SCB X

Towards Continuous Sustainability

BASEL III PILLAR 3 MARKET DISCLOSURE

DECEMBER 2024

SCB X Public Company Limited

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1. INTRODUCTION

Siam Commercial Bank PCL (SCB) or “Bank” and its Financial Group started to adopt Basel III, the latest global regulatory framework for assessing bank capital adequacy and liquidity, on 1 January 2013 to further strengthen its risk management practices. The Bank’s implementation of Basel III strictly follows the Basel Committee on Banking Supervision’s guidelines and the Bank of Thailand (BOT)’s regulations.

In September 2017, the Bank was designated as one of the Domestic Systemically Important Banks (D-SIBs) by the BOT. This status resulted in a requirement to maintain an additional Common Equity Tier 1 (CET1) of 1.0% on top of the capital conservation buffer of 2.5%.

Following the TFRS 9 adoption in January 2020, commercial banks are required to hold minimum provisions relative to a defined list of performing and under-performing assets and off-balance sheet items according to the following schedules: 0.33% in 2020, 0.67% in 2021, and 1.0% for 2022 onwards. If available provisions fall short of the required minimum, banks must adjust for such differences in the capital fund items starting from January 1, 2020.

To implement the strategy for enhancing the competitiveness of SCB Group, according to the Extraordinary General Meeting of Shareholders of The Siam Commercial Bank Public Company Limited No. 1/2021, SCB Financial Group Restructuring Plan was approved, in which the Bank arranged for the establishment of SCB X Public Company Limited (“SCBX”) to be the parent company of the companies in the financial group in order to broaden its vision and aspire to become “the most admired financial technology group in ASEAN” amid rapidly changing consumer behavior and business landscape upon technological development and intense competition from both existing and new players.

SCBX Financial Group and SCB are still subject to BOT regulations and are required to maintain the minimum capital requirements including additional buffers as prescribed by the BOT. The policy of maintaining capital levels well above the minimum regulatory requirements, as well as adequate loan loss provisions, remains in place to allow the Financial Group to absorb unexpected events and new types of risks that may arise from new businesses under SCBX Financial Group in the future.

The current Basel Capital Accord comprises three pillars, each of which is essential for promoting the stability of financial institutions:

Pillar I provides guidelines on minimum capital requirements for credit risk, market risk and operational risk.

Pillar II addresses the key principles of supervisory review processes and relevant internal risk assessment beyond Pillar I, with an emphasis on a bank's internal capital adequacy assessment process (ICAAP).

Pillar III leverages market mechanism for bank supervision by requiring public disclosure of key information on capital adequacy and risk exposure as well as risk assessment and management.

This Pillar III report presents both qualitative and quantitative information on capital adequacy and measurement of credit risk, market risk in the trading book, and operational risk for both SCB (referred to as 'Bank-only') and SCBX Financial Group (referred to as 'Consolidated'). The report also provides information on risk management guidelines and frameworks, risk components, risk monitoring and reporting, and methodologies used to assess capital adequacy.

Qualitative information is updated annually, or whenever there is any material policy change. The Pillar III reports are published twice a year to disclose half-year and full-year information within four months of the report date (i.e. end of June 30 and December 31) as required by the BOT.

A copy of the report can be found on the Bank's website and SCBX's website under Investor Relations at *https://www.scb.co.th/en/shareholders/financial-information.html*
and *https://investor.scbx.com/en/document/basel-iii-pillar-3-market-disclosures*

Beginning 1 January 2020, the BOT's disclosure requirement has been revised to include key prudential metrics to reflect the provisioning impact from TFRS 9. Moreover, the BOT also revised disclosure of general provision, which is eligible as Tier 2 capital, amended terminology to be in line with financial statements and updated capital disclosure during a transitional period according to the Basel III framework.

Although external audit is not required for this report, the Bank and SCBX have an internal verification and approval process to ensure that contents of the report adhere to the Pillar III disclosure policy. In addition to following the Basel III framework in disclosure principles, information in this report is the same as that used internally by management and for reports submitted to the BOT.

2. SCOPE OF APPLICATION

Standardized Approach

SCB and SCBX Financial Group have adopted the Standardized Approach (SA), which follows the BOT's guidelines on credit risk, market risk, and operational risk measurement, as a computational framework for regulatory capital requirements.

Accounting Consolidation

Consolidated financial statements present information on combined assets and liabilities of SCBX Financial Group. The methodology for consolidating financial statements in accordance with the Thai Financial Reporting Standards can be found in SCBX's 2024 Annual Report.

Regulatory Consolidation[1/]

Regulatory consolidation consists of **solo consolidation**, which considers only financial entities of which the Bank owns more than 75%, and **full consolidation** (referred to as 'Consolidated'), which encompasses all entities within the Financial Group, including those under solo consolidation, other subsidiaries in finance or support businesses. Under Basel III, investment in life insurance businesses or other financial entities in which the Bank and/or the parent company of the Financial Group hold more than 10% but less than 50% of issued shares is considered 'investment outside the scope of consolidation' and will be treated separately according to the BOT's guidelines.

Treatment of investment outside the scope of consolidation such as life insurance companies, depends on how much of issued common shares are held by the Bank and/or its parent company with 10% being the threshold level:

- The Bank and/or the Financial Group do not hold more than 10% of total issued common shares:

  The BOT requires that calculation be split into two parts. The portion of investment that exceeds 10% of the Bank and/or the Financial Group's net common equity Tier 1 capital (net CET1) must be deducted from the corresponding tier of capital (Corresponding Approach). The remaining portion under 10% of net CET1 is assigned a risk weight according to the BOT's guidelines.

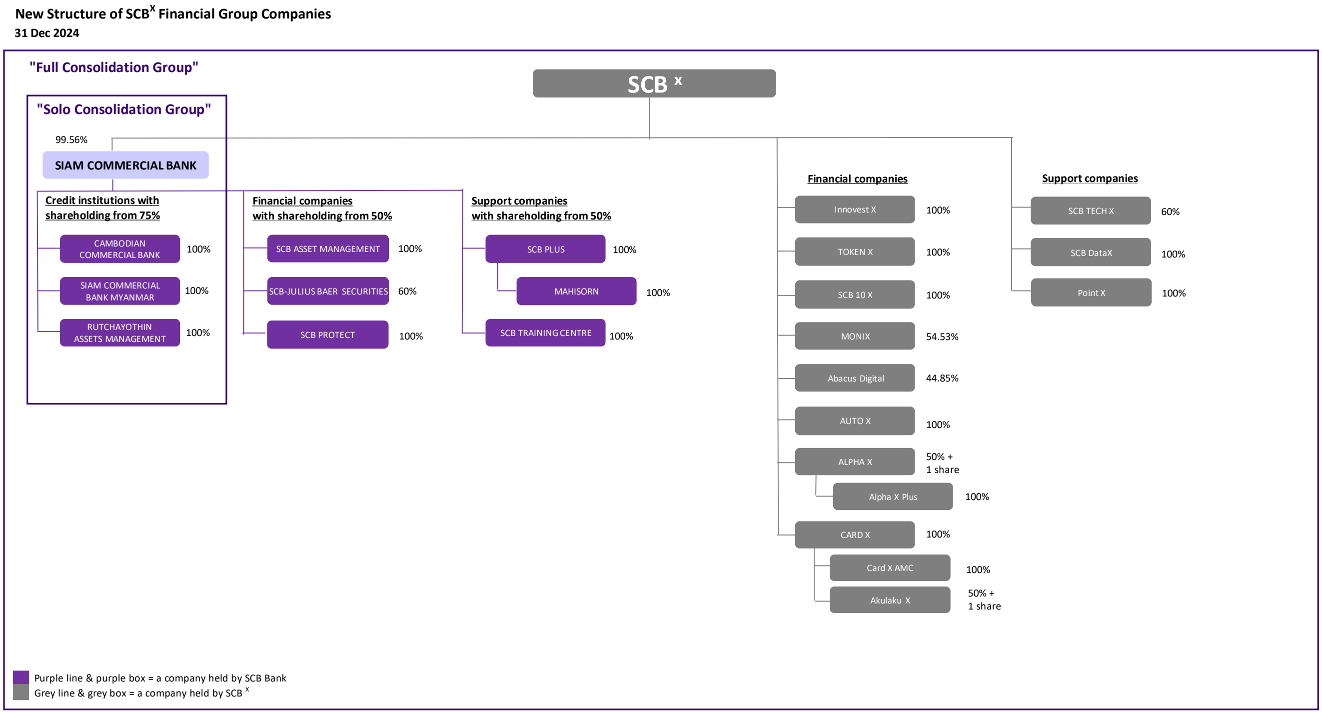
- The Bank and/or the Financial Group hold more than 10% of total issued common shares:

  In this case which is considered a significant investment based on the threshold approach, the BOT requires calculation to be split into two parts. The portion of investment that exceeds 10% of the Bank and/or the Financial Group's net CET1 must be deducted from the corresponding tier of capital. Any shortfall must be deducted from the next higher tier of capital. The remaining portion under 10% of net CET1 will be assigned a risk weight of 250%.

  This report presents quantitative information for both bank-only and consolidated basis.

[1/] See more details on regulatory consolidation in the Appendix.

Figure 1: List of Companies and Business Types within the SCBX Financial Group as of December 31, 2024



3. KEY PRUDENTIAL METRICS

Table 1: Key Prudential Metrics

Unit: Baht million, %

		Bank-Only		Consolidated	
		31 Dec 24	30 Jun 24	31 Dec 24	30 Jun 24
1.	**Available Capital (amounts)**				
1.1	Common Equity Tier 1 (CET1)	374,445	373,707	424,625	425,798
1.2	Fully loaded ECL CET1	374,445	373,707	424,625	425,798
1.3	Tier 1	374,445	373,707	427,000	427,518
1.4	Fully loaded ECL Tier 1	374,445	373,707	427,000	427,518
1.5	Total capital	398,196	397,734	453,365	454,359
1.6	Fully loaded ECL total capital	398,196	397,734	453,365	454,359
2.	**Risk-weighted assets (amounts)**				
2.1	Total risk-weighted assets (RWA)	2,154,228	2,187,112	2,396,562	2,422,211
3.	**Risk-based capital ratios as % of RWA**				
3.1	Common Equity Tier 1 ratio (%)	17.38%	17.09%	17.72%	17.58%
3.2	Fully loaded ECL Common Equity Tier 1 (%)	17.38%	17.09%	17.72%	17.58%
3.3	Tier 1 ratio (%)	17.38%	17.09%	17.82%	17.65%
3.4	Fully loaded ECL Tier 1 ratio (%)	17.38%	17.09%	17.82%	17.65%
3.5	Total capital ratio (%)	18.48%	18.19%	18.92%	18.76%
3.6	Fully loaded ECL total capital ratio (%)	18.48%	18.19%	18.92%	18.76%
4.	**Additional CET1 buffer requirements as % of RWA**				
4.1	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%
4.2	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%
4.3	Higher loss absorbency for D-SIB (%)	1.0%	1.0%	1.0%	1.0%
4.4	Total capital buffer requirements (%)	3.5%	3.5%	3.5%	3.5%
4.5	CET1 available after meeting the bank’s minimum capital requirements (%)[1/]	10.0%	9.7%	10.4%	10.3%
5.	**Liquidity Coverage Ratio for Bank-Only basis**[2/]				
5.1	Total HQLA	761,660	783,794		
5.2	Total net cash outflows	358,941	361,080		
5.3	LCR ratio (%)	212%	217%		

1/ An excess of CET1 above the minimum regulatory capital adequacy ratio including minimum ratios for Tier 1, and Tier 2 which CET1 is used to maintain minimum capital requirement.

2/ Average LCR for Q4/2024 and Q2/2024 were calculated using simple averages of month-end data for each quarter. For example, Q4 data were obtained by taking a simple average of month-end data in October, November and December.

Highlight of changes to the Bank’s capital and key drivers

As of December 31, 2024, the Bank's Tier 1 capital and total capital were 17.38% and 18.48%, respectively. An increase of around 0.30% from June 2024, mainly due to lower credit risk-weighted assets from corporate segment and lower market risk-weighted assets from foreign exchange and interest rate risk.

On a consolidated basis, Tier 1 capital and total capital were 17.82% and 18.92% respectively. An increase of around 0.16% from June 2024 mainly due to lower credit risk-weighted assets from corporate segment offset by higher credit risk-weighted assets from retail segment and lower market risk-weighted assets from foreign exchange and interest rate risk.

The capital position at the end of 2024 from both bank-only and consolidated perspectives far exceeded the minimum regulatory requirements including additional buffers.

Given its strong CET1 capital position, the Bank and SCBX Financial Group opted to recognize the full amount of capital impact from provisioning based on Expected Credit Loss (ECL) as required by TFRS 9 right from the first day that the new accounting standard came into effect on January 1, 2020. As a result, the Bank’s Common Equity Tier 1 and Tier 1 capital is the same as fully loaded ECL Common Equity Tier 1 and Tier 1 capital.

