



Management Discussion and Analysis

For the second quarter and first half ended June 30, 2022

SCB X Public Company Limited

9 Ratchadapisek Road, Jatujak, Bangkok 10900 THAILAND

Tel: +66 2 544-1000

Website: www.scb.co.th

Investor Relations Email: investor.relations@scb.co.th

Reuter: SCB.BK, SCBf.BK

CONTENTS

1. Executive Summary	2
2. Thailand's Economic Outlook	3
3. Management Discussion and Analysis	5

IMPORTANT DISCLAIMER:

Information contained in this document has been prepared from several sources and SCB X Public Company Limited ("SCB^X") makes no representation or warranty, expressed or implied, as to the accuracy, correctness, completeness, adequacy or freedom from defect of any kind of such information and SCB^X, its affiliates, and their respective controlling persons, directors, officers, and employees shall have no liability whatsoever in relation to such information. Any views contained in this document are based on financial, economic, market and other conditions prevailing as at the date of this document. SCB^X does not intend, and therefore shall not be held responsible, to update any and all the information contained in this document. However, SCB^X reserves the right to amend this document at any time. Any forward-looking statements are subject to change as a result of market conditions and the final result may be different to that indicated. In addition, this document does not constitute or form part of, and should also not be construed as an offer, solicitation or invitation for any transaction whatsoever, and does not take into account any particular investment objectives, financial situation or particular needs of the recipient.

1. Executive Summary

SCB X Public Company Limited (SCB^X) reported consolidated net profit of Baht 10.1 billion for the second quarter of 2022, up 14.0% from the same period last year, while pre-provision operating profit went up 7.9% to Baht 22.8 billion from net interest income growth. For the first half of 2022, net profit increased 6.3% yoy to Baht 20.1 billion.

For the second quarter of 2022, net interest income rose 11.0% yoy to Baht 26.1 billion from higher yields as well as the company's selective loan growth strategy that targets high quality loans.

Non-interest income fell 2.8% yoy to Baht 12.6 billion which partly reflected unfavorable market conditions impacting the wealth management business and lower gains on investment. However, a rebound in the transactional banking business following the country's reopening helped shore up non-interest income.

Expenses increased 3.7% yoy to Baht 15.9 billion with a higher level of overall business activity. However, cost-to-income ratio came down from the same period last year to 41.2% in the second quarter.

Provisions in the second quarter were set at Baht 10.3 billion, up 2.2% yoy, to include a pre-cautionary buffer against potential economic volatility that may arise from external factors and inflation headwinds.

Non-performing loan (NPL) ratio declined to 3.58% at the end of June 2022 from 3.70% at the end of March 2022. In addition, NPL coverage ratio rose to 153.3% from 143.9% at the end of March 2022 and capital adequacy ratio remained robust at 18.7%.

2. Thailand's Economic Outlook

EIC revised up Thailand's 2022 GDP growth forecast to 2.9% (from the previous 2.7%). The upward revision was attributed to a rebound in the tourism and service sector, backed by Thailand's reopening and easing border restrictions worldwide. We thus expect Thailand to welcome 7.4 million foreign tourists this year, up from the previous estimation of 5.7 million. On a domestic front, economic activities in the service sector should pick up pace as people begin to spend more time outdoors, given higher inoculation rates and easing lockdown rules. The agricultural sector would be another growth driver this year. Crop yields are poised for buoyant growth, and farm product prices tend to improve alongside rising global food prices—driven by supply-side pressures from an ongoing war in Ukraine and Western sanctions on Russia. Nonetheless, rosy domestic spending—buoyed by a rebound in the tourism and service sector which is the primary source of employment, rising farm income, and pent-up demand from higher-income households—would still face downward pressures from soaring inflation which is now underway to its 24-year high (EIC expects annual average headline inflation at 5.9%), whereas exports will likely lose pace in tandem with the global economic slowdown going forward.

The global economy in 2022 is poised for slower growth than the previous year, hampered by higher pressures from 3 critical risks: (1) The Russia-Ukraine war would prompt a worsening and persistent supply chain bottleneck while keeping commodity prices at historical high—especially energy and food costs; (2) Lockdown and stringent virus control measures due to China's Zero-Covid policy would pressure on domestic spending and exacerbate global supply chain disruptions since China is one of the world's largest manufacturers and global logistics hub; and (3) Monetary tightening among major central banks in hope to quell inflation would, in turn, retard global economic growth and fuel volatility in global financial markets.

The global economic slowdown and rising uncertainties ahead will weigh down on exports, which have been the major driving forces for the Thai economy. Thai exports should witness slower growth amidst shrinking demand from trade partners alongside the global economic and trade deceleration. In particular, the Chinese market currently faces hindrances from stringent virus control measures and economic restructuring, whereas European counterparts are confronted with the ongoing war in Ukraine. Slower exports would hamper the private investment that still grapples with supply chain disruption and soaring raw material costs.

