



Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2022

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1. Executive Summary

SCB X Public Company Limited (SCBX) reported consolidated net profit of Baht 10.3 billion for the third quarter of 2022, up 16.9% yoy due to higher net interest income and lower provisions. Pre-provision operating profit went up 8.2% to Baht 22.8 billion. For the first nine months of 2022, net profit increased 9.7% yoy to Baht 30.4 billion.

For the third quarter of 2022, net interest income rose 17.8% yoy to Baht 27.7 billion from net interest margin expansion and an upward trend in interest rates while overall loans grew 3.0% from the same period last year.

Fee and other income stood at Baht 11.8 billion, down only slightly 0.6% yoy but up 6.5% qoq, a pattern consistent with a full reopening and a broad-based business recovery in Thailand. Nevertheless, investment and trading income fell 81.3% yoy from unfavorable market conditions.

Although operating expenses increased 7.1% yoy to Baht 16.9 billion, cost-to-income ratio remained under control at 42.6% in the third quarter.

Provisions in the third quarter were set at Baht 7.8 billion, down 22.8% yoy. Non-performing loan (NPL) coverage ratio remained high at 163.8%.

Asset quality has been steadily improving with NPL ratio falling further to 3.34% at the end of September 2022 from 3.58% at the end of June 2022 and capital adequacy ratio remained strong at 18.5%.

2. Thailand's Economic Outlook

SCB EIC projects Thai economic growth for 2022 to reach 3.0% (from 2.9%) and continue to grow by 3.7% in 2023 due to recovery in the tourism and service sectors following the country's reopening and more relaxed international travel measures throughout the globe. With additional support from China's border reopening next year, the SCB EIC anticipates the number of foreign tourists visiting Thailand increasing to 10.3 million in 2022 and 28.3 million in 2023. Domestic tourism should also strengthen and return to the pre-COVID level in 2023. Given such circumstances, income from tourism and related services and private consumption will continue to improve despite some pressure from a higher cost of living. **Regarding the inflation outlook, SCB EIC expects inflation to accelerate to 6.1% (from 5.9%) and gradually decline to 3.2% in 2023.** Inflation will move above the inflation target in 2023 due to prevailing high energy and food prices in addition to higher cost passthrough from producers to more broadening products. Meanwhile, exports will grow slowly following a global economic downturn.

The global economy showed clearer signs of slowdowns in both manufacturing and consumption activities in 1H22. Consumer confidence in various countries also fell close to the levels witnessed in prior crises. Furthermore, **the global economy during 2H22 and 2023 will continue to slow down** given aggressive synchronous global monetary policy tightening, an escalating energy crisis in the Eurozone, a troubled Chinese economy, and prolonged supply bottlenecks. SCB EIC is therefore revising its global GDP growth forecast in 2022 downward to 3.0% from the previous 3.2%, with even slower growth of 2.7% anticipated in 2023. In addition, some economies may enter recession by late 2022 to 2023, including the United Kingdom, the Eurozone, and the US.

The global inflation outlook declined somewhat, but will still remain above the central banks' target over the next 1-2 years as the energy, food, and durable goods supply recovered slowly. Wages also remain high in line with a strong labor market recovery. Under such conditions, central banks should continue to tighten monetary policy to control inflation. Meanwhile, escalating global geopolitical risks warrant close monitoring as tensions could worsen global supply chain recovery. In the base case, SCB EIC sees tensions between China and Taiwan remaining at the status quo, with limited short-term impacts on the global economy. However, the decoupling between the US and China will speed up, especially competition in technology.

SCB EIC expects that the Thai economy will be more reliant on tourism and services instead of export-oriented manufacturing and investment. However, domestic spending recovery could still face downward pressure from the gradual inflation softening above the inflation target during 2023. Such conditions will undermine domestic purchasing power and consumption as well as pressure business costs and investments. Looking ahead, Thai economic recovery will likely remain fragile. Some household and business groups will experience slower income growth compared to their expenses, in particular low-income households and small businesses, amid fading government economic stimulus measures. However, the Thai economy will gradually recover and return to pre-pandemic levels in

2Q23, achieving its potential in late 2024. Given such a recovery path, SCB EIC expects that the Monetary Policy Committee will gradually raise the policy rate toward 1.25% and 2% by the end of 2022 and 2023, respectively. This gradual monetary policy normalization stance would be consistent with the long-term economic growth path.