4. REGULATORY CAPITAL

4.1 Capital Management

Since capital is the most critical resource for the banking business, SCB and SCBX Financial Group have adopted the Internal Capital Adequacy Assessment Process (ICAAP) to assess material risks and capital adequacy under both normal and stress conditions. Moreover, policies and procedures have been developed and put in place to ensure that SCB and SCBX Financial Group's capital:

- Provides adequate cushion to absorb unexpected losses and builds market confidence in the Bank's and SCBX Financial Group's financial strength by maintaining capital in excess of the minimum regulatory requirements including additional buffers at all times;
- Matches the risk profile of SCB and SCBX Financial Group, facilitates growth based on their business strategies, and provides the ability to withstand potential risks from an economic downturn or other adverse scenarios; and
- Strikes the right balance between shareholders' returns and the prudential capital position.

Senior managements of SCB and SCBX are responsible for reviewing capital adequacy regularly based on business needs and potential regulatory changes as primary considerations.

4.2 Capital Structure and Adequacy

Capital Structure

Regulatory capital under Basel III consists of 3 following categories:

(1) **Common Equity Tier 1 Capital (CET1)** represents the highest-quality component of capital which includes:

- Fully paid-up common shares
- Premium on common shares
- Appropriated retained earnings
- Legal reserves
- Other comprehensive income, i.e. revaluation surplus on land and premises, and revaluation surplus on FVOCI investment
- Items of financial business group that operates commercial bank business, only non-controlling interests that can be included in Common Equity Tier 1 of the financial business group

(2) **Additional Tier 1 Capital** consists of high-quality capital, which includes:

- Fully paid-up non-cumulative preferred shares
- Premium on the above-mentioned preferred shares
- Perpetual subordinated debt
- Items of financial business group only non-controlling interest and third parties that can be included in Additional Tier 1 of the financial business group

(3) **Tier 2 Capital** consists of:

- Long-term subordinated liabilities
- General provisions (eligibility limited to 1.25% of credit risk-weighted assets)
- Items of financial business group only non-controlling interest and third parties that can be included in Tier 2 capital of the financial business group

Capital Adequacy

Maintaining adequate capital is crucial for financial stability of the Bank and SCBX Financial Group as it provides cushion against risk that arises from the business operation. SCB and SCBX Financial Group identify and manage risk by setting internal control procedures and performing stress tests as well as assessing and managing risk impacts through the capital planning process. Scenario analysis and stress tests are employed to assess the sensitivities of regulatory capital to business plans and adverse shocks from extreme yet plausible events. SCB and SCBX Financial Group use these analytical tools to forecast financial impacts from the business plans and capital needs and to come up with impact mitigation plans should such adverse events occur.

To comply with the regulatory requirements, SCB and SCBX Financial Group must maintain capital at a level deemed sufficient to cover credit risk, market risk, and operational risk. In addition, the Bank and Financial Group are required to maintain a capital conservation buffer of 2.5% of CET1. Furthermore, banks designated as Domestic Systemically Important Banks (D-SIBs) by the BOT must maintain additional CET1 of 1% to enhance their ability to absorb losses and mitigate any impact to the overall financial sector and the economy.

As a result, throughout 2020, the Bank and the Financial Group must maintain the minimum ratios of Common Equity Tier 1 (CET1) at 8.0%, Tier 1 capital at 9.5%, and total CAR at 12.0%.

As of December 31, 2024, the total CAR was 18.92% on a consolidated basis and 18.48% on a bank-only basis, while Tier 1 capital was 17.82% on a consolidated basis and 17.38% on a bank-only basis and CET1 capital stood at 17.72% on a consolidated basis and 17.38% on a bank-only basis.

Note: The ratios as of December 31, 2024 excluded net profit after dividend payment for 2024.

Figure 2: Basel III Capital Structure as of December 31, 2024

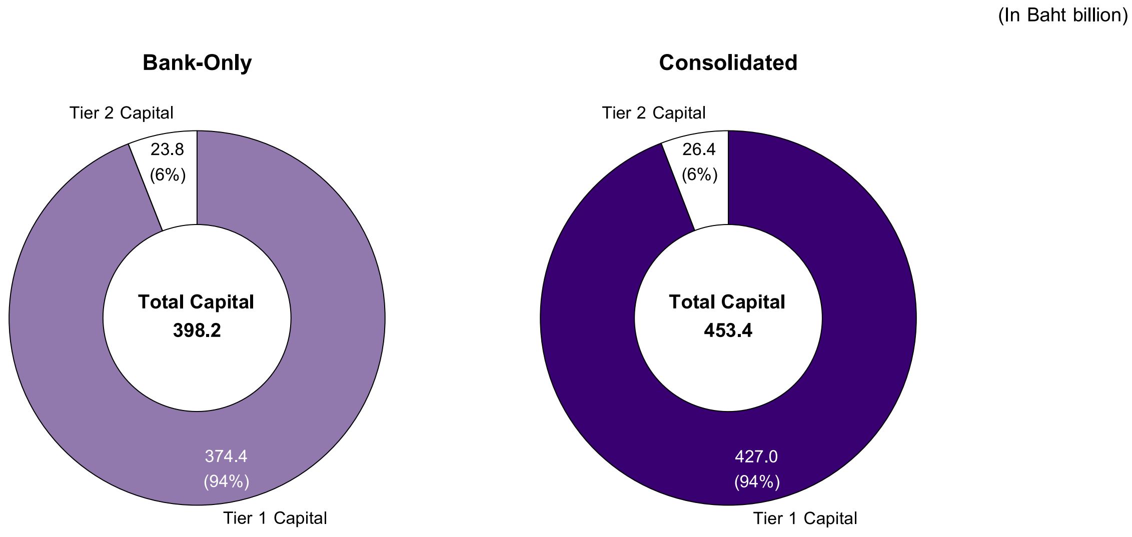


Figure 3: Capital Adequacy Ratios under the Standardized Approach (SA)

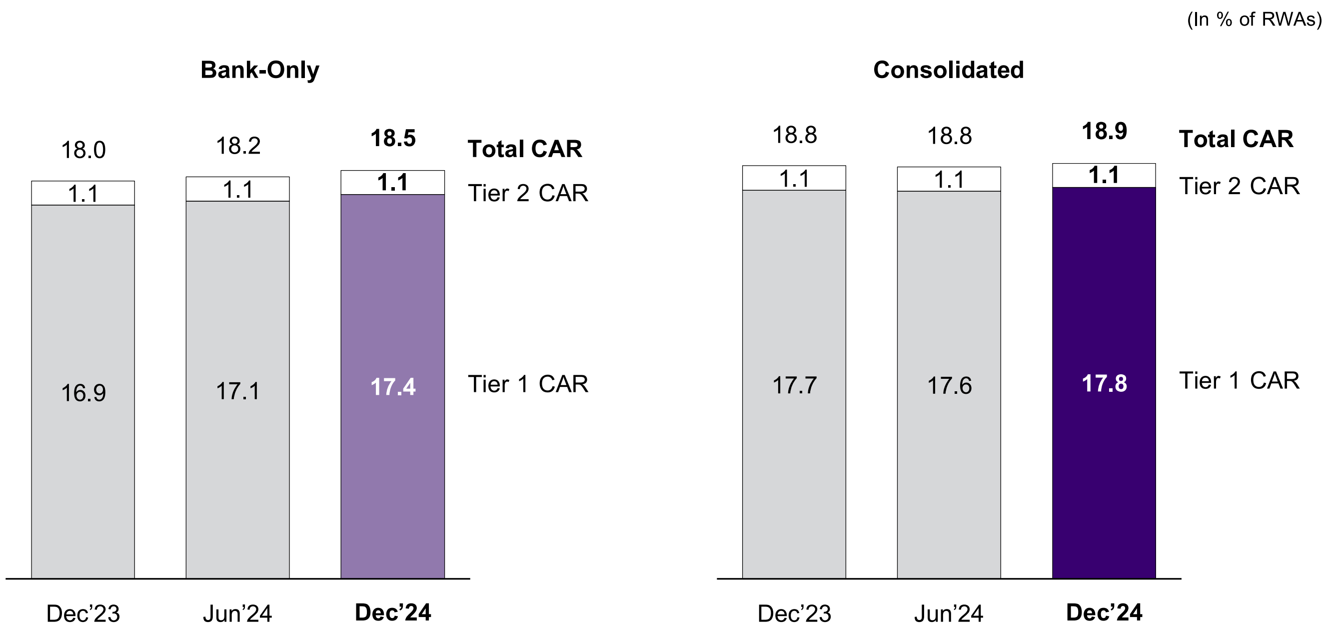


Table 2: Comprehensive Regulatory Capital and Capital Adequacy

Unit: Baht million, %

	Bank-Only			Consolidated		
	31 Dec 24	30 Jun 24	31 Dec 23	31 Dec 24	30 Jun 24	31 Dec 23
Tier 1 capital	**374,445**	**373,707**	**361,170**	**427,000**	**427,518**	**417,535**
Common Equity Tier 1 (CET1)	**374,445**	**373,707**	**361,170**	**424,625**	**425,798**	**415,913**
Paid-up common shares capital	33,992	33,992	33,992	33,671	33,671	33,671
Surplus (deficit) net worth	11,124	11,124	11,124	11,019	11,019	11,019
Legal reserve	7,000	7,000	7,000	3,400	3,400	3,400
Net profit after appropriation	321,462	321,462	309,132	382,760	382,760	373,711
Other reserves						
Other comprehensive income	18,520	17,432	18,417	20,170	19,747	20,136
Others owner changes items	-	-	-	(718)	(620)	(607)
Items of financial business group that operates commercial bank business, only non-controlling interests that can be included in Common Equity Tier 1 of the financial business group	-	-	-	1,495	1,491	1,513
Regulatory deduction to CET1 capital	(17,654)	(17,303)	(18,495)	(27,173)	(25,671)	(26,931)
Additional Tier 1	**-**	**-**	**-**	**2,376**	**1,720**	**1,622**
Items of financial business group only non-controlling interest and third parties that can be included in Additional Tier 1 of the financial business group	-	-	-	2,376	1,720	1,622
Tier 2 capital	**23,752**	**24,027**	**23,499**	**26,364**	**26,841**	**26,144**
Proceeds from issuing subordinated debt securities	-	-	-	-	-	-
General provision	23,752	24,027	23,499	25,949	26,196	25,573
Items of financial business group only non-controlling interest and third parties that can be included in Tier 2 capital of the financial business group	-	-	-	415	645	571
Total Regulatory Capital	**398,196**	**397,734**	**384,669**	**453,365**	**454,359**	**443,680**
Risk-weighted assets						
Credit risk	1,900,154	1,922,142	1,879,955	2,075,925	2,095,706	2,045,867
Market risk	26,801	36,601	27,243	63,728	76,060	64,302
Operational risk	227,274	228,368	228,702	256,909	250,444	248,346
Total Risk-Weighted Assets	**2,154,228**	**2,187,112**	**2,135,900**	**2,396,562**	**2,422,211**	**2,358,515**
Total capital/ Total risk-weighted assets	**18.48%**	**18.19%**	**18.01%**	**18.92%**	**18.76%**	**18.81%**
Total Tier 1 capital/ Total risk-weighted assets	**17.38%**	**17.09%**	**16.91%**	**17.82%**	**17.65%**	**17.70%**
Total CET1 capital/ Total risk-weighted assets	**17.38%**	**17.09%**	**16.91%**	**17.72%**	**17.58%**	**17.63%**
Minimum regulatory capital adequacy ratios:						
Minimum total capital/ Total risk-weighted assets	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Minimum Tier 1 capital/ Total risk-weighted assets	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Minimum CET1 capital/ Total risk-weighted assets	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Capital conservation buffer requirements	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Higher loss absorbency for D-SIBs [1/]	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Total minimum CAR including capital conservation buffer	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%

1/ D-SIB buffer requires additional CET1 of 1.0% in 2020 onwards.