EIC anticipates the annual average inflation at 5.9% in 2022 (up from the previous 4.9%), the highest in 24 years. With the government withdrawing subsidies on living costs, there will be downward pressures on domestic purchasing power, household consumption, as well as private investment. Based on our analysis, household income should pick up more slowly since the labor market has not yet regained its full momentum, and that would become a big hindrance for households to wrestle with their rising costs of living this year. EIC assesses that over 7.7 million or one-third of Thai households would face a liquidity crunch as spending outweighs income growth. Such circumstances would impair household balance sheet due to shrinking liquidity and ballooning debt burden—since some households might seek loans to cover income loss, thus further exacerbating Thailand's household vulnerability.

Apart from that, the business sector would face constraints in passing on rising costs to consumers, particularly among discretionary goods.

As for the monetary policy outlook, we expect the Monetary Policy Committee (MPC) to raise Thailand's policy rate to 1.0% by the end of 2022 in response to inflation surges and an upbeat outlook on economic recovery following Thailand's reopening. Policy rate hikes would help cushion risks on price stability and curb escalating inflation expectations. Still, we expect the MPC to gradually wind down its ultra-easy monetary policy in order to buttress the fragile economic recovery amidst the lasting economic scars: stagnant unemployment, subdued income, and high household debt burden. In the short term, EIC views that the baht will likely fall to 36-37 against the US dollar, given downward pressures from Fed rate hikes and war-induced risks. However, the year-end baht should bounce back slightly with support from an economic rebound and improving current account balance—ushered by the service account. As a result, the Thai baht will likely strengthen to 35.5-36.5 against the greenback at the end of 2022.

3. Management Discussion and Analysis

For the second quarter and first half ended June 30, 2022

Business environment remained challenging in 2Q22 yet we managed to deliver solid growth for our core business. Robust NII growth from better-than-expected NIM expansion more than offset the weakness in non-NII. Cost discipline has been a key focus. We continued to ensure prudent risk management and decided to add a Baht 2.5 billion provision expense in 2Q22 as a pre-cautionary buffer against geopolitical risk and inflation headwinds, leading to higher NPL coverage. Asset quality remained well within expectation with NPL ratio moving down. The Company is awaiting regulatory approval for a special dividend from SCB Bank to fund relevant business transfer now expected by 4Q22. Meanwhile, existing digital business are progressing well and new business preparation has been well underway.

In terms of 2022 financial guidance, we are raising NIM target while lowering non-NII growth target. Credit cost target is being revised up slightly with an improvement in NPL target.

In this report, we compared the performance of SCB^x with that of SCB Bank in the prior quarters as financial position and operating performance of SCB^x do not have significant differences from financial position and operating performance of the Bank before the shareholding restructuring.

2Q22 performance: NII growth more than cushioned a drop in Non-NII amid cost discipline

SCB^x reported a 14.0% yoy increase in net profit to Baht 10.1 billion in 2Q22. Operating profit for the quarter went up 7.9% yoy to Baht 22.8 billion due largely to higher net interest income which had benefited from higher yields, milder impact from debt restructuring, and effective liquidity management. Non-NII decreased slightly yoy from a decline in both recurring and non-recurring income from weak capital market environment. However, transactional fee staged a strong recovery while bancassurance revenue remained resilient. Operating expenses remained well under control with a 41.2% cost-income ratio.

The Company continued to be proactive in helping customers survive this prolonged crisis through the comprehensive debt restructuring (CDR) program. At the end of June 2022, loans under CDR (blue scheme only) stood at Baht 263 billion or 11% of total loans, rising from Baht 249 billion at the end of last quarter as more customers were transitioned from relief programs. The payment profile of customers in the CDR program is well within expectation. Based on our latest assessment, the amount of CDR volume for the whole year is expected to be slightly lower than the earlier estimate of Baht 350 billion. Non-performing loans declined qoq to 3.58% as new NPL formation was under control with effective NPL management.

Following a provision top-up in 1Q22 of Baht 1 billion, the Company continued to assess the impact of geopolitical risks and inflation headwinds to our credit portfolio and decided to add another Baht 2.5 billion in 2Q22 as an extra pre-cautionary buffer. Therefore, we booked a high level of expected credit loss of 175 bps for the quarter.

At the end of 2Q22, the number of digital users rose 35% yoy to 23 million. Digital loans grew at a solid rate of 69% yoy to Baht 48 billion. As a result, digital revenue surged 85% yoy and contributed 4% to total income in 1H22.

Financial guidance for 2022

For 2022, loan growth at SCB^X is maintained at 3-5%. Although actual loan growth in 1H22 was below the target, we expect improved growth outlook in 2H22 to bring full year loan growth to reach high end of the target range. With better-than-expected NIM in 1H22 and our latest views for two rate hikes in 2H22, we upgrade our NIM expectation for the full year to 3.1-3.2%.

In light of weak and fragile capital market, we lower non-NII growth expectation from low single digit growth to low-teens decline.

Cost-to-income ratio target is maintained at low-to-mid 40s range. We will continue to maintain cost discipline to ensure overall cost including restructuring-related expenses will be within our target.