The Thai baht continued to depreciate due mainly to 1) A strengthening US dollar in line with the Fed's monetary policy tightening and concerns over global recession, 2) Weaker-than-anticipated Chinese economic performance, prompting the Chinese yuan to weaken along with the Thai baht and regional currencies, and 3) Thailand's current account deficit. **However, the baht will appreciate in late 2022 to 2023** due to 1) A strong economic recovery in Thailand, 2) Thailand's current account surplus since the end of 2022, expecting that the current account surplus will stand at 1.5% of GDP in 2023, 3) The return of capital inflows to the Thai financial market due to improving investor confidence, and 4) Thai inflation slowing faster than US inflation. As a result, the Thai baht will likely strengthen to 36.5-37 baht/ USD by the year-end and to 34.5-35.5 baht/ USD by the end of 2023.

3. Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2022

The Thai economy maintained its recovery pace in 3Q22 thanks to a rebound in tourism and private consumption. In July 2022, SCB EIC slightly raised Thailand's GDP forecast for 2022 to 3.0% from 2.9%, on expectation that the number of inbound tourists would hit 10 million in the year while private consumption, boosted by increasing income from tourism and agriculture, would be a key economic driver. However, the economy faced the increasing risk of global economic slowdown on growing geopolitical tensions that will hurt global exports and investment. Households and businesses alike have already felt downside risks given lower income growth against higher borrowing costs. The Bank of Thailand raised the interest rate twice this quarter, pushing the policy rate from 0.5% to 1.0%. Despite these challenges, the Company showed a solid performance in 3Q22 thanks to robust NII growth and lower provisions that more than offset weak non-NII and higher operating expenses. Asset quality remained well within expectations with an improvement in NPL and the coverage ratio.

On the global technology landscape, "back to fundamentals" is the new reality. As the landscape is being reset for long-term sustainability, we believe the future of new digital economy supported by the web 3.0 technology is unchanged and real winners will stand out more visibly. The new landscape should provide a silver lining for our group as technology startup fundraising is shifting towards a buyer's market. We see opportunities for M&A, to build extra tech capabilities, gain entry into new areas or geographical markets, and attract global talent.

On a journey to become a tech company

The Company achieved an important milestone on its journey to become a leading financial technology player in the region in September 2022 as the Bank of Thailand approved the planned Baht 61 billion dividend payment from SCB Bank to its shareholders. SCBX has already used part of the proceeds to acquire shares of subsidiaries from the Bank and SCB 10X Company Limited and invest in SCBX's subsidiaries, totaling 12 companies¹. The credit card and personal loan asset is expected to be transferred to CardX by the year end. In 3Q22, several of our portfolio companies have made progress to build growth foundation. AutoX's foray into the auto title loan market under "Chaiyo Money" brand has expanded customer base with Baht 3 billion worth of loans in just a single quarter after its launch. InnovestX unveiled the first investment super app in Thailand that combines trading of traditional securities and digital securities into a unified platform. Moreover, Robinhood platform has fully transformed into a super app by adding online travel agent service, mart service, and express service as well as having secured a ride-hailing service license.

¹ List of 12 companies comprised of: 1) Innovest X Securities Company Limited 2) SCB 10X Company Limited 3) Token X Company Limited 4) MONIX Company Limited 5) SCB Tech X Company Limited 6) Purple Ventures Company Limited 7) SCB Abacus Company Limited 8) Digital Ventures Company Limited 9) Alpha X Company Limited 10) AISCB Company Limited 11) Auto X Company Limited and 12) Card X Company Limited.

We have set a bold vision to be “the most admired regional financial technology group” but will prudently execute plan to realize our vision in 3 phases. In Phase 1, to transform ourselves into a Tech Group, we will build our core tech and data capabilities and orchestrate synergies to enable and accelerate the companies in our portfolio. In Phase 2, or over the next 2-3 years, we expect our digital lending businesses to show fast earnings growth and support the Group’s steady earnings growth profile. In Phase 3, or in next 3-5 years, the focus is placed on monetization and value realization of our Gen 3 businesses. Please visit at www.scbx.com/en/investor-relations/scbx-strategy-day-2022.html for discussion of SCBX strategy.

Robust core earnings growth with the highest quarterly profit since 4Q19

SCBX reported net profit of Baht 10.3 billion for 3Q22, an increase of 16.9% yoy. Operating profit for the quarter increased 8.2% yoy to Baht 22.8 billion due largely to solid net interest income (NII) growth on the back of higher yields, mild impact from debt restructuring, effective liquidity management, and an increase in interest rates. Meanwhile, fee and others decreased yoy due to lower fee income from wealth management products in line with the current capital market environment as well as lower gains on the sale of written-off unsecured loans. However, transaction, lending-related and bancassurance fees grew substantially. Investment and trading income declined significantly amid poor capital market environment. The Company experienced an increase in operating expenses partly due to the business restructuring cost. Nevertheless, the cost to income ratio remained stable at 42.6% in 3Q22.

We continued to assist customers in this prolonged crisis through a comprehensive debt restructuring (CDR) program. At the end of September 2022, loans under the CDR program (blue scheme only) stood at Baht 277 billion or 12% of total loans and the payments profile of involved customers has been well within expectations. Non-performing loans declined qoq to 3.34% as a result of NPL sales. New NPL formation rose from the previous quarter but remained under control.