Table 3: Capital Requirements by Risk Type

Unit: Baht million

	Bank-Only			Consolidated		
	31 Dec 24	30 Jun 24	31 Dec 23	31 Dec 24	30 Jun 24	31 Dec 23
Credit risk - Standardized Approach						
Performing						
Governments, Central Banks, MDBs [1/] and PSEs [2/] treated as Sovereign	665	663	581	1,191	1,257	1,183
Banks and PSEs [2/] treated as banks	2,605	1,714	1,623	2,907	2,004	1,837
Corporates [3/] and PSEs [2/] treated as corporates	88,297	90,421	87,606	88,523	90,467	87,291
Retail	35,193	36,710	37,807	46,238	47,377	48,340
Retail mortgage loans	20,681	20,281	19,681	20,681	20,281	19,681
Other assets [4/]	11,143	10,792	9,673	13,912	13,870	12,672
Non-performing	2,930	2,802	2,825	3,001	2,879	2,893
First-to-default credit derivatives and securitization	-	-	-	-	-	-
Minimum capital requirements for credit risk	**161,513**	**163,382**	**159,796**	**176,454**	**178,135**	**173,899**
Market risk - Standardized Approach						
Interest rate risk	1,943	2,212	1,959	1,949	2,220	1,965
Equity position risk	-	-	-	40	43	27
Foreign exchange risk	335	899	357	3,428	4,202	3,473
Commodity risk	-	-	-	-	-	-
Minimum capital requirements for market risk	**2,278**	**3,111**	**2,316**	**5,417**	**6,465**	**5,466**
Operational risk - Standardized Approach						
Minimum capital requirements for operational risk	**19,318**	**19,411**	**19,440**	**21,837**	**21,288**	**21,109**
Total minimum capital requirements [5/]	**183,109**	**185,905**	**181,552**	**203,708**	**205,888**	**200,474**

1/ Multilateral development banks

2/ Public sector entities

3/ Including claims on individuals and their related parties when aggregated limits exceed conditions of claims on retail

4/ Other assets under Basel III include investment outside the scope of consolidation which carries a 250% risk-weight

5/ Minimum capital requirements are calculated based on the minimum regulatory capital adequacy ratio at 8.5%. If capital conservation buffer of 2.5% and D-SIB buffer of 1.0%, total capital requirements at end of December 2024 would have been Baht 258,507 million on a bank-only basis and Baht 287,587 million on a consolidated basis.

Table 4: Main Features of Regulatory Capital Instruments

Ordinary share		
Issuer	The Siam Commercial Bank PCL	SCB X Public Company Limited
Unique identifier	ISIN Code: TH0015010000	ISIN Code: THA790010005
Regulatory treatment		
Instrument type	Common Equity Tier 1 capital	Common Equity Tier 1 capital
Qualified or non-qualified Basel III	Qualified	Qualified
Non-qualified Basel III features	-	-
Phased-out or full amount	Full amount	Full amount
Eligible at Solo / Group / Group and Solo	Solo	Group
Amount recognized in regulatory capital	33,992 million Baht [1/]	33,671 million Baht
Par value of instrument	10 Baht	10 Baht
Accounting classification	Shareholder's equity	Shareholder's equity
Original date of issuance	Multiple	22 April 2022
Perpetual or dated	Perpetual	Perpetual
Original maturity date	No maturity	No maturity
Issuer's authority to call prior to supervisory approval	No	No
Optional call date, contingent call date and redemption amount	-	-
Subsequent call dates, if applicable	-	-
Coupons / dividends		
Fixed or floating dividend / coupon	Discretionary dividend amount	Discretionary dividend amount
Coupon rate and any related index	The ordinary shares receive distributable profit that has been declared as dividend.	The ordinary shares receive distributable profit that has been declared as dividend.
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down feature	No	No
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The ordinary shares shall receive the return of capital in a winding-up, allowing the holders the rights to participate in any surplus profit or assets of the company after all senior obligations have been paid off.	The ordinary shares shall receive the return of capital in a winding-up, allowing the holders the rights to participate in any surplus profit or assets of the company after all senior obligations have been paid off.

1/ Preferential rights of the Bank's preferred shares (Baht 36 million) expired on May 10, 2009. Since then, preferred shareholders have had the same rights as ordinary shareholders.

Table 5: Reconciliation of regulatory capital items

Unit: Baht million

Capital related items as of 31 December 2024	Balance sheet as per the published financial statements[1/]	Balance sheet under the regulatory scope of consolidation [2/]	References
Assets			
Cash	43,801	43,801	
Interbank and money market items, net	553,169	553,169	
Financial asstes measured at FVTPL	114,352	114,352	
Derivative assets	47,497	47,497	
Investments, net	314,837	314,837	
Investments in subsidiaries, associates and joint venture, net	1,842	1,866	
Loans to customers and accrued interest receivables, net			
Loans to customers	2,403,379	2,403,379	
Accrued interest receivables and undue interest receivables	24,867	24,867	
Total loans to customers and accrued interest receivables and undue interest receivables	2,428,246	2,428,246	
Less Unamortised modification loss	906	906	
Less Allowance for expected credit loss	(148,549)	(148,549)	
Qualified as capital		(25,949)	R
Non-qualified as capital		(122,600)	
Total loans to customers and accrued interest receivables, net	2,280,603	2,280,603	
Properties for sale, net	28,216	28,216	
Investment properties, net	7	7	
Premises and equipment, net	45,208	45,208	
Goodwill and other intangible assets, net	21,211	21,211	
Goodwill	1,270	1,270	M
Other intangible assets	19,941	19,941	N
Deferred tax assets	6,668	6,668	O
Other assets, net	29,127	29,108	
Total assets	**3,486,539**	**3,486,544**	
Liabilities			
Deposits	2,473,626	2,473,630	
Interbank and money market items	229,839	229,839	
Liabilities payable on demand	9,227	9,227	
Financial liabilities measured at FVTPL	1,750	1,750	
Derivative liabilities	46,281	46,281	
Debt issued and borrowings	106,745	106,745	
Provisions	19,442	19,442	
Deferred tax liabilities	800	800	P
Other liabilities	103,993	103,993	
Total liabilities	**2,991,702**	**2,991,707**	

Table 5 (Cont.)

Unit: Baht million

Capital related items as of 31 December 2024	Balance sheet as per the published financial statements[1/]	Balance sheet under the regulatory scope of consolidation [2/]	แหล่งอ้างอิง
Owner's Equity			
Share capital			
Issued and paid-up share capital			
Preferred shares	-	-	A
Common shares	33,671	33,671	B
Premium on share capital			
Premium on preferred shares	-	-	C
Premium on common shares	11,019	11,019	D
Other reserves			
Surplus on revaluation of land and premises	20,929	20,929	
Qualified as capital		19,587	G[3/]
Non-qualified as capital		1,342	
Revaluation surplus (deficit) of investments classified at FVTOCI	1,463	1,463	H
Foreign currency translation differences	(880)	(880)	I
Surplus (deficit) from value of cash flow hedge reserve	0	0	J
Others owner changes items	(718)	(718)	K
Reserves for share-based payment	1	1	
Retained earning			
Appropriated retained earning			
Legal reserve	3,400	3,400	E
Unappropriated retained earning	419,751	419,751	
Net profit after appropriation to capital		382,760	F[4/]
Net profit unappropriated to capital		36,990	
Total owners of the company	488,636	488,636	
Non-controlling interest	6,201	6,201	
Qualified as Common Equity Tier 1	-	1,495	L
Qualified as Additional Tier 1	-	2,376	Q
Qualified as Tier 2 capital	-	415	S
Non-qualified as capital	-	1,916	
Total shareholders' equity	**494,837**	**494,837**	
Total liabilities and shareholders' equity	**3,486,539**	**3,486,544**	

1/ Balance sheet per the published financial statements refers to audited financial statements on a consolidated basis as reported to the Stock Exchange of Thailand.

2/ Balance sheet under the regulatory scope of consolidation refers to financial statements on a consolidated basis under the BOT's regulation.

3/ Surplus on revaluation of land and premises can be counted toward capital only for items that the BOT has approved.

4/ Net profit for the second half of the year after being appropriated in accordance with the approved resolutions from the shareholders' meeting or profit for the first half of the year in accordance with the rules as specified by the Bank.

Table 5 (Cont.)

Unit: Baht million

Capital related items as of 31 December 2024	Regulatory capital reported by financial group	References based on balance sheet under the consolidated supervision
Tier 1 capital		
Common Equity Tier 1 (CET1) capital		
Paid-up common shares after deducting treasury shares	33,671	**A + B**
Surplus (deficit) net worth	11,019	**C + D**
Legal reserve	3,400	**E**
Net profit after appropriation	382,760	**F**
Other comprehensive income		
Revaluation surplus on land and building appraisal	19,587	**G**
Gain (loss) on investments designated at FVTOCI	1,463	**H**
Gain (loss) from converting foreign currency operation to the Bank	(880)	**I**
Gain (loss) from fair valued cash flow hedge reserve	0	**J**
Others owner changes items	(718)	**K**
Items of financial business group that operates commercial bank business, only non-controlling interests that can be included in Common Equity Tier 1 of the financial business group	1,495	**L**
Total CET1 capital before regulatory adjustments and deduction	451,797	
Regulatory adjustments on CET1	-	
Regulatory deductions on CET1		
Goodwill	1,270	**M**
Other intangible assets	19,941	**N**
Deferred tax assets	5,868	**O - P**
Others	93	
Total regulatory deduction on CET1	27,173	
Total CET1 capital	**424,625**	
Additional Tier 1 capital		
Items of financial business group only non-controlling interest and third parties that can be included in Additional Tier 1 of the financial business group	2,376	**Q**
Total Additional Tier 1	**2,376**	
Total Tier 1 capital	**427,000**	
Tier 2 capital		
General provision	25,949	**R**
Items of financial business group only non-controlling interest and third parties that can be included in Tier 2 capital of the financial business group	415	**S**
Total Tier 2 capital before regulatory adjustments and deduction	26,364	
Regulatory adjustment and deduction on Tier 2 capital	-	
Total Tier 2 capital	**26,364**	
Total regulatory capital	**453,365**	

Table 6: Capital Position During Transitional Period

Unit: Baht million

	Bank-only		Consolidated	
	Capital amount as of 31 December 2024	Net value of items with transitional phase subject to Basel III	Capital amount as of 31 December 2024	Net value of items with transitional phase subject to Basel III
Tier 1 capital				
Common Equity Tier 1 (CET1) capital				
Paid-up common shares capital	33,992		33,671	
Surplus (deficit) net worth	11,124		11,019	
Legal reserve	7,000		3,400	
Net profit after appropriation	321,462		382,760	
Other comprehensive income				
Revaluation surplus on land and buidling appraisal	18,299		19,587	
Gain (loss) on investments designated at FVTOCI	1,465		1,463	
Gain (loss) from converting foreign currency operation to the Bank	(1,244)		(880)	
Gain (loss) from fair valued cash flow hedge reserve	-		0	
Others owner changes items	-		(718)	
Items of financial business group that operates commercial bank business, only non-controlling interests that can be included in Common Equity Tier 1 of the financial business group	-		1,495	
CET1 capital before regulatory adjustments and deduction	392,098	-	451,797	-
Regulatory adjustments on CET1	-		-	
Regulatory deduction on CET1				
Goodwill	(1,270)		(1,270)	
Other intangible assets	(14,165)		(19,941)	
Deferred tax assets	(2,219)		(5,868)	
Others	(0)		(93)	
Total regulatory deduction on CET1	(17,654)	-	(27,173)	-
Total CET1 capital	**374,445**	**-**	**424,625**	**-**
Additional Tier 1 capital				
Items of financial business group only non-controlling interest and third parties that can be included in Additional Tier 1 of the financial business group	-		2,376	
Total Additional Tier 1	**-**	**-**	**2,376**	**-**
Total Tier 1 capital	**374,445**	**-**	**427,000**	**-**
Tier 2 capital				
Proceeds from issuing subordinated debt	-	-	-	-
General provision	23,752		25,949	
Items of financial business group only non-controlling interest and third parties that can be included in Tier 2 capital of the financial business group	-		415	
Tier 2 capital before regulatory adjustments and deduction	23,752	-	26,364	-
Regulatory adjustments and deduction on Tier 2 capital	-		-	
Total Tier 2 capital	**23,752**	**-**	**26,364**	**-**
Total regulatory capital	**398,196**	**-**	**453,365**	**-**

5. RISK MANAGEMENT

Effective implementation of a robust risk management process is a cornerstone of SCBX's commitment to good corporate governance and long-term business sustainability. The Group continually strives to enhance its enterprise risk management system across its subsidiaries to address both current and emerging challenges. As the parent company, SCBX serves as the Center of Excellence for the Group's risk management. This requires SCBX to maintain a comprehensive understanding and awareness of the risk exposure of each portfolio company and the Group as a whole. Therefore, a robust risk management framework has been put in place under a transparent governance structure to maximize the effectiveness in risk management. Further details on risk management framework will be discussed in the rest of this section.

By continually strengthening SCBX Financial Group's risk management framework and governance, SCB and SCBX Financial Group will be well-prepared to respond appropriately to any current and future economic conditions, whether favorable or otherwise. An overview of risk management structure, risk management policy, and risk management system is presented below.