We expect NPL ratio not to exceed 3.6% at the end of 2022. With pre-cautionary provision buffer in 1H22, we expect the full year provision to be not more than 145 bps, up from previous target of not more than 140 bps. NPL coverage ratio target is abolished.

SCB^X's group restructuring

The second quarter of 2022 marked another key milestone for SCB Group's restructuring plan. The tender offer by SCB^X for the Bank's shares had been successfully completed with a 99.06% acceptance rate, followed by SCB^X listing and SCB delisting on the Stock Exchange of Thailand on April 22, 2022.

The Bank is currently awaiting the Bank of Thailand's approval to pay a one-time dividend to SCB^X in the amount of Baht 61 billion to facilitate and fund related business transfers to complete the restructuring process.

SCB^X Performance in 2Q22 and 1H22 (consolidated)

SCB^X reported (reviewed) consolidated **net profit** of Baht 10,051 million for the second quarter of 2022. Operating profit increased 7.9% yoy to Baht 22,764 million from higher net interest income (NII) which was partly offset by higher operating expenses (OPEX), higher expected credit losses and lower non-interest income (non-NII).

On a **quarter-on-quarter** basis, net profit was relatively flat qoq largely as higher NII and lower OPEX were offset by higher expected credit losses and lower non-NII.

For the **first half of 2022**, net profit stood at Baht 20,095 million, a 6.3% yoy increase from Baht 18,902 million in 1H21 mainly due to higher NII and lower expected credit losses despite lower non-NII and higher OPEX.

Table 1. Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	After restructuring 2Q22	% qoq	% yoy	After restructuring 1H22	% yoy
Net interest income	26,068	5.4%	11.0%	50,812	8.5%
Non-interest income	12,634	-2.5%	-2.8%	25,594	-6.5%
Total operating income	38,702	2.6%	6.1%	76,406	2.9%
Operating expenses	15,938	-1.2%	3.7%	32,077	5.2%
Pre-provision operating profit	22,764	5.6%	7.9%	44,329	1.3%
Expected credit loss	10,250	17.1%	2.2%	19,000	-5.2%
Income tax	2,681	-6.4%	16.4%	5,545	13.1%
Non-controlling interests	(217)	NM	NM	(311)	NM
Net profit (attributable to shareholders of the Bank)	10,051	0.1%	14.0%	20,095	6.3%
Other comprehensive income (loss)	(590)	NM	NM	(878)	NM
Total comprehensive income	9,461	-3.0%	5.9%	19,217	4.8%
ROAE	9.0%			9.1%	
ROAA	1.2%			1.2%	

NM denotes "not meaningful"

Income statement for the second quarter and first half ended June 30, 2022

(Consolidated basis)

Table 2. Net interest income

Consolidated Unit: Baht million	After restructuring 2Q22	% qoq	% yoy	After restructuring 1H22	% yoy
Interest income	30,556	5.3%	10.5%	59,575	7.6%
Loans	25,900	4.8%	11.1%	50,609	8.6%
Interbank and money market	768	-1.0%	16.2%	1,543	18.0%
Hire purchase	2,917	0.8%	-5.2%	5,811	-5.5%
Investments	947	49.4%	57.3%	1,581	20.7%
Others	24	270.3%	163.1%	31	110.6%
Interest expenses	4,488	5.0%	7.4%	8,763	2.8%
Deposits	2,321	0.8%	-0.7%	4,624	-4.8%
Interbank and money market	254	2.2%	38.9%	501	38.1%
Borrowings	364	55.3%	62.3%	599	35.8%
Contribution to the Deposit Protection Agency & FIDF	1,530	2.9%	6.8%	3,017	5.6%
Others	19	442.9%	2327.7%	22	369.7%
Net interest income	26,068	5.4%	11.0%	50,812	8.5%

- **Net interest income** in 2Q22 increased 11.0% yoy to Baht 26,068, driven by a combination of selective loan growth of 2.8% yoy and NIM expansion of 13 bps.
- On a **quarter-on-quarter** basis, net interest income increased 5.4% qoq because of loan growth of 1.4% qoq and a 13 bps increase in NIM.

- In the **first half of 2022**, net interest income increased 8.5% yoy to Baht 50,812 million largely due to loan growth of 2.8% yoy as well as widened NIM (+12 bps).

Table 3. Yield and cost of funding

Consolidated Unit: Percentage	After restructuring	Before restructuring			
	2Q22	1Q22	4Q21	3Q21	2Q21
Net interest margin	3.17%	3.04%	3.12%	3.02%	3.04%
Yield on earning assets	3.71%	3.57%	3.66%	3.56%	3.59%
Yield on loans	4.92%	4.77%	4.85%	4.64%	4.61%
Yield on interbank and money market	0.53%	0.51%	0.52%	0.46%	0.51%
Yield on investment	1.02%	0.76%	0.71%	0.74%	0.86%
Cost of funds ^{1/}	0.65%	0.62%	0.63%	0.63%	0.64%
Cost of deposits ^{2/}	0.61%	0.61%	0.63%	0.63%	0.64%

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.