At the end of 3Q22, the number of digital banking users grew 30% yoy to 24 million. Digital loans expanded briskly at a rate of 86% yoy to Baht 57 billion. As a result, digital revenue surged 104% yoy and contributed 5% of total income in the first nine months of 2022.

(Note: Financial information presented for prior periods is retrospectively adjusted to furnish comparative information according to Financial Group restructuring is considered as a business combination of entities under common control.)

SCBX Performance in 3Q22 and 9M22 (consolidated)

SCBX reported (reviewed) consolidated **net profit** of Baht 10,309 million for the third quarter of 2022, a robust growth of 16.9% yoy. Operating profit increased 8.2% yoy to Baht 22,815 million from a strong growth of net interest income (NII), which was partly offset by lower investment and trading income, lower fee and others, and higher operating expenses (OPEX).

On a **quarter-on-quarter** basis, net profit increased 2.6% largely due to lower expected credit losses and higher NII, offset by higher OPEX and lower investment and trading income.

For the **first nine months of 2022**, net profit stood at Baht 30,403 million, a 9.7% yoy increase from Baht 27,718 million in 9M21 mainly due to higher NII and lower expected credit losses despite higher income tax expenses, higher OPEX, lower investment and trading income and lower fee and others.

Table 1. Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	After restructuring 3Q22	% qoq	% yoy	After restructuring 9M22	% yoy
Net interest income	27,714	6.3%	17.8%	78,526	11.6%
Fee and others	11,752	6.5%	-0.6%	34,381	-0.7%
Investment and trading income	292	-81.7%	-81.3%	3,256	-46.8%
Total operating income	39,757	2.7%	7.7%	116,163	4.5%
Operating expenses	16,942	6.3%	7.1%	49,019	5.9%
Pre-provision operating profit	22,815	0.2%	8.2%	67,143	3.6%
Expected credit loss	7,750	-24.4%	-22.8%	26,750	-11.0%
Income tax	4,717	75.9%	106.3%	10,261	42.8%
Non-controlling interests	40	NM	NM	(271)	NM
Net profit (attributable to shareholders of the Company)	10,309	2.6%	16.9%	30,403	9.7%
Other comprehensive income (loss)	(223)	NM	NM	(1,100)	NM
Total comprehensive income	10,086	6.6%	15.0%	29,303	8.1%
ROAE	9.1%			9.0%	
ROAA	1.2%			1.2%	

NM denotes "not meaningful"

**Income statement for the third quarter and first nine months ended September 30, 2022
(Consolidated basis)**

Table 2. Net interest income

Consolidated Unit: Baht million	After restructuring 3Q22	% qoq	% yoy	After restructuring 9M22	% yoy
Interest income	32,516	6.4%	17.2%	92,091	10.8%
Loans	27,258	5.2%	15.1%	77,867	10.8%
Interbank and money market	925	20.5%	59.8%	2,468	30.8%
Hire purchase	2,816	-3.5%	-1.0%	8,628	-4.1%
Investments	1,463	54.5%	140.5%	3,044	58.7%
Others	53	120.2%	209.8%	84	164.3%
Interest expenses	4,803	7.0%	14.2%	13,566	6.6%
Deposits	2,366	2.0%	0.9%	6,990	-3.0%
Interbank and money market	323	27.5%	52.1%	825	43.3%
Borrowings	525	44.2%	131.1%	1,123	68.2%
Contribution to the Deposit Protection Agency & FIDF	1,517	-0.9%	6.9%	4,533	6.1%
Others	72	278.4%	3027.1%	94	1231.5%
Net interest income	27,714	6.3%	17.8%	78,526	11.6%

- **Net interest income** in 3Q22 increased 17.8% yoy to Baht 27,714, driven by a combination of selective loan growth of 3.0% yoy and NIM expansion of 36 bps.
- On a **quarter-on-quarter** basis, net interest income increased 6.3% due mainly to a 21 bps increase in NIM despite a slight decline in loans.
- In the **first nine months of 2022**, net interest income increased 11.6% yoy to Baht 78,526 million largely due to loan growth of 3.0% yoy as well as widened NIM (+25 bps).