5.1 Risk Management Structure

The SCBX Financial Group's risk management structure comprises of:

5.1.1 Board of Directors

The Board of Directors has the responsibility to review and approve the Group's material risks, Risk Appetite Statements and Group Risk Management Policy. The Group Risk Appetite Statements serve as a guideline for decision-making to take risks and to monitor the SCBX Financial Group's risk level so that SCBX can manage various risks and the stability of the capital position at the SCBX Financial Group level and Bank level as deemed appropriate. Each portfolio company must ensure that the risk appetites proposed to its board of directors for approval are aligned with the SCBX Financial Group's Risk Appetite Statements. The SCBX Financial Group Risk Management Policy sets out the risk management and governance frameworks for all risks that are identified as material to the SCBX Financial Group. The portfolio companies must comply to and adopt these frameworks as minimum standards for setting risk management policies and governance for the material risks that are specific to their businesses and obtain approval from their respective boards of directors. Such policies shall be designed according to the business model, risk profile, operating environment and development stage of each company, and to comply with relevant laws and regulatory requirements. Any material inconsistencies with the Group Risk Appetite Statements and the SCBX Financial Group Risk Management Policy must be approved by the SCBX Board of Directors prior to the implementation.

The Board of Directors has the responsibility to delegate roles and responsibilities, as well as approval authority, to sub-board committees and other management committees. The committees with significant roles in risk management have been categorized into two levels as specified below:

5.1.1.1 Sub-Board Committees

The Board of Directors has delegated its risk management duties to the following sub-board committees:

1. **The SCBX Group Control Committee** is responsible for supervising, controlling, and monitoring the operations of the Company and portfolio companies in

SCBX Group in accordance with plans and policies for the benefit of the SCBX Group and to prevent conflict, as well as to comply with relevant rules and regulations. The Committee will consider and give opinions on important matters including, but not limited to, defining key strategies, large scale investments, sales of significant investments, business closure, businesses and/or investments that may pose reputational risk or cause conflict in SCBX Group.

2. **The Executive Committee** is responsible for reviewing and/or approving matters related to the businesses of the Company and SCBX Financial Group, including but not limited to business strategies and plans, capital allocation, investments, mergers & acquisitions and borrowing. When making these business decisions, the Committee must ensure that they are within the risk parameters set out by the Group Risk Appetite Statements and Group Risk Management Policy. The Committee may propose revision to the risk appetites for consideration by the Board of Directors as may be appropriate to a changing operating environment, market opportunities, new regulations, or developments in the Group's financial condition.

3. **The Risk Oversight Committee** membership must comprise directors, executives or company advisors in at least half of the member seats, with the Chairman being an independent or non-executive director. The Committee is responsible for reviewing the adequacy and efficiency of overall risk management policies, frameworks, strategies, risk appetites and tolerances, and resources and tools for SCBX, as well as at the SCBX Financial Group level, and make recommendations to the Board of Directors to revise risk appetites and policies as needed. The oversight of portfolio companies' risk management is done primarily through risk dashboards and a major incident escalation process. Major incidents, key risk trends and material emerging risks are discussed by the Committee to provide guidance to the management to improve or formulate strategies to control, manage and mitigate these events and trends. The Committee also advises the Board of Directors on strategy to cultivate strong risk culture throughout the SCBX Financial Group and sets the right "tone from the top."

4. **The Audit Committee** comprises independent directors who are responsible for reviewing the adequacy of the Company's internal control as well as the effectiveness of risk management implementation of the SCBX Financial Group. The Committee provides the Board of Directors independent assessment and guidance regarding the Group's risk processes, internal control systems and risk management practices to ensure that they are operating effectively as intended and in compliance with the Group Risk Management Policy.

5. **The Technology Committee** is responsible for providing support to the Board of Directors to oversee holistically the SCBX Financial Group's technology strategy, technology integrity, and technology infrastructure build to keep pace with the new global context. The Committee also reviews and gives guidance on Center of Excellence (COE) development roadmaps for the Cloud Computing COE, Data Analytics and Artificial Intelligence COE, and Cybersecurity COE, as well as on SCBX's technology research & development program, to mitigate technology risks and threats to the SCBX Financial Group.

5.1.1.2 Management Committees relating to Risk Management

The following management committees have also been set up to oversee the Company's risk management processes:

- **The Risk Management Committee** is responsible for developing SCBX Financial Group risk management strategies to be in line with the risk management policies and frameworks. The Committee also manages the overall risk exposure of the Group by monitoring and/or supervising the utilization of risk limits, quantification of risks, major incidents, risk trends and risk management effectiveness of portfolio companies. The Committee reviews and approves scenarios and assumptions used for stress tests, business continuity plans, incident and crisis management, disaster recovery, and supervisory capital adequacy assessment and recovery plans, as well as their respective results and action plans.
- **The Management Committee** is responsible for considering and approving matters related to businesses of the SCBX Financial Group, including providing recommendations on SCBX Financial Group Risk Appetite Statements to make sure that the strategic direction and business plans are aligned with risk appetites.

Under the organizational structure of the SCBX Financial Group, the Bank retains oversight of the risk management of its subsidiaries. To ensure that the Bank and its subsidiaries have adequate risk management and adhere to the Group's risk management guidelines as specified by the parent company, the Bank has established a risk management framework for the Bank and its subsidiaries that enables operators to understand risk, risk management, and the transparency of risk management at all levels. It will ensure that the Board of Directors, relevant committees, and all personnel are cognizant of and accountable for risk management in all activities in accordance with applicable laws and Bank of Thailand regulations.

The Board of Directors is responsible for appointing and approving the roles and responsibilities of the Board Committees, as well as delegating operational authority to these committees and senior executives. This operational authority includes the credit approval authority and the management of various types of risks, as deemed necessary and appropriate, in line with the acceptable risk levels. The Board of Directors remains accountable for the delegated tasks through subsequent reporting for acknowledgement.

In line with the SCBX Financial Group's risk governance framework, the Bank has structured its risk management system into two levels, comprising:

Sub-Board Committees

The Board of Directors has delegated its risk management duties to the following sub-board committees:

- **The Executive Committee** is responsible for considering policies related to business operations, as well as approving matters related to various activities and transactions associated with the bank's business, such as investment approvals, loan and debt restructuring approvals as assigned by the Board of Directors.
- **The Risk Oversight Committee** is tasked with reviewing the sufficiency and effectiveness of the risk management policy, establishing risk management strategies and defining risk appetite as well as providing guidance to the bank's Board of Directors on instilling a Risk Culture throughout the organization to ensure alignment with the Board's directives and policies.
- **The Technology Committee** is responsible for assisting the Board of Directors in formulating long-term strategies, ensuring service integrity, and managing technology risks.

- **The Audit Committee** comprises independent directors who are responsible for reviewing the adequacy of the Bank's internal control as well as the effectiveness of risk management process of the Bank and subsidiaries. **Management Committees**

The Bank has set up various management responsibilities for the Bank and its subsidiaries:

The Risk Management Committee is responsible for developing risk management strategies in line with the SCB and subsidiaries' risk management framework, including reviewing the adequacy of overall risk management policies/guidelines and overseeing the SCB's subsidiaries compliance with its risk management policy and strategies. The Committee also manages the overall risk of the Bank.

- **The Technology Strategy Steering Committee** is responsible for setting the strategic direction for technology and the system architecture of the bank. This includes ensuring the integrity of technology risk management and promoting best practices in technology operations.
- **The Assets and Liabilities Management Committee** is responsible for managing liquidity risk and interest rate risk in banking book.
- **The Equity Investment Management Committee** is responsible for approving investment in equities within its approval authority and have an authority to set investment process, operation process and other management pertaining to investment. Including managing risk of the Bank's equity investment portfolio.

Additionally, several other committees oversee diverse aspects of risk management, including the Credit Committee, Investment Committee, Underwriting Risk Committee, Modeling Risk Management Committee, Data Privacy and Data Governance Committee and ESG Steering Committee, among others.

5.1.2 Chief Risk Office

The SCBX Chief Risk Office, under the Chief Risk Officer (CRO), who reports directly to the Chief Executive Officer and the Risk Oversight Committee, is responsible for setting SCBX Financial Group risk management strategies, making recommendations on all risk management matters, as well as reporting and monitoring major types of risk of the Company and SCBX Financial Group. The Chief Risk Office is responsible for continually enhancing the SCBX Financial Group's risk management practices up to global best-practice standards and for ensuring that SCBX and SCBX Financial Group have risk management processes and capabilities that are suitable to their business and stage of development. The Office will also act as a Center of Excellence to provide advice to portfolio companies on risk management and governance best practices. It is also responsible for coordinating and consolidating stress testing, capital adequacy assessment, and recovery plan exercises of SCBX Financial Group and consolidating SCBX Financial Group risk dashboards and monitoring major incidents to highlight risk hotspots of the Group for review and discussion by risk committees and the Board of Directors, as applicable. For tail risks, the CRO coordinates with the Chief Financial Officer (CFO) and in consultation with the insurance broker to design insurance coverage for the SCBX Financial Group, including cyber risk insurance, to mitigate any potential impact from large financial loss caused by major incidents.

At the Bank level, the Chief Risk Office, which reports to the Chief Risk Officer and the Chief Executive Officer, is responsible for setting risk management framework, making risk policy recommendations, as well as monitoring and reporting major types of risk. The Chief Risk Office has the responsibility to bring the Bank's risk management policies and practices up to global standards while meeting all relevant regulatory requirements, the

SCBX Group Risk Management Policy, and to ensure that the Bank and its subsidiaries have a comprehensive and integrated risk management framework. In addition to the Chief Risk Office performing the above risk management roles, there are other functions overseeing specific risks, i.e., Chief Financial Office for liquidity risk, and interest rate risk in the banking book (IRRBB), Chief People Office for people risk, and Chief Strategy Office for strategic risk.

5.1.3 Chief Compliance Office

The Compliance Function is responsible for providing regulatory advice, clarifications, and recommendations to other related functions to ensure that the Group understands and complies with laws, regulations, and internal rules which relate to applicable regulations. The Compliance Function identifies and reports any material legal and compliance risks to senior management and related committees and supports business units to implement policies and controls to ensure effective compliance risk management.

5.1.4 Chief Internal Audit Office

The Internal Audit Function performs independent assurance and consulting, so that the organization's internal processes are implemented with sound governance, risk management and internal control. As the Third Line of Defense, Internal Audit evaluates the governance, risk management and control processes of the SCBX Financial Group and suggests improvements to risk practices as necessary. The Function also considers the root cause of findings as well as risks found during audits.

The Compliance and Internal Audit functions report directly to the Audit Committee on a regular basis and follow up on corrective actions to ensure that issues are solved.

The aforementioned governance structure ensures that the risk management of the Company and the Group will be efficiently managed and conducted in the best interest of its shareholders.

5.2 Risk Management Policy

SCBX, as the parent company, has a duty to oversee risk management of subsidiary companies in the SCBX Financial Group. Every subsidiary must ensure that its risk management system meets the SCBX Financial Group's standard and complies with the BOT's Consolidated Supervision Policy and other relevant laws.

SCB and SCBX Financial Group have established and applied the Risk Management Policy Framework at two levels:

- **SCBX as the parent company**, takes the risk oversight role by establishing minimum risk management and governance standards and frameworks that Group companies must comply with, while still allowing the portfolio companies to set up their own risk management policies and processes to ensure business agility to compete effectively within the risk parameters approved by their respective boards of directors. SCBX fosters a strong risk culture across the SCBX Financial Group and requires each of its portfolio companies to have a proper risk governance structure and adopt the Three Lines of Defense risk management approach. Portfolio companies are responsible for managing their own risks and are expected to have adequate resources and capabilities across the Three Lines of Defense to ensure that risk assessment and control always play a part in major decisions.
- **Subsidiary companies in SCBX Financial Group** are responsible for establishing risk management policies that materially reflect business-specific risks and align

with the Group Risk Management Policy. Each subsidiary's risk management policy must be approved by the company's Board of Directors. Any material inconsistencies with the Group Risk Appetite Statements and the Group Risk Management Policy must be approved by the SCBX Board of Directors prior to the implementation.

For the Bank, its Board of Directors establishes the strategy and approves the risk management policy of SCB and its subsidiaries. This policy shall be reviewed and endorsed by the Bank's Executive Committee, Risk Oversight Committee, and Technology Committee. The Risk Management Policy covers material risks which are strategic risk, credit risk, market risk including interest rate risk in banking book, liquidity risk, investment risk, operational risk, model risk, reputational risk, technology risk, people risk, Legal and Compliance risk including Environment Social and Governance Risk. ESG Risk have the potential to evolve into financial risks, potentially affecting profit generation, competitive positioning, as well as the reputation and resilience of the Bank's capital. Hence, the Bank acknowledges the importance of ESG risk management, incorporating it into the Bank's traditional risk as well as Concentration risk management to proactively prevent and address potential risks.

Furthermore, in overseeing the risk exposures of the Bank's subsidiaries, the Bank mandates its subsidiaries to evaluate their material risks and develop risk management policies tailored to various categories of material risks, in compliance with regulatory requirements and the Risk Management Policy of SCB and its subsidiaries and the SCBX Group Risk Management Policy.