On a **year-on-year** basis, NIM expanded by 13 bps in 2Q22 to 3.17% largely due to higher loan yields (+31 bps) and higher yield on investment (+16 bps) despite slightly higher funding cost. An improvement in loan yields was driven by smaller volume of debt restructuring as well as pricing discipline on new bookings. As part of effective liquidity management, investments in government bonds classified as held-to maturity rose qoq leading to higher investment yields.

On a **quarter-on-quarter** basis, NIM increased 13 bps from higher yield on investment coupled with higher loan yields as mentioned above. For a detailed breakdown of loan yields by segment/product, refer to Additional Financial Information on page 16.

Table 4. Non-interest income

Consolidated Unit: Baht million	After restructuring	% qoq	% yoy	After restructuring	% yoy
	2Q22			1H22	
Net fee and service income	9,347	-1.2%	-4.7%	18,803	-7.1%
Fee and service income	11,984	-1.1%	-3.8%	24,096	-4.4%
Fee and service expenses	2,637	-0.7%	-0.5%	5,293	6.6%
Net gain on financial instruments measured at FVTPL	2,746	3.5%	3.3%	5,399	-7.1%
Share of profit (loss) from investment in associate and joint ventures	53	-16.5%	38.1%	116	-74.2%
Dividend income	78	95.5%	0.3%	118	12.6%
Other income	406	-45.6%	-1.9%	1,153	74.5%
Non-interest income excluding net gain on investments	12,630	-2.5%	-2.8%	25,589	-6.2%
Net gain on investments	4	412.9%	-175.6%	5	-94.6%
Total non-interest income	12,634	-2.5%	-2.8%	25,594	-6.5%

Table 5. Non-interest income breakdown

Consolidated Unit: Baht million	After restructuring 2Q22	% qoq	% yoy	After restructuring 1H22	% yoy
Transactional banking *	3,453	8.8%	19.4%	6,629	13.7%
Lending related **	1,307	-2.6%	-0.4%	2,649	1.2%
Wealth management ***	1,769	-26.3%	-26.0%	4,170	-25.8%
Bancassurance	3,825	1.5%	-5.2%	7,594	-2.8%
Recurring income	10,354	-3.1%	-2.6%	21,042	-3.8%
Non-recurring and others	2,280	0.4%	-3.4%	4,552	-17.1%
Total non-interest income	12,634	-2.5%	-2.8%	25,594	-6.5%

* 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 2.8% yoy to Baht 12,634 million in 2Q22 with a decline in both recurring and non-recurring income. The decrease in recurring income was mainly from lower fee from wealth management products which suffered from weak market sentiment and partly from lower bancassurance fee. However, the decline was partially offset by higher transactional banking fees. Non-recurring income fell largely from lower investment gains and lower gains on the sale of written-off unsecured loans which was partly offset by higher gain from foreign exchange revaluation.
- On a **quarter-on-quarter** basis, non-interest income decreased 2.5% qoq due to lower recurring income from wealth management products.
- In the **first half of 2022**, non-interest income fell by 6.5% yoy to Baht 25,594 million. This decrease was largely due to lower fees from wealth management and lower net gains on financial instruments measured at FVTPL.

Table 6. Operating expenses

Consolidated Unit: Baht million	After restructuring 2Q22	% qoq	% yoy	After restructuring 1H22	% yoy
Employee expenses	7,299	-3.9%	3.2%	14,892	-1.3%
Premises and equipment expenses	2,777	1.5%	13.2%	5,513	0.3%
Taxes and duties	981	5.8%	6.3%	1,907	3.5%
Directors' remuneration	78	153.9%	370.7%	109	136.1%
Other expenses	4,804	-1.0%	-2.2%	9,657	20.7%
Total operating expenses	15,938	-1.2%	3.7%	32,077	5.2%
Cost to income ratio	41.2%			42.0%	

- **Operating expenses** increased 3.7% yoy to Baht 15,938 million in 2Q22 from higher premises and equipment expenses as well as higher staff cost.
- On a **quarter-on-quarter** basis, operating expenses fell 1.2% qoq largely due to lower employee expenses.
- In the **first half of 2022**, operating expenses rose 5.2% yoy to Baht 32,077 million largely due to higher 'other' expenses from marketing campaigns of the Company's subsidiary as well as professional fees.

Cost-to-income ratio dropped to 41.2% in 2Q22 from 42.8% in 1Q22 and 42.2% in 2Q21 due to effective cost control. The Company has been and will continue to exercise cost control discipline during this fragile economic recovery and the setup of new subsidiaries.