Table 3. Yield and cost of funding

Consolidated Unit: Percentage	After restructuring		Before restructuring		
	3Q22	2Q22	1Q22	4Q21	3Q21
Net interest margin	3.38%	3.17%	3.04%	3.12%	3.02%
Yield on earning assets	3.96%	3.71%	3.57%	3.66%	3.56%
Yield on loans	5.11%	4.92%	4.77%	4.85%	4.64%
Yield on interbank and money market	0.71%	0.53%	0.51%	0.52%	0.46%
Yield on investment	1.42%	1.02%	0.76%	0.71%	0.74%
Cost of funds ^{1/}	0.70%	0.65%	0.62%	0.63%	0.63%
Cost of deposits ^{2/}	0.61%	0.61%	0.61%	0.63%	0.63%

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 36 bps in 3Q22 to 3.38% largely due to higher yield on investment (+68 bps), higher loan yields (+47 bps) and higher yield on interbank (+25 bps) despite higher funding cost (+7 bps). The increase in both yield on investment and yield on interbank was a result of policy rate hikes during the quarter. The improvement in loan yields was driven by a smaller volume of debt restructuring, an increase of the policy rate 2 times during the quarter as well as pricing discipline on new bookings.

On a **quarter-on-quarter** basis, NIM increased 21 bps from higher yield on investment, higher loan yields coupled with higher yield on interbank as mentioned above. For a detailed breakdown of loan yields by segment/product, please refer to Additional Financial Information on page 17.

Table 4. Fee and others

Consolidated Unit: Baht million	After restructuring 3Q22	% qoq	% yoy	After restructuring 9M22	% yoy
Transactional banking *	3,621	4.8%	16.5%	10,250	14.7%
Lending related **	1,539	17.7%	24.8%	4,187	8.8%
Wealth management ***	2,010	13.6%	-24.0%	6,180	-25.2%
Bancassurance	3,976	4.0%	10.0%	11,570	1.2%
Others	606	-11.1%	-50.4%	2,194	2.0%
Fee and others	11,752	6.5%	-0.6%	34,381	-0.7%

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

** Including loan related fees and credit cards

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

- **Fee and others** was relatively flat yoy at Baht 11,752 million in 3Q22 due to lower fees from wealth management products which suffered from weak market sentiment and lower other income from lower gains on the sale of written-off unsecured loans despite higher fee income from transactional banking, lending related and bancassurance.
- On a **quarter-on-quarter** basis, fee and others increased 6.5% qoq driven by improvement in fee income across the board in line with broader economic reopening and resumption of business activities.
- In the **first nine months of 2022**, fee and others fell slightly by 0.7% yoy to Baht 34,381 million. This decrease was largely due to lower fees from wealth management.

Table 5. Investment and trading income

Consolidated Unit: Baht million	After restructuring 3Q22	% qoq	% yoy	After restructuring 9M22	% yoy
Gain (loss) on investment	(150)	NM	NM	3,068	-52.8%
Trading income	442	148.3%	NM	188	NM
Investment and trading income	292	-81.7%	-81.3%	3,256	-46.8%

NM denotes "not meaningful"

- **Investment and trading income** decreased significantly 81.3% yoy to Baht 292 million in 3Q22 largely due to unrealized losses from the investment portfolio of the Company's subsidiary amid poor capital market environment.
- On a **quarter-on-quarter** basis, investment and trading income fell 81.7% due to unrealized losses from the investment portfolio as mentioned above.
- In the **first nine months of 2022**, investment and trading income decreased 46.8% yoy to Baht 3,256 million mainly from lower gain on investment.

Table 6. Operating expenses

Consolidated Unit: Baht million	After restructuring	% qoq	% yoy	After restructuring	% yoy
	3Q22			9M22	
Employee expenses	8,108	11.1%	13.3%	23,000	3.4%
Premises and equipment expenses	2,690	-3.1%	7.3%	8,203	2.5%
Taxes and duties	1,071	9.2%	20.1%	2,977	8.9%
Directors' remuneration	90	15.7%	185.4%	199	156.2%
Other expenses	4,983	3.7%	-4.7%	14,640	10.7%
Total operating expenses	16,942	6.3%	7.1%	49,019	5.9%
Cost to income ratio	42.6%			42.2%	

- **Operating expenses** increased 7.1% yoy to Baht 16,942 million in 3Q22 from higher employee expenses from the Company's subsidiaries as well as higher premises and equipment expenses mainly from depreciation on software license and software maintenance.
- On a **quarter-on-quarter** basis, operating expenses increased 6.3% qoq largely due to higher employee expenses from the Company's subsidiaries and higher other expenses.
- In the **first nine months of 2022**, operating expenses rose 5.9% yoy to Baht 49,019 million largely due to higher marketing campaigns of the Company's subsidiary coupled with higher employee expenses as mentioned above.

Cost-to-income ratio rose to 42.6% in 3Q22 from 41.2% in 2Q22 but fell slightly from 42.8% in 3Q21. For 9M22, the cost-to-income ratio was at 42.2% in line with Company's full-year guidance. The Company will continue to exercise cost control discipline during this fragile economic recovery even if there are additional costs associated with new business setup.