The Board of Directors approves the Bank's major risk management policies, including:

- Risk Management Policy of SCB and Subsidiaries
- Credit Policy Guide
- Internal Capital Adequacy Assessment Process Policy (ICAAP Policy)
- Stress Testing Policy
- Recovery Plan Policy
- Market Risk Policy Guide
- Trading Book Policy
- Interest Rate Risk in the Banking Book Management Policy
- Investment Policy
- Liquidity Risk Management Policy
- Operational Risk Management Policy
- Business Continuity Management and Crisis Management Policy
- Strategic Risk Management Policy
- Reputational Risk Management Policy
- People Risk Management Guidelines
- Technology Risk Management Policy
- Model Risk Management Policy
- IT Third Party Risk Management Policy
- Information Security Policy
- ESG Risk Management Policy

5.3 Risk Factor

SCBX is a strategic investment holding company focused on financial services. Our primary objective is to manage our businesses and the associated risks in a manner that delivers sustainable value for our stakeholders including customers, employees, investors, business partners and suppliers, regulators, and society over the long term.

The Company continually monitors developments in various areas, including the economy, business landscape, financial markets, geopolitical conditions, regulatory changes, cyber threats, data protection, fraud, natural disasters and pandemics, and technology disruption, as well as environmental, social and governance (ESG) issues. Through the risk reviewing process, the Company has identified twelve risk factors discussed below as being material to the SCBX Group. These material risks are reviewed and approved by the Board of Directors. SCBX regularly monitors and reports exposures to these risks to the Risk Oversight Committee and the Board including monitors emerging risk to ensure effective oversight and management.

1. Strategic Risk

SCBX Group faces strategic risk arising from the intense competition and evolving landscape of the financial services industry, which requires the Group to venture into new technologies, business models and markets. SCBX makes strategic investments funded by dividends from Siam Commercial Bank and debt leverage. The Company also seeks to invest in regional businesses that offer near-term earnings and synergy. In addition, it undertakes venture investments in companies involved in new growth areas with potential for high long-term returns, including financial technology, digital asset businesses, climate tech, data analytics and cybersecurity.

2. Credit Risk

As a financial conglomerate, the SCBX Financial Group still relies on loans and credit for more than 70% of its revenues and assets. Credit risk refers to the risk of default or deterioration in credit quality of borrowers, potentially resulting in credit loss, write-offs, and additional loan loss provisions that could adversely impact the Group’s financial performance and creditability. SCBX assesses and oversees credit risks using disciplined underwriting practices and regular monitoring. Customers' credit score are assessed by both credit underwriting models and other qualitative methods to provide best estimate of a loan's probability of default and expected credit loss (ECL). New credit products or new market segments with little credit history or data by testing them through product programs before they are approved for full launch. The Group has expanded our credit business to the lower-mass segment, which offers higher net interest margins and higher risk-adjusted returns compared to traditional banking. This new growth segment has been made commercially feasible through the use of digital channels, artificial intelligence and alternative data to enhance the Group's credit underwriting, collections and customer engagement.

3. Investment Risk

SCBX pursues regional expansion opportunities, targeting well-managed and profitable Gen 2 businesses in the region that offer higher growth potential and Synergies to complement on the Group’s internal capabilities and financial strength.

For Gen 3 businesses, including digital assets, fintech, climate-tech, and platform businesses, the market dynamics, operating models, and scalability remain at an evolutionary stage. They might take many years before they can start generating positive net cash flow. Moreover, some investments in technology, governance, risk management and control, data analytics and cybersecurity will be necessary for regulatory compliance as well as for operational resiliency and security, hence might not lead to immediate profit generation.

Mergers and acquisitions of strategic businesses involve risks including deal closure; regulatory clearance; retention of key personnel and customers; culture clash; integration of accounting, operations and systems; and potential unknown liabilities not discovered during Due Diligence. In addition, an acquisition price that exceeds the book value of target company would result in an immediate deduction of an amount of goodwill from our CET1 capital.

4. Liquidity Risk

Liquidity Risk arises from inability to meet financial obligations from normal operations as well as from unforeseen events or disruption. It is often the result of gaps in maturity of assets and liabilities. This risk is particularly critical at the Bank, where a failure to meet deposit withdrawals could trigger widespread panic. Both the Bank and SCBX Financial Group maintain a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) at levels well above regulatory requirements. Nevertheless, maintaining too much liquidity buffer can negatively impact on our earnings. The Bank has been running behavior models on customer deposit withdrawals to manage this risk more efficiently. While SCBX maintains liquidity buffer through cash balance and committed credit facility to meet sudden or unexpected short-term demands by portfolio companies.

5. Market Risk

As a holding company, SCBX's primary function is to manage equity investments in our portfolio companies. SCBX's strategic investments in Gen 2 and Gen 3 businesses are generally consolidated and not subject to mark-to-market volatility. SCBX does have few minority investments which are subject to fair value accounting, but the exposure is insignificant. Investments in early-stage companies are managed through SCB10X and are governed by the Group's overarching market risk appetite, with dedicated risk limits allocated accordingly.

At the Bank level, market risk exposure arises from fixed income (available for sales and trading) portfolios; foreign exchange and derivatives positions; some offshore fixed income and alternative assets funds; and equity securities as investments and as collateral for credit extension.

Fair values of our securities holdings and other positions, including foreign exchange and derivatives, as well as investments in our portfolio companies, could experience significant fluctuations caused by underlying fundamentals, the macro-economic environment, geo-political factors, natural disasters and pandemics, and market sentiment, among other potential factors. A significant decrease in the value of these investments could adversely impact on our profitability, statutory ratios and credit ratings, and would likely lead to a large decline of our own stock price.

6. Technology Risk

Sustained investment in technology is crucial to maintaining our competitive advantage, whether in our core business of banking or in our consumer finance and digital financial businesses and digital platforms and technology businesses growth journeys. We invest in information and communication technology (ICT) platforms to support scalability and agility to offer new products and services at low operating costs and using artificial intelligence (AI) to provide better customer insight and engagement. If we are not able to acquire, develop, adopt, deploy, and protect intellectual property rights around new technologies, we might find ourselves at a competitive disadvantage, which could lead to lower operating and financial results. The Bank has transferred most legacy systems onto cloud infrastructure and plan to complete by 2025. All the Group's future core systems, by default, must be cloud native.

Our systems have been interrupted by human error and processes such as wrong coding, system misconfiguration, inadequate user acceptance tests (UATs), inadequate penetration tests, and/or poor architectural design. We continue to experience external threats, including failures of third-party interconnected systems, distributed denial-of-service attacks, cyber intrusions, network outages, and delays by technology vendors, which can result in disruptions of our systems and operations.

Our business depends greatly on trust. Theft, misuse, or loss of data, especially customer data, could be detrimental to our business. These incidents could lead to operational disruption, reputational damage, loss of customers and business partners, regulatory reprimands and fines, litigation, and significant financial loss. We plan to maintain the Group's data zone at DataX, which will also serve as the Group's Data COE for data sharing, data governance, data analytics and personal data protection.

7. Operational Risk

Each of our Operating Companies is subject to both internal and external factors that may adversely affect their operations, both financial and non-financial impacts such as reputation and trust for instance. Sources of internal operating failures mainly involve people, processes and systems including external factors such as natural disaster for instance. Human error typically arises from inadequate training or supervision; incompetence or inadequacy of skills and expertise; insufficient task ownership, overwork and stressful work environment; overly complex procedures; lack of clearly defined roles and responsibilities; outdated procedures; or manual processes.

Process flaws involve poor product design or not in line with standard best practices or related regulatory requirements may lead to financial impact such as paying fines to regulators and non-financial impact such as customer complaints via social media or regulators, and loss customers to competitors; inadequate change management or project management; lack of process review and update; and ineffective controls.

System stability is often affected by poor maintenance and update of software; weak architectural design; lack of redundancy and back-up systems; insufficient network capacity; and failure of third-party interconnected systems. Our operations could also be negatively disrupted by various other external factors including cyber-attack, natural disaster, accident, fraud, new regulations, terrorism, and supply chain disruption.

8. Legal and Compliance Risk

As a financial conglomerate with a large customer base, the SCBX Group is subject to a number of unique regulations including those concerning Basel III, Connected Party Transactions, Anti-Money Laundering (AML), Combating The Financing of Terrorism and Weapon of Mass Destruction (CFT), Data Privacy, Credit report, Foreign Account Tax Compliance, and other laws and regulations imposed by the Bank of Thailand, The Securities and Exchange Commission, Anti-Money Laundering Office, Ministry of Digital Economy and Society, and National Credit Bureau, etc. These regulators have a role in overseeing business operators running the business of banking, securities, brokerage, and custodial businesses to ensure the soundness of the financial system, whereby regulatory requirements as imposed by these regulators are constantly evolving.

As various entities within the SCBX Group venture into technologies related businesses, these entities are also exposed to evolving regulations relating to digital platforms, digital assets, e-commerce, artificial intelligence etc. Besides, the Group is facing diverse legal and regulatory requirements of other jurisdictions as it expands overseas, thus the Group must also continuously monitor these foreign regulatory requirements to avoid any non-compliance issue and its impact on the Group's businesses and operating models.

9. Reputational Risk

With over 118 years of history, the continued success of our financial services business is built on the deep trust by our customers, regulators, and other stakeholders. Our Board of Directors, senior management and employees are committed to adhering to the highest standards of conduct, ethics and risk culture. The portfolio companies are required to diligently monitor events and incidents that could negatively affect their reputation or that of the Group, and to ensure immediate and proper measures are taken along with timely process of escalation to SCBX. This will ensure that decision-makers are quickly informed and able to take necessary action to prevent minor issues from snowballing into major crises.

SCBX Group has clearly defined incident response processes, communication strategies, and roles and responsibilities of the concerned parties at both the Group level and the Bank level. SCBX will inform regulators of major incidents on a timely basis, especially those that could pose a contagion risk to the Bank and the nation's financial system. Employees are required to take regular mandatory training on the code of ethics, market conduct, AML/CFT/KYC, data protection and cyber security.

10. People Risk

SCBX’s success is significantly driven by the strategic direction set by key leaders and personnel who are responsible for making investment decisions and allocating capital to achieve the Group’s vision. The Group also relies on qualified and competent personnel at the operating company level to effectively execute business plans and adapt to the changing environment with agility. To successfully navigate the digital transformation of our Gen 1 and Gen 2 businesses, as well as expand into Gen 3 ventures, the Group must be able to attract new talent, especially those having data and artificial intelligence (AI) capabilities, while ensuring a harmonious integration between the new generation of workers and the existing personnel in our traditional businesses.

11. Model and Artificial Intelligence (AI) Risk

As the Group continues to innovate, our portfolio companies are increasingly leveraging advanced data analytics and artificial intelligence (AI) to develop cutting-edge models that enhance business operations and customer engagement. These models include models for credit underwriting, collection, propensity, marketing, audit, fraud detection portfolio management, and investment robo-advisory. Incorporating AI and machine learning (ML) technologies has significantly improved the predictive power, efficiency, and scalability of these models, creating value for both customers and the business. , However, the deployment of AI-driven models introduces new risks. Potential issues include algorithmic biases, model errors, data privacy concerns, and unintended outcomes from AI decision-making processes. Regulations on AI and machine learning are still evolving, and future regulations might rule out certain aspects of AI use and negatively impact our operating models. Wrongful use of models or model errors could result in reputational damage, regulatory reprimands, loss of customers, and lower operating results.

12. Environmental, Social and Governance (ESG) Risk

ESG is one of the pillars for sustainable business to optimize financial return while also creating positive impact and preventing significant negative impact to economy, society and environment. Therefore, ESG risks must be properly managed by adopting international frameworks and standards such as EP, PRB, PRI, TCFD for managing ESG risks while benchmarking performance against e.g., CDP, and DJSI.

Among ESG risks, climate risk is considered as the highest priority issue because of the urgency and scale of potential impact of the issue. For SCBX, the majority of greenhouse gas emissions come from lending and investment activities (Scope 3 Category 15 of the Greenhouse Gas Protocol) which could have business impact in medium and long-term if there’s no attempt to decarbonize SCBX Group.

The Group has no appetite to engage with any finance activities which create significant harm to the environment without putting in place appropriate mitigation measures as well as activities that hinder the Group’s effort to achieve long-term goal of net zero by 2050.

In 2023, SCBX Financial Group has established emission baseline for loan and investment in accordance with PCAF methodology and set near-term net zero targets for power generation portfolio, fossil fuel, commercial real estate and the rest of the portfolio in accordance with the Financial Sector Science-based Targets Guidance.

SCB became the first Thai bank to adopt the Equator Principles to ensure that the projects we finance are developed in a socially responsible manner and reflect sound environmental management practices. In addition, the bank has established the Statement on Fossil Fuel Financing, including the Exclusion List for loans to businesses that have a negative impact on society, the environment, and climate change. This is to align with the Net Zero goal, as well as the strategies, business plans, and risk appetite levels of the SCBX group.