Table 7. Expected credit loss (ECL)

Consolidated Unit: Baht million	After restructuring	% qoq	% yoy	After restructuring	% yoy
	2Q22			1H22	
Expected credit loss	10,250	17.1%	2.2%	19,000	-5.2%
Credit cost (bps)	175			163	

- Given a high level of global uncertainty and economic headwinds from accelerating inflation, **expected credit losses** increased to Baht 10,250 million (175 bps of total loans) in 2Q22. Nonetheless, the Company expects to set aside provisions at not more than 145 bps for full year 2022. This amount not only reflected 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 June 30, 2022 (Consolidated basis)

As of June 30, 2022, the Company's total assets rose 6.2% yoy to Baht 3,399 billion from higher investments, more financial assets measured at FVTPL and higher interbank and money market items as well as loan growth of 2.8% yoy. Details on the consolidated balance sheet are provided in the following sections:

Table 8. Loans by segment

Consolidated Unit: Baht million	After restructuring Jun 30, 22	Before restructuring Mar 31, 22	% qoq	Before restructuring Dec 31, 21	% ytd	Before restructuring Jun 30, 21	% yoy
Corporate	874,761	854,161	2.4%	832,720	5.0%	845,133	3.5%
SME	414,521	407,809	1.6%	402,601	3.0%	395,616	4.8%
Retail	1,070,755	1,064,425	0.6%	1,066,513	0.4%	1,055,868	1.4%
Housing loans*	707,145	700,043	1.0%	696,522	1.5%	685,574	3.1%
Auto loans	202,183	210,860	-4.1%	219,261	-7.8%	229,970	-12.1%
Unsecured loans	141,445	136,251	3.8%	139,734	1.2%	135,262	4.6%
Other loans	9,499	8,367	13.5%	8,233	15.4%	3,282	189.4%
Loans under subsidiaries	10,483	8,904	17.7%	2,764	279.3%	1,780	489.0%
Total loans	2,360,037	2,326,395	1.4%	2,301,835	2.5%	2,296,617	2.8%

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

Total loans increased 2.8% yoy, 1.4% qoq and 2.5% ytd at the end of June 2022. Changes in loan volume by customer segment are as follows:

- **Corporate** loans increased 3.5% yoy, 2.4% qoq and 5.0% ytd due to demand from large corporates with high credit quality.
- **SME** loans grew 4.8% yoy, 1.6% qoq and 3.0% ytd from targeted lending to existing high-quality small SMEs. Throughout the pandemic, the Bank's focus for this segment has been to support existing customers and ensure adequate relief efforts for qualified customers who have experienced cashflow difficulties.
- **Retail** loans increased 1.4% yoy, 0.6% qoq and 0.4% ytd. Below are details of changes in loan volume by sub-segment.
 - **Housing loans** increased 3.1% yoy, 1.0% qoq and 1.5% ytd given continued demand in high-end housing developments.
 - **Auto loans** fell 12.1% yoy, 4.1% qoq and 7.8% ytd largely due to loan repayments and weak demand across all product types amid slow economic recovery.
 - **Unsecured loans** (personal loans and credit card receivables) increased 4.6% yoy, 3.8% qoq and 1.2% ytd. The qoq increase reflected higher economic activities as a result of country re-opening.
 - **Loans under subsidiaries**, including loans extended by SCBS, SCB Abacus, and Monix, increased significantly by 489.0% yoy, 17.7% qoq and 279.3% ytd to Baht 10,483 million.

Table 9. Deposits breakdown

Consolidated Unit: Baht million	After restructuring Jun 30, 22	Before restructuring Mar 31, 22	% qoq	Before restructuring Dec 31, 21	% ytd	Before restructuring Jun 30, 21	% yoy
Demand	111,361	112,529	-1.0%	118,954	-6.4%	114,953	-3.1%
Savings	1,916,305	1,884,898	1.7%	1,840,043	4.1%	1,733,415	10.6%
Fixed	495,650	507,694	-2.4%	508,498	-2.5%	520,675	-4.8%
Less than 6 months	102,241	106,251	-3.8%	108,205	-5.5%	112,793	-9.4%
6 months and up to 1 year	160,836	161,178	-0.2%	157,551	2.1%	168,987	-4.8%
Over 1 year	232,573	240,265	-3.2%	242,742	-4.2%	238,895	-2.6%
Total deposits	2,523,316	2,505,121	0.7%	2,467,495	2.3%	2,369,043	6.5%
CASA - Current & Savings Accounts (%)	80.4%	79.7%		79.4%		78.0%	
Gross loans to deposits ratio	93.5%	92.9%		93.3%		96.9%	
Liquidity ratio (Bank-only)	32.6%	33.9%		33.0%		30.3%	

As of June 30, 2022, total **deposits** increased 6.5% yoy, 0.7% qoq and 2.3% ytd driven by higher saving deposits. As a result, CASA mix rose to 80.4% at the end of June 2022 from 79.4% at the end of last year. Given stronger loan growth than deposits, gross loans to deposits ratio rose slightly to 93.5% from 93.3% at the end of December 2021.