Table 7. Expected credit loss (ECL)

Consolidated Unit: Baht million	After restructuring	% qoq	% yoy	After restructuring	% yoy
	3Q22			9M22	
Expected credit loss	7,750	-24.4%	-22.8%	26,750	-11.0%
Credit cost (bps)	132			153	

- **Expected credit losses** decreased to a more normalized level of Baht 7,750 million (132 bps of total loans) in 3Q22. 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 September 30, 2022 (Consolidated basis)

As of September 30, 2022, the Company's total assets rose 5.2% yoy to Baht 3,441 billion from higher investments and loan growth of 3.0% yoy. Details on the consolidated balance sheet are provided in the following sections:

Table 8. Loans by segment

Consolidated Unit: Baht million	After restructuring Sep 30, 22	After restructuring Jun 30, 22	% qoq	Before restructuring Dec 31, 21	% ytd	Before restructuring Sep 30, 21	% yoy
Corporate	848,902	874,761	-3.0%	832,720	1.9%	815,088	4.1%
SME	410,776	414,521	-0.9%	402,601	2.0%	405,097	1.4%
Retail	1,087,805	1,070,755	1.6%	1,066,513	2.0%	1,058,831	2.7%
Housing loans*	719,450	707,145	1.7%	696,522	3.3%	692,822	3.8%
Auto loans	194,784	202,183	-3.7%	219,261	-11.2%	225,923	-13.8%
Unsecured loans	147,178	141,445	4.1%	139,734	5.3%	131,767	11.7%
Other loans	11,506	9,499	21.1%	8,233	39.8%	6,161	86.8%
Loans under subsidiaries	14,887	10,483	42.0%	2,764	438.6%	2,157	590.3%
Total loans	2,347,483	2,360,037	-0.5%	2,301,834	2.0%	2,279,015	3.0%

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

Total loans increased 3.0% yoy and 2.0% ytd but fell slightly 0.5% qoq at the end of September 2022. Changes in loan volume by customer segment are as follows:

- **Corporate** loans increased 4.1% yoy and 1.9% ytd due to demand from large corporates with high credit quality. However, corporate loans decreased 3.0% qoq partly from sales of large corporate NPLs.
- **SME** loans grew 1.4% yoy and 2.0% ytd but fell 0.9% qoq. The yoy and ytd increase were from targeted lending to existing high-quality small SMEs.
- **Retail** loans increased 2.7% yoy, 1.6% qoq, and 2.0% ytd. Below are details of changes in loan volume by sub-segment.
 - **Housing loans** increased 3.8% yoy, 1.7% qoq, and 3.3% ytd given continued demand in high-end housing developments.
 - **Auto loans** fell 13.8% yoy, 3.7% qoq, and 11.2% ytd largely due to loan repayments.
 - **Unsecured loans** (personal loans and credit card receivables) increased 11.7% yoy, 4.1% qoq, and 5.3% ytd reflecting higher economic activities as a result of country re-opening as well as high demand from personal loans.
 - **Loans under subsidiaries**, including loans extended by MONIX, SCB Abacus, InnovestX and AutoX increased significantly by 590.3% yoy, 42.0% qoq, and 438.6% ytd to Baht 14,887 million.

Table 9. Deposits breakdown

Consolidated Unit: Baht million	After restructuring Sep 30, 22	After restructuring Jun 30, 22	% qoq	Before restructuring Dec 31, 21	% ytd	Before restructuring Sep 30, 21	% yoy
Demand	121,979	111,361	9.5%	118,954	2.5%	108,670	12.2%
Savings	1,937,301	1,916,305	1.1%	1,840,043	5.3%	1,792,522	8.1%
Fixed	473,993	495,650	-4.4%	508,498	-6.8%	508,979	-6.9%
Less than 6 months	99,925	102,241	-2.3%	108,205	-7.7%	108,439	-7.9%
6 months and up to 1 year	153,423	160,836	-4.6%	157,551	-2.6%	162,434	-5.5%
Over 1 year	220,645	232,573	-5.1%	242,742	-9.1%	238,106	-7.3%
Total deposits	2,533,273	2,523,316	0.4%	2,467,495	2.7%	2,410,172	5.1%
CASA - Current & Savings Accounts (%)	81.3%	80.4%		79.4%		78.9%	
Gross loans to deposits ratio	92.7%	93.5%		93.3%		94.6%	
Liquidity ratio (Bank-only)	31.7%	32.6%		33.0%		31.9%	

As of September 30, 2022, total **deposits** increased 5.1% yoy, 0.4% qoq and 2.7% ytd driven by higher saving deposits. As a result, CASA mix rose to 81.3% at the end of September 2022 from 79.4% at the end of last year. Given stronger deposit growth than loans, the gross loans to deposits ratio fell slightly to 92.7% from 93.3% at the end of December 2021.

