn.)



<sup>1/</sup> Payment transaction includes bill payment, QR payment and e-wallet

### International money transfer

Allow SCB to deliver seamless global payment experience with the use of Blockchain technology



Offer competitive exchange rates with **4 currencies available and 12 countries**

- GBP,USD,EUR,SGD



Available 24 hours a day through **SCB EASY App**