The Bank's daily liquidity ratio of 32.6%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Table 10. Investment Classification

Consolidated Unit: Baht million	After restructuring Jun 30, 22	Before restructuring Mar 31, 22	% qoq	Before restructuring Dec 31, 21	% ytd	Before restructuring Jun 30, 21	% yoy
Investments							
Financial assets measured at FVTPL	64,937	78,434	-17.2%	68,707	-5.5%	50,335	29.0%
Investments in debt securities measured at amortised cost	109,340	47,132	132.0%	7,548	1348.6%	7,430	1371.6%
Investments in debt securities measured at FVOCI	188,009	249,329	-24.6%	213,450	-11.9%	237,199	-20.7%
Investments in equity securities measured at FVOCI	1,625	1,628	-0.2%	1,636	-0.7%	1,736	-6.4%
Net investment *	298,974	298,089	0.3%	222,634	34.3%	246,365	21.4%
Investment in associates	749	844	-11.3%	781	-4.1%	509	47.3%
Total	364,660	377,368	-3.4%	292,123	24.8%	297,208	22.7%

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

Investments at the end of June 2022 increased significantly by 22.7% yoy and 24.8% ytd but decreased 3.4% qoq. The qoq decline was from lower foreign debt instruments and government bonds measured at FVTPL as well as lower government bonds measured at FVOCI.

Statutory Capital

The new entity, SCB^X Financial Group, is subject to the same regulation, namely the BOT's consolidated supervision guidelines, and must maintain the same minimum capital requirements including additional buffers as the Bank. The required additional buffers consist of a 2.5% conservation buffer to be held in CET1 and a 1% Domestic Systemically Important Banks (D-SIBs) buffer. Details of

minimum regulatory capital requirements for both the Bank and SCB^X Financial Group as prescribed by the BOT are shown in table 11.

Table 11: Minimum regulatory capital ratios including capital buffers

Minimum regulatory capital requirements	
Common Equity Tier 1 (CET1 ratio)	4.50%
Tier 1 Capital	6.00%
Total Capital	8.50%
Capital buffer	
Capital Conservation Buffer	2.50%
D-SIBs Buffer	1.00%
Total minimum regulatory capital requirements	
Common Equity Tier 1 (CET1 ratio)	8.00%
Tier 1 Capital	9.50%
Total Capital	12.00%

SCB^X Financial Group follows the same prudent approach to capital management as the Bank by maintaining capital well above the minimum regulatory requirements and ensuring adequate loan loss provisions. This additional cushion allows SCB^X Financial Group to better handle unforeseen events and absorb any emerging risks that may arise from new businesses in the future.

Capital positions of SCB^X Financial Group and the Bank at the end of June 2022 under Basel III framework are shown in the below table.

Table 12. Total Regulatory Capital

Unit: Baht million, %	SCB ^X (Consolidated)			SCB Bank (Bank-only)		
	Jun 30, 22	Dec 31, 21	Jun 31, 21	Jun 30, 22	Dec 31, 21	Jun 31, 21
Statutory Capital						
Common Equity Tier 1	404,829	399,566	377,585	403,081	397,032	375,635
Tier 1 capital	405,793	399,566	377,585	403,081	397,032	375,635
Tier 2 capital	25,636	24,669	24,468	25,065	24,612	24,444
Total capital	431,429	424,235	402,053	428,146	421,644	400,079
Risk-weighted assets	2,311,276	2,265,443	2,245,067	2,282,813	2,238,352	2,224,434
Capital Adequacy Ratio	18.7%	18.7%	17.9%	18.8%	18.8%	18.0%
Common Equity Tier 1	17.5%	17.6%	16.8%	17.7%	17.7%	16.9%
Tier 1 capital	17.6%	17.6%	16.8%	17.7%	17.7%	16.9%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

Consolidated common equity Tier 1/Tier 1 capital of SCB^X Financial Group increased yoy at the end of June 2022 mainly from appropriation of net profit which was partly offset by a dividend payment of Baht 8.9 billion (Baht 2.63 per share). A strong capital position not only provides additional cushion against the current economic uncertainty but also enables SCB^X to assist customers during the post-pandemic recovery.

The dividend payment from SCB to SCB^X for funding purposes is considered an intra-group transaction and thus will only affect the capital position of the Bank but not of SCB^X.

The Group believes that its strong capital position which is currently well above the minimum regulatory requirement in combination with high loan loss provisions will enable the Group and the Bank to withstand unforeseen adverse shocks and pursue any growth opportunities within the BOT's regulatory boundary.

Asset Quality

At the end of June 2022, **gross NPLs** (on a consolidated basis) decreased 1.5% yoy and 3.5% qoq to Baht 102.5 billion. **Gross NPL ratio** decreased yoy and qoq to 3.58% from 3.70% at the end of March 2022 and 3.79% at the end of June 2021. The qoq improvement was primarily driven by lower new NPL formation and effective NPL management.

Given the ongoing geopolitical risks and economic woes from spiraling inflation, the Company decided to significantly raise provisions to Baht 10.3 billion in 2Q22 or a credit cost of 175 bps. At the end of June 2022, the Company's **coverage ratio** was 153.3%, up 13.9% from the end of 2021. In addition, the Company's total loan loss reserve as a percentage of total loans (LLR %) rose slightly qoq to 6.6%.