The Bank's daily liquidity ratio of 31.7%, 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 Sep 30, 22	After restructuring Jun 30, 22	% qoq	Before restructuring Dec 31, 21	% ytd	Before restructuring Sep 30, 21	% yoy
Investments							
Financial assets measured at FVTPL	68,473	64,937	5.4%	68,707	-0.3%	99,688	-31.3%
Investments in debt securities measured at amortised cost	171,110	109,340	56.5%	7,548	2167.0%	7,542	2168.8%
Investments in debt securities measured at FVOCI	220,262	188,009	17.2%	213,450	3.2%	252,619	-12.8%
Investments in equity securities measured at FVOCI	1,625	1,625	0.0%	1,636	-0.7%	1,737	-6.4%
Net investment *	392,997	298,974	31.4%	222,634	76.5%	261,898	50.1%
Investment in associates	888	749	18.6%	781	13.7%	645	37.7%
Total	462,358	364,660	26.8%	292,123	58.3%	362,231	27.6%

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

Investments at the end of September 2022 increased significantly by 27.6% yoy, 26.8% qoq, and 58.3% ytd. The increase was mainly from higher government bonds measured at amortized cost.

Statutory Capital

The new entity, SCBX Financial Group, is subject to the same regulations as the Bank, namely the BOT's consolidated supervision guidelines, and must maintain the same minimum capital requirements including additional buffers. 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 SCBX 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%

SCBX 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 SCBX Financial Group to better handle unforeseen events and absorb any emerging risks that may arise from new businesses in the future.

Capital positions of SCBX Financial Group and the Bank at the end of September 2022 under the Basel III framework are shown in the below table.

Table 12. Total Regulatory Capital

Unit: Baht million, %	SCBX (Consolidated)			SCB Bank (Bank-only)		
	Sep 30, 22	Dec 31, 21	Sep 30, 21	Sep 30, 22	Dec 31, 21	Sep 30, 21
Statutory Capital						
Common Equity Tier 1	405,429	399,566	389,464	340,631	397,032	387,025
Tier 1 capital	406,446	399,566	389,464	340,631	397,032	387,025
Tier 2 capital	25,909	24,669	24,445	24,998	24,612	24,422
Total capital	432,355	424,235	413,909	365,629	421,644	411,447
Risk-weighted assets	2,333,062	2,265,443	2,247,368	2,279,401	2,238,352	2,223,862
Capital Adequacy Ratio	18.5%	18.7%	18.4%	16.0%	18.8%	18.5%
Common Equity Tier 1	17.4%	17.6%	17.3%	14.9%	17.7%	17.4%
Tier 1 capital	17.4%	17.6%	17.3%	14.9%	17.7%	17.4%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

Consolidated common equity Tier 1/Tier 1 capital of SCBX Financial Group increased yoy at the end of September 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 an additional cushion against current economic uncertainty but also enables SCBX to assist customers during the post-pandemic recovery. On the Bank-only basis, common equity Tier 1/Tier 1 capital decreased significantly qoq to 14.9% due mainly to a one-off dividend payment of Baht 61 billion from retained earnings of the Bank to shareholders. The dividend payment from SCB Bank to SCBX for funding purposes is

considered an intra-group transaction and thus will only affect the capital position of the Bank but not of SCBX.

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 September 2022, **gross NPLs** (on a consolidated basis) decreased 14.0% yoy and 10.1% qoq to Baht 92.1 billion. **Gross NPL ratio** decreased yoy and qoq to 3.34% from 3.58% at the end of June 2022 and 3.89% at the end of September 2021. The yoy and qoq improvement was primarily driven by effective NPL management through NPL sales.

At the end of September 2022, the Company's **coverage ratio** rose to 163.8%, up 10.5% qoq and 24.4% from the end of 2021 largely from a significant decline in NPLs. However, the Company's total loan loss reserve as a percentage of total loans (LLR %) declined qoq to 6.3% following a decline in total allowance from NPL sales.

Table 13. Asset quality

Unit: Baht million, %	After restructuring		Before restructuring	
	Sep 30, 22	Jun 30, 22	Dec 31, 21	Sep 30, 21
SCBX (Consolidated)				
Non-Performing Loans (Gross NPLs)	92,131	102,538	109,114	107,071
Gross NPL ratio	3.34%	3.58%	3.79%	3.89%
Total allowance*	150,867	157,193	152,111	147,359
Total allowance to NPLs (Coverage ratio)	163.8%	153.3%	139.4%	137.6%
Credit cost (Quarterly, bps)	132	175	209	175
SCB Bank (Bank-only)				
Non-Performing Loans (Gross NPLs)	91,379	101,203	108,051	105,962
Gross NPL ratio	3.32%	3.54%	3.77%	3.86%

* 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 September 2022, December 2021, and September 2021 were classified as follows:

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

Consolidated Unit: Baht million	After restructuring Sep 30, 22		Before restructuring			
	Loans and interbank	ECL*	Dec 31, 21		Sep 30, 21	
			Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,516,763	60,171	2,576,432	46,600	2,448,821	45,273
Stage 2 (Underperforming)	147,171	39,309	189,930	42,920	196,906	40,732
Stage 3 (Non-performing)	92,131	51,387	109,114	62,592	107,071	61,354
Total	2,756,065	150,867	2,875,476	152,111	2,752,798	147,359

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

Sources and Uses of Funds

As of September 30, 2022, deposits accounted for 73.6% of SCB's funding base. Other major sources of funds were: 13.5% from shareholders' equity, 4.2% from interbank borrowings, and 2.2% from debt issuance. Uses of funds for this same period were: 68.2% for loans, 13.6% for interbank and money market lending, 13.4% for investments in securities, and 1.3% held in cash.

Segment Performance

9M22 Operational Performance**

Unit: Baht billion	Total operating income	% portion	Net profit	% portion	Total loans
SCBX (Separate)	0.0	0%	(0.5)	-1%	-
Gen 1 - Banking Services*	98.7	82%	35.7	98%	2,235
Gen 2 - Consumer & Digital Financial Services*	15.4	13%	1.2	3%	121
Gen 3 - Platforms & Digital Assets*	6.1	5%	0.0	0%	3
Inter Transaction	(4.1)		(6.0)		(12)
Total	116.1		30.4		2,347

* Before deducting intercompany transactions

** Pro forma numbers assuming the business transfer to SCBX and CardX has been completed

Gen 1 - Banking Services

9M22 Performance

- **Total operating income** was Baht 98.7 billion mainly, up 5.2% yoy due to higher NII from loan growth, NIM expansion from lower volume of debt restructuring, interest rate hikes and pricing discipline as well as effective liquidity management. Non-NII was under pressure from lower wealth management fees and lower investment gains from weak market sentiment. Bancassurance fees were resilient from a shift to higher margin products and proactive sale campaigns while transactional fees grew strongly from higher business activities.
- **OPEX** remained stable with continued cost discipline.
- **Total loans** rose 2.9% yoy, below the industry average, since the Bank has opted for a selective loan growth strategy to optimize returns within its risk tolerance. Loan growth was mainly

concentrated in corporate and retail segments while asset quality improved from the Bank's pro-active NPL management.

Gen 2 – Consumer & Digital Financial Services

9M22 Performance

- Total operating income was Baht 15.4 billion, of which NII accounted for over 80% due to digital and consumer loan growth.
- Given the early stage of these businesses, total operating cost and provisions were relatively high with net profit of Baht 1.2 billion in 9M22.
- SCBX expects an improvement in net profit contribution from Gen 2 as soon as next year following new product launches and fast business scale up and efficiency improvement.

Gen 3 – Platforms & Digital Assets

9M22 Performance

- Total operating income was Baht 6.1 billion, mostly contributed from fee and investment income. Amid the weak market sentiment, total operating income declined yoy from lower investment gain.
- OPEX remained high given marketing campaigns.

Credit Ratings

Credit Ratings of SCB X Public Company Limited

September 30, 2022

Moody's Investors Service

Issuer Rating (Local and Foreign Currency)	Baa2
Outlook	Stable

Fitch Ratings

Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Outlook	Stable
Viability Rating	bbb
Government Support Rating	bbb-

Appendix

SCBX structure after the Shareholding Restructuring Plan

Company	Type of Business
Gen 1 – Banking Services	
Siam Commercial Bank	Commercial banking business
SCB Asset Management	Investment, investment management, provident funds, private funds, and fund management
SCB Protect	Non-life and life insurance brokerage business
SCB Julius Baer	Private bank with a focus on offshore investment.
SCB Plus	Debt collection
Gen 2 – Consumer & Digital Financial Services	
AutoX	Auto title loan
CardX	Credit cards and personal loans
AlphaX	Luxury vehicle financing business
SCB Abacus	Digital lending platform
MONIX	Digital lending platform
AISCB	Digital lending platform
Gen 3 – Platforms & Digital Assets	
InnovestX	Securities and digital assets related business
Purple Ventures	Lifestyle super app
SCB 10X	Disruptive technology investment arm and venture builder
SCB TechX	Technology solutions
Digital Ventures	Integrated blockchain solution
TokenX	Digital token offering
DataX	Data analytics

Gen 2: Consumer & Digital Financial Services

The Group has set up Gen 2 companies to penetrate ‘high-risk, high-return’ consumer lending and digital financial services markets which we believe will contribute to the Group’s growth and ROE. We will expand into the areas that offer promising growth potential with reasonable risk-adjusted returns. Gen 2 companies include MONIX and SCB Abacus which have been active players in the digital lending area; as well as newly-established CardX and AutoX. While CardX is the Bank’s spin-off that operates credit card and unsecured lending business, AutoX operates a car title loan business.