5.4 Emerging Risks

5.4.1 Polycrisis Risk

Description

The World Economic Forum's Global Risks Report introduced the concept of the "polycrisis," where crises in one domain trigger cascading effects across others. In an increasingly interconnected world, such crises can converge and amplify one another, presenting significant challenges for businesses and economies. Polycrisis scenarios often involve a convergence of environmental disasters, pandemics, cyberattacks, geopolitical conflicts, economic downturns, and social instability.

The interconnected nature of global systems means that a single crisis can initiate a domino effect, leading to widespread disruptions. For example, geopolitical conflicts can undermine global trade and economic activities, causing significant disruptions in production processes and supply chains. Such breakdowns often result in inflationary pressures, loss of consumer and business confidence, and heightened social unrest. Over time, the compounding impact of multiple crises can erode financial stability, disrupt international trade and investment, and hinder business growth and innovation.

Potential Business Impact of the Risks

Polycrisis presents material strategic, operational and credit risks for the Group, with potential to disrupt multiple facets of the Group's business operations and financial stability. Political conflicts, for instance, may disrupt manufacturing, logistics, and supply chains, driving up inflation and creating liquidity challenges for businesses and households. These disruptions could impair customers' ability to meet their financial obligations, thereby increasing the risk of loan defaults and reducing the overall demand for the Group's financial products and services.

Prolonged or severe polycrisis could exacerbate economic instability, potentially leading to significant unemployment and reduced household spending power. Such conditions would further strain the Group's credit and investment portfolios. In the capital markets, heightened volatility and risk aversion could result in collapsing asset prices, undermining investor confidence and eroding the Group's financial resilience.

Without adequate preparedness and resilience measures, the Group's ability to achieve its strategic objectives and maintain financial strength could be severely impacted. It is therefore imperative for SCBX to adopt proactive risk management strategies, enhance scenario planning, and reinforce operational resilience to navigate and mitigate the challenges posed by polycrisis effectively.

Mitigation

SCBX has continuously reviewed and enhanced its risk governance and risk management policies to ensure robust and effective risk oversight at both the Group level and subsidiary level. The Group Chief Risk Office foster collaboration and on-going learning across the Group by regularly adapting governance practices to remain agile and responsive to emerging risks. Throughout the year, the Group organizes risk forums to actively engage subsidiaries, encouraging the exchange of ideas and exploration of solutions tailored to their unique business context, landscape and growth stages. Effective feedback and innovative solutions from these forums are integrated into the Group's policies, frameworks, and standards, establishing a consistent application of best practices across the organization.

The Group's risk management frameworks and processes, including those for identifying material and emerging risks, are continuously monitored to evaluate their efficiency and effectiveness. This is achieved through regular review of key risk metrics and escalation process that provide SCBX with a consolidated view of the Group's risk heat map. Adjustments and alternative measures are developed and implemented as risks evolve or new challenges emerge.

The Group takes a proactive approach to monitor polycrisis scenarios and their potential impact on operational environments, businesses and strategic objectives. The Bank's Economic Intelligence Center (EIC) provides in-depth research and analysis to support risk identifications and assessments. Polycrisis scenarios, along with unexpected event risks are discussed and approved by the SCBX Risk Management Committee and are incorporated into critical processes, including the Group- wide Stress Testing, the Internal Capital Adequacy Assessment Plan (ICAAP), and the Group Recovery Plan. These plans are then presented to the Board of Directors for approval. The primary objective of ICAAP is to ensure the Group maintains sufficient capital to withstand a wide range of stress scenarios. In extreme adverse events, contingency measures are in place to restore capital levels and maintain regulatory solvency ratio. In addition to capital adequacy, SCBX has developed comprehensive contingency and business continuity plans to address various polycrisis scenarios. These plans define clear roles and responsibilities established across the Group, ensuring a coordinated and effective response.

The Group is currently implementing the GRC SaaS Technology project, aimed at making risk management and control processes more robust and effective. This initiative seeks to ensure comprehensive and coordinated response to risks and impacts by integrating the efforts of the first, second, third lines of defense across the Group.

SCBX Chief Risk Office, with the support of the Board of Directors, continues to invest in enhancing its resources and capabilities to better anticipate and prepare for potential polycrisis triggers. This includes leveraging foresight tools, establishing early warning indicators, developing crisis management playbooks and conducting group-wide integrated stress testing.

To maintain resilience, SCBX places a strong emphasis on strengthening accountability and transparency in decision-making and response processes. Communication and feedback mechanisms are prioritized to enhance collaboration across all levels of the organization. By fostering a culture of preparedness, adaptability, and continuous improvement, SCBX is well-positioned to navigate the complexities and challenges posed by polycrisis risk effectively.

5.4.2 Generative AI Risk

Description

The widespread adoption of generative AI introduces several significant risks that must be carefully managed. Key concerns include the potential for biased outcomes, security vulnerabilities, and the misuse of generated content in harmful ways. Additionally, the creation of deepfakes, the spread of misinformation, and various ethical challenges further complicate the issue. As generative AI becomes increasingly integral across industries, it is essential to understand and mitigate these risks in order to preserve trust, protect privacy and ensure its responsible and ethical usage.

Potential Business Impact of the Risks

Unauthorized access to or use of sensitive information, or its improper application in training AI models, can significantly undermine customer trust. This risk arises when customers' personal data is accessed or used without their consent, potentially resulting in breaches of privacy. Such incidents can damage customer confidence and loyalty, affecting the organization's reputation and market position.

Additionally, the use of biased AI models may lead to unfair treatment of customers, harming the organization's reputation and public image, while also violating legal standards. Bias in AI algorithms can manifest as discrimination, negatively impacting certain customer groups. Such actions not only contradict the principles of fairness and equality but also exposes the organization to legal liability and regulatory scrutiny, which could have long-term consequences for its public image and operational viability.

Furthermore, errors in AI systems can disrupt business operations, leading to financial damage and service interruptions. Inaccuracies or mistakes in AI-driven processes may result in operational inefficiencies, delays, and errors. These challenges can lead to financial losses, reduced productivity, and compromised service quality, ultimately affecting the organization's bottom line and customer satisfaction.

Mitigation

SCBX is committed to transforming the organization into an "AI First" entity. This transformation includes significant allocation of budgets and resources for AI training for employees, as well as investments in AI tools, research and development, and various business projects. These initiatives are designed to protect personally identifiable information (PII) and enhance risk management efficiency. SCBX has implemented comprehensive group-wide policies, including the Information & Cyber Security Policy, Data Privacy and Protection Policy, Data Sharing Policy, and Data Governance Policy. SCB DataX has been designated as the Group's Data and AI Center of Excellence, driving changes in data architecture and infrastructure to facilitate secured data sharing across the Group to improve customer experience and deliver personalized products and services, in accordance with customer consent and legal requirements.

Furthermore, SCBX has recognized that AI model risks are a significant concern for the Group. Therefore, all subsidiaries developing or using high-impact models are required to adopt Group Model Risk Management Policy, which incorporates Responsible AI Principles. SCB DataX is also deploying a model risk management platform to provide automated governance and monitoring of models throughout their development lifecycle. This platform will be available for all companies under the Group to ensure consistent and effective model risk management.

Additionally, SCBX has adopted strict data management policies to ensure data privacy and regulatory compliance. The company has established AI policies and standards to ensure ethical usage and regulatory adherence, while continuously monitoring AI models for performance and reliability.

5.4.3 Transition to an aged society

Description

Thailand is becoming an aging society because of the continuously declining birth rate and longer life expectancy. These factors affect the Thai population structure in many ways. A significant decreased workforce will lower productivity, especially in the sectors that are labor intensive. In addition, labor shortages cause wages to increase. This will lead to a rising cost of living. These changes will also result in slower economic growth.

Potential Business Impact of the Risks

The Bank faces a challenge from Thailand becoming an aging society. Thailand must drive economic growth despite a shrinking labor force. The expansion of an aging society creates both risks and opportunities for the Bank. The changing population structure has an impact on future demand patterns for the bank's products and services, both for business and retail customers, whether loan products, deposit products, life insurance products, or investment products. Credit demand increases and decreases in some industries to support the growth of an aging society. Retail customers may demand more deposit products, fewer loans, or more investment products to manage their wealth after retirement. If the bank is unable to adapt to these changes or unable to offer products and experiences that meet customer needs, it may cause strategic risks to the bank and the Bank might not meet its strategic plan in the long term.

Mitigation

The Bank pays attention to various changes that may affect the Bank's operations. The Bank has established both short-term and long-term strategies to prepare for potential impacts in advance. In addition, the Bank places great importance on risk management in all dimensions. For retail customers, the Bank provides a variety of loan, deposit, insurance, and investment products responding to the needs of customers of all ages, especially elderly customers or customers who need a plan for their retirement. For business customers, the bank has established a clear set of lending strategies and targets. Credit risk analysis of debtors is in place to ensure that debtor businesses can respond to future trends. This will affect their repayment ability. In addition, the bank also supervises asset and liabilities management and asset allocation to ensure that the bank earns sustainable returns based on acceptable risk levels.

5.5 Risk Management System

One of the SCBX Financial Group’s objectives is to ensure that risk management systems across all Group companies are consistent and well-aligned at both the Bank level and the Group level. As the focal point for risk management within SCBX Financial Group, SCBX has a responsibility to establish a risk management framework together with setting guidelines and overseeing risk management of all subsidiaries to facilitate sustainable growth and increase its short-term and long-term competitiveness under transparent management and good governance.

Risk management system consists of four key processes:

5.5.1 Risk Identification

As the parent company, SCBX has identified the key material risks to the SCBX Financial Group as outlined in Section 5.3 - Risk Factors. To ensure a comprehensive approach, the Company conducts reviews of business operations and strategies across the Group on a regular basis. This process includes gaining a thorough understanding of business landscapes to assess any emerging risk that could become material to the Group. The establishment and revision of the Company’s and the Group’s material risks are subjected to approval by the Board of Directors. At the portfolio company level, material risks assessments are also conducted. These risk identification processes are approved by the respective portfolio company’s board of directors and endorsed by the SCBX Chief Risk Officer.

5.5.2 Risk Assessment and Measurement

Each business and operating unit within the portfolio companies is required to conduct risk to evaluate the likelihood and potential severity of identified risks. A Combination of quantitative and qualitative methods is employed, tailored to the specific risk type and using internal models and approaches as deemed appropriate:

- For **strategic risk**, this risk is measured and assessed utilizes qualitative risk factors, quantitative economic indicators and financial ratios to ensure that the performance of each portfolio company aligns with its strategic objectives and that its financial position remains robust and resilient.
- For **credit risk**, risk rating is used to assess the probability of default (PD) along with credit scoring models (e.g. application and behavior scores) to evaluate the risk profiles for retail and small SME customers and uses Borrower Risk Rating model for corporate customers of the Bank. Additional, models estimate loss given default (LGD) and exposure at default (EAD) to derive an expected credit loss (ECL). For derivative products, the potential future exposure (PFE) methodology is applied to measure credit risk exposure.
- For **investment risk**, measurements include a combination of various quantitative and qualitative measures across various dimensions, including country-wise and product-wise perspectives. The SCBX's Portfolio Valuation team is responsible for regular assessment of management and financial performance of subsidiaries and investees to prevent earning surprise, unforeseen impairment, or unplanned financial assistance requirements.
- For **market risk**, risk measurements include statistical tools, such as value at risk (VaR), and non-statistical methods like risk-factor sensitivity analysis, position measures, and stress testing applied to trading book.
- For **interest rate risk in the banking book (IRRBB)**, this risk is assessed by measuring the impact of interest rate fluctuation on net interest income and economic value of equity (EVE) using interest rate volatility assumption under stress scenarios.
- For **liquidity risk**, a wide variety of measurements are applied, such as balance-sheet structure, cash flows of assets and liabilities, and off-balance sheet items. The liquidity risk measurement framework includes liquidity coverage ratio (LCR), net stable funding ratio (NSFR), liquidity ratio, and maximum cumulative outflow (MCO).
- For **operational risk**, Risk and Control Self-Assessment (RCSA) is developed and used as a tool to identify and assess risk and control as well as loss incident data to determine operational risk and internal control effectiveness for each Business Unit/ Product. And, developed Key Risk Indicators (KRIs) to identify causes of risks and track movement of risk trends as the early warning to effectively manage risks. In addition, Threshold level of each KRI is defined and KRI reporting is required to perform as per defined period. All related Business Units/ Products has been communicated to acknowledge their roles and responsibilities as defined in the RCSA & KRI internal regulation to ensure consistent and transparent practice of operational risk management. As part of its risk mitigation process, business continuity management plan (BCP) has been established to ensure continuity of key activities during crisis or disasters that may cause business disruptions. Moreover, the Bank has an extensive risk assessment process for new products/processes to ensure that risk from new products/processes as well as risk from any

changes is still within the tolerance limit to minimize potential operational risk.