Table 13. Asset quality

Unit: Baht million, %	After restructuring	Before restructuring		
	Jun 30, 22	Mar 31, 22	Dec 31, 21	Jun 30, 21
SCB^X (Consolidated)				
Non-Performing Loans (Gross NPLs)	102,538	106,305	109,114	104,110
Gross NPL ratio	3.58%	3.70%	3.79%	3.79%
Total allowance*	157,193	152,972	152,111	148,187
Total allowance to NPLs (Coverage ratio)	153.3%	143.9%	139.4%	142.3%
Credit cost (Quarterly, bps)	175	151	209	175
SCB Bank (Bank-only)				
Non-Performing Loans (Gross NPLs)	101,203	105,208	108,051	102,943
Gross NPL ratio	3.54%	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 June 2022, December 2021, and June 2021 were classified as follows:

Table 14. Loans and allowances for expected credit losses by stages

Consolidated Unit: Baht million	After restructuring		Before restructuring			
	Jun 30, 22		Dec 31, 21		Jun 30, 21	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,614,767	57,885	2,576,432	46,600	2,463,739	56,499
Stage 2 (Underperforming)	147,739	39,143	189,930	42,920	180,098	32,602
Stage 3 (Non-performing)	102,538	60,165	109,114	62,592	104,110	59,086
Total	2,865,044	157,193	2,875,476	152,111	2,747,947	148,187

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

Sources and Uses of Funds

As of June 30, 2022, deposits accounted for 74.2% of SCB's funding base. Other major sources of funds were: 13.3% from shareholders' equity, 4.6% from interbank borrowings, and 2.4% from debt issuance. Uses of funds for this same period were: 69.4% for loans, 16.7% for interbank and money market lending, 10.7% for investments in securities, and 1.3% held in cash.

Additional Financial Information

Consolidated Unit: Baht million, %	After restructuring Jun 30, 22	Before restructuring Mar 31, 22	% qoq	Before restructuring Jun 30, 21	% yoy
Total loans	2,360,037	2,326,395	1.4%	2,296,617	2.8%
<i>Add</i> Accrued interest receivables and undue interest receivables	16,434	15,886	3.4%	13,446	22.2%
Total loans and accrued interest receivables and undue interest receivables	2,376,471	2,342,281	1.5%	2,310,063	2.9%
<i>Less</i> Unamortised modification losses	4,232	4,741	-10.7%	2,920	44.9%
<i>Less</i> Allowance for expected credit loss	151,615	147,605	2.7%	141,780	6.9%
Total loans and accrued interest receivables, net	2,220,624	2,189,935	1.4%	2,165,363	2.6%
Loans by Sector	2,360,037	2,326,395	1.4%	2,296,617	2.8%
Agricultural and mining	12,943	14,296	-9.5%	17,971	-28.0%
Manufacturing and commercial	676,279	654,529	3.3%	627,329	7.8%
Real estate and construction	179,002	181,001	-1.1%	194,283	-7.9%
Utilities and services	422,412	413,498	2.2%	400,263	5.5%
Housing loans ^{1/}	581,329	577,304	0.7%	567,852	2.4%
Other loans	488,072	485,767	0.5%	488,919	-0.2%
Debt issued and borrowings	82,542	74,596	10.7%	70,663	16.8%
Debentures	67,026	63,218	6.0%	60,828	10.2%
Structured notes	15,563	10,496	48.3%	5,596	178.1%
Others	78	92	-15.2%	173	-54.9%
Hedge accounting adjustment	(125)	790	NM	4,066	NM
Share Information					
EPS (Baht)	2.98	2.95	1.0%	2.59	15.1%
BVPS (Baht)	132.77	132.65	0.1%	124.13	7.0%
Closing price (Baht)	104.00	114.00	-8.8%	98.00	6.1%
Shares outstanding (Million shares)	3,367	3,399	-0.9%	3,399	-0.9%
Market capitalization (Baht billion)	350.2	387.5	-9.6%	333.1	5.1%
	After restructuring 2Q22	Before restructuring 1Q22	2Q21	After restructuring 1H22	Before restructuring 1H21
Yield on loans by segment					
Yield on loans	4.92%	4.77%	4.61%	4.84%	4.63%
Corporate	3.13%	3.01%	2.99%	3.07%	2.99%
SME	5.95%	5.73%	5.35%	5.84%	5.35%
Retail	6.20%	5.99%	5.85%	6.08%	5.89%
Housing loans	4.57%	4.56%	4.60%	4.56%	4.62%
Auto loans	5.65%	5.36%	5.32%	5.50%	5.33%
Credit card ^{2/}	14.78%	14.02% ^{3/}	13.42%	14.01%	13.67%
Speedy	19.28%	18.46%	16.89%	18.66%	17.69%
Auto loans portfolio					
New car	58.5%	58.4%	57.8%	58.5%	57.8%
Used car	21.8%	22.6%	24.1%	21.8%	24.1%
My car, My cash	19.7%	19.0%	18.1%	19.7%	18.1%
Gross NPL ratio by segment/product					
Corporate	4.1%	4.2%	3.9%	4.1%	3.9%
SME	10.2%	10.7%	11.5%	10.2%	11.5%
Retail	2.3%	2.5%	2.5%	2.3%	2.5%
Housing loans	2.6%	2.8%	3.0%	2.6%	3.0%
Auto loans	1.7%	1.5%	1.1%	1.7%	1.1%
New NPLs by segment and by product					
Total loans	0.39%	0.42%	0.44%	0.81%	0.97%
Corporate	0.01%	0.00%	0.01%	0.01%	0.10%
SME	0.41%	0.33%	1.14%	0.74%	2.31%
Housing loans	0.42%	0.43%	0.43%	0.85%	1.22%
Auto loans	1.54%	1.40% ^{3/}	0.49%	3.00%	1.01%
New NPLs (Baht billion)	11.1	12.1 ^{3/}	12.1	23.2	26.7
NPL reduction methodology					
Repayments and accounts closed	21.1%	22.8%	20.3%	26.7%	31.3%
Debt restructuring	39.0%	17.5%	26.3%	23.5%	17.4%
NPL sales ^{4/}	3.4%	16.8%	14.2%	10.1%	17.7%
Write off	36.5%	42.9%	39.2%	39.7%	33.6%