Gen 3: Platforms & Digital Assets

The Group’s Gen 3 companies will penetrate game-changing businesses with exponential growth profiles. This includes platforms and digital assets as well as investments in high-growth, tech-focused businesses. Below are the key highlights of our Gen 3 subsidiaries:

- **Robinhood (Purple Ventures)** aims to be a super app for food delivery, online travel (OTA), online mart and express services. Covering Bangkok, Pattaya, and Chiangmai, the services now have over 3 million registered users, close to 260,000 merchants, and 30,000 riders.
- **SCB 10X** is a holding company under SCBX with a "moonshot mission" to create long-term value through exponential technologies, innovations, investments in venture capital companies and venture building services.
- **InnovestX** Securities Company Limited, formerly known as SCB Securities Company Limited, is one of the keys to make SCBX Group the most admired regional financial technology group, as the Group is expanding the financial and investment business to the ASEAN market and accelerating growth through technology and innovations. InnovestX has forged new strategies to drive the future of finance, investment, and digital assets. The company is introducing "InnovestX", a Super App that traverses the investment universe, creating a new ecosystem to accommodate transforming contexts. InnovestX is determined to make it easier for everyone to enter the broader and all comprehensive investment and financial markets.

Recent development of SCBX's Group in 3Q22

- **July 1, 2022:** SCB Bank & AWC together set a new benchmark for the real estate industry in Thailand with a Baht 20,000 million agreement on a Sustainability Linked Loan and ESG Linked Interest Rate Swap.
- **July 7, 2022:** Robinhood is collaborating with Accenture (NYSE: ACN) to drive advertising creativity and enhance brand experiences for advertisers on the platform. Led by Accenture Song (formerly Accenture Interactive), the multi-year strategic collaboration accelerates Robinhood's business transformation across various aspects of the company, positioning the platform as one of Thailand's most compelling apps, enhancing its product management and strategy, and creating rewarding customer experiences.
- **July 11, 2022:** SCBX Group is embarking on an important mission to join the world's leading companies in becoming a Net Zero financial technology group by 2050, positioning itself as a pioneer in driving and inspiring society to develop sustainable businesses and help the environment for the next generation.
- **August 16, 2022:** SCB and Digital Ventures celebrated the success of their settlement platform PayZave, which enables supply chain partners to make and receive payments without having to wait for credit terms.
- **August 25, 2022:** SCBX Group and Bitkub Capital Group Holdings reached mutual agreement to terminate transaction to invest in "Bitkub Online"
- **September 9, 2022:** SCB Bank and Digital Ventures joined with Asset World Corp PCL (AWC), Thailand's leading real estate developer specializing in integrated lifestyles to roll out a B2P (Blockchain for Procure-to-Pay) digital platform to link up with AWC's supply chain network. The platform is designed to support extensive digital procurement and payments, bolstering the

platform's sustainability features with accurate, transparent, and verifiable technologies, along with SCB's Supply Chain Financing services, which increase liquidity for entrepreneurs on B2P systems by allowing them to access financial loans directly from the Bank.

- **September 12, 2022:** SCB Bank, AutoX and Osotsapa together arrange a special financial package for a network of over 5,000 retail partners and agents of Osotsapa Group. The Bank and AutoX prepared financial packages with interest starting from 2.99% to support Osotsapa's partners with reviving and expanding the business amidst of economic changes.
- **September 16, 2022:** SCB TechX introduced PointX, the latest platform development. It is a new world that lets reward point collectors experience unlimited reward point accumulation and redemption.
- **September 20, 2022:** SCBX Group announced a USD 50,000,000 indirect strategic investment in Bank Jasa Jakarta (BJJ), a licensed conventional Indonesian commercial bank through a WeLab-led consortium holding company, WeLab Sky Limited, which has joint control in BJJ together with PT Astra International Tbk (Astra) through its subsidiary PT Sedaya Multi Investama (Astra Financial), with plans to re-platform and re-launch it as an innovative digital bank. The transaction marked Southeast Asia's largest digital bank M&A transaction in 2022, illustrating the substantial commitment to invest in and contribute to digitizing Indonesia's banking industry. The strategic investment highlights the massive growth of digital banking business in Indonesia and heralds a new step in the digital banking revolution.

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.									
	Apr 29, 15	Dec 19, 18	Aug 7, 19	Nov 6, 19	Feb 5, 20	Mar 23, 20	May 20, 20	Aug 10, 22	Sep 28, 22
Policy rate (%)	1.50	1.75	1.50	1.25	1.00	0.75	0.50	0.75	1.00