- For **model risk**, the risk is assessed based on the materiality of the model. Various metrics including model stability and performance indicators are applied as relevant.Qualitative assessment are also conducted to ensure compliance with Responsible AI Principles.
- For **reputational risk**, qualitative and quantitative methods are applied for risk assessment.
- For **people risk**, quantitative indicators are employed, such as loss of key personnel and required skills for the organization, to measure and evaluate the risk.
- For **technology risk**, measurements combine both qualitative and quantitative techniques such as services availability measures, cybersecurity maturity assessment, and tracking high-severity cyber incidents. The SCBX's Technology Risk management team monitoring of cybersecurity and technology risk regularly, continuously enhancing measurement technology risk regularly, continuously enhancing measurement methodologies and tools to address evolving technology and risks across the Group.

Moreover, to implement forward-looking risk management, the SCBX Group also perform stress tests to assess both financial and non-financials including market risk, credit risk, liquidity risk and operational risk under adverse conditions to make sure that the Group has adequate capital and liquidity to withstand such events.

To provide a certain standard in reviewing risk profiles at both subsidiary level and group consolidation level, SCBX has developed key risk indicators (KRIs) into their own risk assessment processes while supplementing them with business-specific KRIs as appropriate. This approach establishes a consistent framework for reviewing risk profiles at both the subsidiary and consolidated Group levels.

5.5.3 Risk Control and Mitigation

The Group has established and regularly reviewed its Group Risk Appetite Statements to align with the long-term strategic direction. These statements serve as a framework to guide overall risk-taking and inform the design of effective risk controls and mitigation plans. SCBX and its portfolio companies are required to set and periodically review risk limits to monitor and manage pre-specified material risks. These risk limits are designed to mitigate the impacts of any breaches of approved risk appetites, as well as conducting capital adequacy reviewed.

A variety of internal control mechanisms are established to manage risks in accordance with the Bank and SCBX Financial Group's policies and procedures as well as an audit process conducted by the Internal Audit Function to review risk management practices.

5.5.4 Risk Monitoring

Group companies are required to report the risk levels through the risk dashboard to SCBX on monthly basis for SCBX's monitoring of consolidated risk exposures effectively.

In case there are any risk issues or activities or incidents arise that could significantly impact the business and reputation of the portfolio company and/or the Group, the portfolio company must promptly report the matter to SCBX Chief Risk Office.

SCBX performs its oversight roles by establishing schedules and formats for risk monitoring and reporting, which must be submitted by relevant functions to senior management on a timely basis to ensure effective risk control and management.

Moreover, the Chief Risk Office reports risk levels, trends, and key risk issues to the Group Risk Management Committee, the Audit Committee, the Risk Oversight Committee, and the Board of Directors on a regular basis.

The risk governance and risk management of various risk types are specified in 'Section 6' - 'Section 19'.

6. CREDIT RISK

6.1 Credit Risk Management Structure

To manage credit risk efficiently and effectively, all companies in SCBX Financial Group whose engage in lending businesses or having material credit risk exposures must have an independent credit risk management units with a clear separation of duties from other business functions. For the Bank, the credit risk management units report to the Chief Risk Office with the structure as follows:

- The **Credit Risk Management Function** has primary responsibilities to approve loans that fall within its scope of authority and make independent recommendations for credit approval at a higher level based on the Credit Policy Guide and related underwriting standards.

- **The Credit Policies and Procedures Division** formulates and updates the Credit Policy Guide, as well as other policies and procedures related to credit risk management. These include the Credit Approval Authority Regulation, the Collateral and Non-performing Asset Appraisal Policy, and the Loan Classification, Provision, and Bad Debt Write-off Policy, all designed to ensure compliance with local regulations and the SCBX Group Risk Management Policy. Moreover, this division also establishes the risk management framework for SCB and its subsidiaries.

- **The Retail and Small SME Portfolio Risk Management Function** oversees risk management for retail and small SME by formulating credit policy, setting approval authority, and establishing product program/ risk program/ test program of all retail lending products. This Function also work with Product Function to provide guidance on customer targeting and selection, risk-based pricing, credit line adjustments, risk segmentation by product and customer segment, and retail portfolio management, as well as working with the Retail and Small SME Collection Unit of SCB (SCB Plus) and the Special Business Unit to set collection strategy based on risk level.

- **The Special Business Unit** has been set up to prevent and resolve problem loans, managing non-performing loans (NPL), including the management of non-performing assets (NPA).

  Debt restructuring, legal action, debt collection after a charge-off are within the purview of the Special Business Unit. These NPL resolution alternatives are to follow the Workout Policy Guide which sets the framework for managing non-performing assets to maximize debt recovery within an appropriate timeframe. In addition, the management of non-performing assets (NPA) is governed by the NPA Disposal Policy, which sets out standard practices within the operational framework for managing NPA in accordance with the laws and regulations set by the Bank of Thailand

- **The Portfolio Analytics and Measurement Function** is in charge of performing credit portfolio analysis, monitoring and controlling credit risk to be within the risk appetite, measuring and monitoring Risk-Adjusted Return on Capital (RAROC) which is used for risk-based pricing, as well as overseeing provision and capital adequacy.

- **The Credit Risk Analytics Function** develops credit risk models, maintains the credit scoring system for retail lending, and manages necessary IT systems for credit risk management.
- **The Model Risk Management Division** is responsible for validating and testing credit risk models.

6.2 Credit Risk Management Policy and Guidelines

The Group's Risk Management Policy requires SCB and all companies in SCBX Financial Group whose engage in lending businesses or having material credit risk exposures to establish a credit risk management policy, which consists of the following implementation:

- Formulate a credit risk management policy
- Have written risk-based limits and authorities
- Have checks and balances in the credit approval process to ensure both transparency and accountability under the 'four-eye' principle
- Set a concentration limit; for the Bank, this limit must take into account both borrower and industry characteristics.

6.2.1 Collateral and Credit Risk Mitigation Policy

Credit risk mitigation reduces losses from default on repayment obligations by liquidating collateral and/or claiming payment from guarantors. SCB and SCBX Financial Group have adopted the Standardized Approach for credit risk calculation. Accordingly, collateral that qualifies for credit risk mitigation falls within one of these two following categories:

1. **Financial collateral** comprises items that can be easily liquidated for cash with clear mark-to-market values, such as cash, deposits, bonds, securities, and unit trusts.
2. **Guarantees and credit derivatives**

   SCBX Financial Group requires companies within the Group that have collateral or assets obtained from debt settlement or purchase from debt auctions to establish policy and/or guideline for asset appraisal. SCB establishes the Collateral and Non-Performing Asset Appraisal Policy to serve as a guideline for collateral management to ensure that appraised collateral value is in line with fair market value both before and after acceptance of the collateral.

For financial collateral, SCB and SCBX Financial Group follow the broad principles below to optimize the value of collateral:

- Collaterals must not be concentrated in a particular asset type or issuer;
- Collaterals must not be significantly correlated with borrowers' default risk;
- Currency of the collateral should match that of the debt obligation. If there is a difference, collateral value must be further discounted to reflect the underlying currency risk;
- Contractual term or duration of the collateral should match that of the debt obligation. If any mismatch exists, contractual term should be monitored and extended prior to expiration date to ensure that the collateral remains valid throughout the term of the loan;
- Collateral contracts must meet the standards and must be reviewed to ensure that they are legally binding and enforceable.

Appraisal of financial collateral is typically reviewed at the end of each business day. As for guarantees, an acceptable guarantor for credit risk mitigation purposes must have a lower risk weight than the borrower. A private business entity acting as a guarantor must have a better credit rating than the borrower based on ratings from external credit bureaus.

Other types of collateral must follow the Collateral and Non-Performing Asset Appraisal Policy to ensure that collateral and NPA values reflect fair market value both before and after admission as collateral.

6.2.2 On- and Off-Balance Sheet Netting Policy, Scope, and Process

SCB and SCBX Financial Group will only use netting to reduce credit risk when contracts are legally binding and enforceable for all relevant parties. Contracts must meet the minimum standards set by the Bank of Thailand and must be approved by legal functions of SCB and relevant companies. Contracts must be regularly reviewed to assess any impact on enforceability from legal and regulatory changes. In addition, SCB and SCBX Financial Group must have a system to monitor and control risk from maturity mismatch of assets and liabilities used for netting. Netting cannot be used if the above conditions are not met.

6.2.3 Definition of Default and Asset Impairment

To define default and loss are based on the occurrence of either or both of the following events:

- Borrower is unable to make a full contractual repayment, excluding any payment that can be recovered from collateral. An example of this case is an event of debt restructuring with a significant haircut or postponement of principal, interest, or fee payments due to the borrower's deteriorated financial position.
- Delinquency on payment (principal or interest) for more than 90 days or borrowers being reclassified as "non-performing" according to the Bank of Thailand's notification on Loan Classification and Provision Criteria for Financial Institutions.

For asset impairment, it is mandated to adhere to the Bank of Thailand's asset classification criteria, which classify loans into performing (Stage 1), under-performing (Stage 2) and non-performing (Stage 3). Loan classifications are done at the borrower level except for retail credit which are classified at the account level for both secured and unsecured loans. In addition to delinquency duration, the qualitative credit review process is adopted to enhance the accuracy of loan classifications and to ensure adequate loan loss provisions.

6.2.4 Classification and Provisioning Policy

The loan classifications, loss provisions, and write-offs for bad debt or bad debt recovery complies with the regulations of the Bank of Thailand or other related regulatory bodies to ensure that each company has adequate provisions to absorb losses from asset impairment, particularly from loans which are each company's main assets.

Loans are typically classified based on the borrower's ability to meet his/her debt service obligations. Borrowers or related parties whose cashflows are from the same source will be assigned the same classification to ensure adequate provisions based on both quantitative and qualitative criteria.

Provision based on Expected Credit Loss (ECL)

SCB and SCBX Financial Group determine expected credit loss in accordance with TFRS 9 and the BOT's guidance. Furthermore, internal audit and credit review processes are in place to assess the adequacy of provisions based on borrowers' statuses. If warranted, additional provision based on individual assessment and/or management overlay will be used to protect against future losses.

Management Overlay

Management overlay for the Bank and SCBX Financial Group refers to additional reserves for ex-post events which include current market conditions, identifiable factors not fully covered by credit risk models, forecast revisions by credit experts, and economic risks As well as considering other qualitative factors at the individual level, such as the specific characteristics or risks of individual debtors, collateral that may be more impaired than calculated by the risk model, and factors that have an overall impact and negatively affect the Bank's portfolio, such as industry competition, counterparty risk, and the risk of fund transfers from foreign counterparties (Country Risk). The Bank and the SCBX Financial Group will regularly assess the adequacy of the Management Overlay and make any necessary adjustments, along with a process for model and ECL revisions to accurately reflect the current economic conditions.

6.3 Credit Approval Process

SCB and SCBX Financial Group place heavy emphasis on a separation of duties between business functions and credit underwriting functions. Retail credit approval is based on the Product Program/Risk Program/Test Program approved by the Executive Committee, or the Retail Credit Committee and the Scoring Model approved by the Model Risk Management Policy which approval authorities and criteria, as well as exceptions, are clearly specified.

Approval Authority

As approved by their respective boards, companies within SCBX Financial Group whose engage in lending businesses have established credit approval authority which may be delegated to committees and further to individuals at different corporate levels. Any credit request that deviates from the underwriting criteria must be escalated to the higher authorization chain for approval.

SCB has two levels of credit approval authority: committee level and individual level. Committees with credit approval authority are the Credit Committee, the Executive Committee, and the Board of Directors, for instance. Individual authorizers range from credit managers to Chief Risk Officer. In addition, the Bank also grants individual approval authority within prespecified limits to Business Relation Functions

Approval authority is determined by risk level which will depend on credit line, borrower risk rating, severity class, and fees and/or interest rates. The Bank also assigns approval authority based on group exposure where groups and relations are defined mainly by shareholding and controlling authority in accordance with Section 4 of the Financial Institution Act.

6.4 Credit Risk Measurement

Since credit risks vary by loan type, borrower, and collateral, it is necessary to use different risk measurement approaches from simple to sophisticated statistical tools to appropriately reflect credit risk exposure.

For business loans, credit risk is assessed at the borrower level by considering the following factors:

- **Probability of default (PD)** : For corporate and business customers, borrower risk ratings based on individual assessment are used to evaluate the borrower’s ability to pay. The assigned risk ratings are reviewed annually or whenever there is any material change that affects the borrower’s risk behavior.

- **Loss given default (LGD)**: LGD is calculated from losses given three recovery paths: cure, restructuring, and liquidation. Losses will depend on loan-to-value ratio (LTV), or the ratio of loan outstanding to discounted collateral value, and severity class.
- **Exposure at default (EAD)**: EAD is calculated from the current outstanding balance and the undrawn portion of credit lines which vary by product type. All off- balance sheet items must be converted to on-balance items using a credit conversion factor (CCF).