^{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 June 30, 2022, March 31, 2022, and June 30, 2021, was Baht 707 billion, Baht 700 billion, and Baht 686 billion, respectively.

^{2/} Revolving only

^{3/} Restated

^{4/} The Bank sold NPLs Baht 0.5 in 2Q22, Baht 2.5 billion in 1Q22, Baht 1.7 billion in 2Q21, Baht 3.0 billion in 1H22, and Baht 4.3 billion in 1H21. NM denotes "not meaningful"

Appendix

Recent development of SCB^X's subsidiaries in 2Q22

- **5 April 2022:** SCB Business Anywhere, a digital banking platform for business clients, was upgraded with a capability to handle both domestic and international trades in 18 currencies. Also introduced on this platform was SCB Digital Token, the first in Thailand, which offers fast transaction approvals along with other smart features that allow clients to manage complex business finance transactions in real-time.
- **29 April 2022:** Token X proved a major success with utility tokens on blockchain being used as a voting medium for BNK48 12th Single Senbatsu General Election to ensure transparency and traceability.
- **9 May 2022:** "Robinhood" kickstarted a soft launch of "Robinhood Travel" for hotel booking, offering a complete "Food and Travel" experience to revive tourism with the goal of becoming a top three player within a year.
- **19 May 2022:** SCB 10X participated in the \$105 million Series B round raised by Talos, the premier provider of institutional digital asset trading technology. This new round of capital injection with a \$1.25 billion valuation was led by General Atlantic, a global growth equity firm, and SCB 10X among a consortium of investors.
- **20 May 2022:** SCB Abacus announced its medium-term goal to serve 10% of Thai borrowers in the informal loan sector, or about 2.5 million people, by 2024. The company plans to raise Series B funding in 2022 to enhance its technology and team, as well as expand both domestic and international partnership networks for better risk management, with an expectation to be Thailand's unicorn tech startup in the future.
- **8 June 2022:** "Token X" joins "SC Asset" to create "SC Morning Coin" utility token by applying blockchain technology. With the first phase slated to launch in 4Q22, this new feature provides added value and seamless experience on "RueJai App".
- **13 June 2022:** Robinhood announced a multi-year strategic alliance with Google Cloud and MFEC Public Company Limited ("MFEC") to advance the mission of building a homegrown "super app" that provides inclusive growth opportunities to small business owners, delivery riders, as well as users in both metro and non-metro areas.
- **14 June 2022:** SCB 10X announced Nansen's (on-chain analytics tool for Web 3.0) acquisition of Ape Board, the leading cross-chain DeFi and NFT portfolio management tool, to become the central intelligence tool for all Web3 applications and participants.
- **15 June 2022:** CardX is set to become a leading financial platform of the future, eyeing for a No.1 position in credit card and personal loan markets with a target of 10 million client base, Baht 6 billion profit, and Baht 150 billion overall business portfolio within three years.
- **29 June 2022:** Siam Commercial Bank reaffirmed its sustainability commitment by granting a six-billion-baht Sustainability-Linked Loan (SLL) to Indorama Ventures (IVL), a global chemical company and the world's largest producer of recycled PET resins for beverage packaging. Siam

Commercial Bank is the first Thai bank to provide this type of loan to IVL which will be used for liquidity management and operational enhancement.

SCB's interest rates and BOT's policy rate

SCB Interest Rates	Jan 4, 19	Aug 15, 19	Nov 8, 19	Feb 7, 20	Mar 24, 20	Apr 10, 20	May 25, 20	Feb 9, 21	Mar 12, 21
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