For small business and retail loans, credit risk measurement is calculated at the portfolio level using a similar methodology on a pooled basis. In addition to PD, LDG and EAD, the following factors are also included:

- **The Non-Performing Loan Ratio (NPL)** is determined by the percentage of borrowers within a portfolio who are delinquent for more than 90 days or are deemed unlikely to fully repay their credit obligations, irrespective of any potential payments received from collateral due to the significant deterioration in the customer's creditworthiness. In the case of retail loans, NPL ratios are computed by product and customer segment to enable effective portfolio management, providing insights into the underlying credit quality.
- **The Write-off Percentage** represents the proportion of bad debts deemed non-collectible and subsequently written off within a specified portfolio. This ratio is computed separately for each product and customer segment to enable effective portfolio management by providing insights into the underlying credit quality.

The above measures serve as inputs into the credit approval process, which includes specifying approval authority, setting interest rates and other terms such as collateral terms, to ensure risk-based credit decisions.

6.4.1 Credit Risk Measurement under the Standardized Approach

SCB and SCBX Financial Group adopted the Standardized Approach to calculate credit risk assets. Since this approach requires external credit ratings, the Bank uses Standard & Poor’s ratings for sovereign and financial institutions and TRIS Ratings and/or Fitch Ratings (Thailand) for corporate borrowers.

In the event that a borrower is rated by multiple rating agencies, SCB and SCBX Financial Group will follow the Bank of Thailand’s guidelines which is to choose the rating with a higher risk weight. For non-rated companies that have issued rated securities, SCB and SCBX Financial Group will use the Bank of Thailand’s guidelines to determine the appropriate risk weights.

6.5 Credit Risk Monitoring and Control

6.5.1 Risk Monitoring Guidelines

Credit risk monitoring is an important element of the credit risk management process to ensure that credit risk assessment is accurate, appropriate, unbiased, complete, and up-to-date.

The credit risk monitoring process has three components:

- **Part I** is to monitor credit risk with risk management tools, such as credit scoring, borrower risk rating, and other similar tools. These risk management tools have been statistically validated to ensure that they can accurately reflect the risk level and customer behaviors at an acceptable confidence level. The models are regularly reviewed to ensure their continued validity.
- **Part II** is to monitor credit risk by imposing limits on approval authority, transaction volume and credit concentration setting customer transaction limits and

intra-group transaction limits, as well as industry concentration limits.

- **Part III** is to monitor retail credit risk which involves analyzing loan portfolios, credit quality, and repayment behavior measured against target benchmarks to reflect the risk management policy for retail loans.

Credit review is an important part of risk monitoring by focusing on forward-looking analysis to gain insights on positive and negative changes that affect customers' businesses or industries as well as their future financial stability to determine appropriate business strategies and action plans. Credit reviews are conducted annually and triggered by events that have material impacts on customers' positions.

At the portfolio level, credit risk is monitored to ensure that credit quality and loan growth stay within the annual targets. Portfolio monitoring enables SCB to analyze trends in loan growth and identify future problem loans, as well as assess the effectiveness of its credit-related strategies. For retail credit, SCB also analyzes repayment behavior and monitors credit quality by focusing on key target indicators.

The Bank also monitors credit risk by benchmarking current credit and NPL data against historical data of both SCB and the commercial banking industry to analyze credit risk trends. In addition, the Bank also performs credit risk stress testing for a wide range of scenarios to forecast losses and capital adequacy. Stress testing results are also used as important inputs for risk mitigation and capital planning.

6.5.2 Risk Control Guidelines

The concentration of lending, investments, contingent liabilities, and lending-like transactions with major borrowers divide into two levels in accordance with the BOT's regulations:

1. **Bank level**: Concentration shall not exceed 25% of the Bank's total capital.
2. **Full consolidation level**: Concentration must not exceed 25% of the full consolidation capital.

For related lending, the Bank imposes limits on lending, investment, contingent liabilities, and lending- like transactions in accordance with the Bank of Thailand's regulations at both bank-only and solo consolidation levels.

SCB has a process to monitor and limit lending, investment, and contingent liabilities to major borrower groups. The Bank assigns a Primary Account Manager (PAM) to each customer group to ensure that lending, investment, and contingent liabilities of major borrower groups do not exceed the limits set by the Bank of Thailand. Moreover, Solo consolidation companies are required to report credit lines and outstanding loans for such customer groups to the Bank on a monthly basis.

For lending to any particular industry, the Bank determines industry exposures based on industry trends, market share relative to the banking industry, probability of loss, and probability of default. The Bank uses the Herfindahl - Hirschman Index (HHI) to measure industry concentration and determine industry lending limits.

For Product Program/ Risk Program/Test Program lending, credit line must be clearly specified for each customer segment or product. In addition, this type of lending requires clearly specified objectives, types of credit line, customer qualifications, criteria, standard terms and conditions, as well as monitoring and assessment approach according to performance targets.

6.5.3 Counterparty Credit Risk and Country Risk

To control counterparty credit risk by setting counterparty limits to ensure that potential losses will remain within the risk appetite if there is a contractual breach.

In addition, SCB controls country risk by setting a maximum exposure limit and country limits that include both direct and indirect country-specific risks. The Bank actively monitors and controls the actual drawdowns against the approved country limits to ensure compliance with its Country Risk Management Policy.

6.6 Credit Risk Report

All relevant functions in each company are required to regularly report credit risk by preparing monthly reports for the functional heads to use for managing risk. Credit risk information on loan growth, credit quality, concentration, and investment diversification are then reported to the Risk Management Committee and/or the Risk Oversight Committee and/or related committee through the risk dashboard on monthly basis.

SCB and SCBX Financial Group's Credit Risk Report presents information on significant on- and off-balance sheet items. The report also shows unadjusted bad debts written-off by geographical area and business type (Table 7-15). Moreover, exposures by risk types and risk weights under the Standardized Approach are also presented in Table 16-18.

Table 7: Significant On- and Off-Balance Sheet Exposure Items

Unit: Baht million

	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	31 Dec 24	31 Dec 23
On-balance sheet items	**3,141,414**	**3,118,343**	**3,275,874**	**3,227,535**
Net loans [1/]	2,648,574	2,594,627	2,770,524	2,692,218
Net investment in debt securities [2/]	393,556	441,679	394,604	442,711
Deposits [3/]	52,841	36,060	63,249	45,624
Derivative assets	46,443	45,977	47,497	46,982
Off-balance sheet items [4/]	**3,401,044**	**3,322,415**	**3,441,509**	**3,354,690**
Contingent	81,526	95,661	81,859	96,133
OTC derivatives [5/]	3,252,114	3,174,442	3,292,246	3,206,245
Undrawn committed lines	67,404	52,312	67,404	52,312

1/ Including accrued interest receivables, net of deferred income, unamortized modification gain (loss) and allowance for expected credit loss and including loans and accrued interest receivables of interbank and money market

2/ Excluding accrued interest receivables and net of allowances for revaluation and allowance for expected credit loss

3/ Including accrued interest receivables and net of allowance for expected credit loss

4/ Before using credit conversion factor

5/ Including equity-related derivatives

Table 8: Exposures by Geographical Area

Unit: Baht million

Bank-only	31 Dec 24			31 Dec 23		
	Thailand	Foreign Countries	Total	Thailand	Foreign Countries	Total
On-balance sheet items	**3,121,432**	**19,982**	**3,141,414**	**3,097,626**	**20,717**	**3,118,343**
Net loans [1/]	2,632,176	16,398	2,648,574	2,578,206	16,421	2,594,627
Net investment in debt securities [2/]	392,811	745	393,556	440,707	972	441,679
Deposits [3/]	50,227	2,614	52,841	32,939	3,121	36,060
Derivative assets	46,218	225	46,443	45,774	203	45,977
Off-balance sheet items [4/]	**3,393,675**	**7,369**	**3,401,044**	**3,316,225**	**6,190**	**3,322,415**
Contingent	80,524	1,002	81,526	95,367	294	95,661
OTC derivatives [5/]	3,245,812	6,302	3,252,114	3,168,619	5,823	3,174,442
Undrawn committed lines	67,339	65	67,404	52,239	73	52,312

Consolidated	31 Dec 24			31 Dec 23		
	Thailand	Foreign Countries	Total	Thailand	Foreign Countries	Total
On-balance sheet items	**3,244,152**	**31,722**	**3,275,874**	**3,195,202**	**32,333**	**3,227,535**
Net loans [1/]	2,751,447	19,077	2,770,524	2,672,847	19,371	2,692,218
Net investment in debt securities [2/]	393,758	846	394,604	441,485	1,226	442,711
Deposits [3/]	51,676	11,573	63,249	34,091	11,533	45,624
Derivative assets	47,271	226	47,497	46,779	203	46,982
Off-balance sheet items [4/]	**3,433,669**	**7,840**	**3,441,509**	**3,348,028**	**6,662**	**3,354,690**
Contingent	80,524	1,335	81,859	95,367	766	96,133
OTC derivatives [5/]	3,285,806	6,440	3,292,246	3,200,422	5,823	3,206,245
Undrawn committed lines	67,339	65	67,404	52,239	73	52,312

1/ Including accrued interest receivables, net of deferred income, unamortized modification gain (loss) and allowance for expected credit loss and including loans and accrued interest receivables of interbank and money market

2/ Excluding accrued interest receivables and net of allowances for revaluation and allowance for expected credit loss

3/ Including accrued interest receivables and net of allowance for expected credit loss

4/ Before using credit conversion factor

5/ Including equity-related derivatives

Table 9: Exposures by Remaining Maturity

Unit: Baht million

Bank-only	31 Dec 24			31 Dec 23		
	Less than 1 year	Within 1-5 years	More than 5 years	Less than 1 year	Within 1-5 years	More than 5 years
On-balance sheet items	**1,175,654**	**854,737**	**1,111,023**	**1,198,898**	**824,094**	**1,095,351**
Net loans [1/]	1,069,302	677,496	901,776	986,800	669,043	938,784
Net investment in debt securities [2/]	34,524	166,104	192,928	156,602	142,447	142,630
Deposits [3/]	52,841	-	-	36,060	-	-
Derivative assets	18,987	11,137	16,319	19,436	12,604	13,937
Off-balance sheet items [4/]	**2,327,274**	**755,962**	**317,808**	**2,168,775**	**372,486**	**781,154**
Contingent	71,642	4,638	5,246	76,954	7,120	11,587
OTC derivatives [5/]	2,242,583	731,705	277,826	2,083,655	344,989	745,798
Undrawn committed lines	13,049	19,619	34,736	8,166	20,377	23,769

Consolidated	31 Dec 24			31 Dec 23		
	Less than 1 year	Within 1-5 years	More than 5 years	Less than 1 year	Within 1-5 years	More than 5 years
On-balance sheet items	**1,236,182**	**901,434**	**1,138,258**	**1,241,217**	**872,339**	**1,113,979**
Net loans [1/]	1,122,280	723,517	924,727	1,019,108	716,291	956,819
Net investment in debt securities [2/]	35,476	166,200	192,928	157,561	142,520	142,630
Deposits [3/]	59,100	-	4,149	45,031	-	593
Derivative assets	19,326	11,717	16,454	19,517	13,528	13,937
Off-balance sheet items [4/]	**2,361,738**	**759,063**	**320,708**	**2,177,486**	**396,050**	**781,154**
Contingent	71,975	4,638	5,246	77,426	7,120	11,587
OTC derivatives [5/]	2,276,714	734,806	280,726	2,091,894	368,553	745,798
Undrawn committed lines	13,049	19,619	34,736	8,166	20,377	23,769

1/ Including accrued interest receivables, net of deferred income, unamortized modification gain (loss) and allowance for expected credit loss and including loans and accrued interest receivables of interbank and money market

2/ Excluding accrued interest receivables and net of allowances for revaluation and allowance for expected credit loss

3/ Including accrued interest receivables and net of allowance for expected credit loss

4/ Before using credit conversion factor

5/ Including equity-related derivatives

Table 10: Exposures and Provisions by Type of Financial Instruments

Unit: Baht million

Bank-only

31 Dec 24	Exposures [1/]			Provisions			Net exposures [2/]
	Defaulted exposures	Non-defaulted exposures	Total	General provisions	Specific provisions	Total	Net exposures
Net loans [3/]	89,613	2,691,922	2,781,535	85,426	47,534	132,960	2,648,574
Investment in debt securities [4/]	-	393,573	393,573	16	-	16	393,556
Deposits [5/]	-	52,841	52,841	-	-	-	52,841
Loan commitments and financial guarantee contracts [6/]	3,078	304,909	307,986	3,367	1,028	4,396	303,591

Bank-only

31 Dec 23	Exposures [1/]			Provisions			Net exposures [2/]
	Defaulted exposures	Non-defaulted exposures	Total	General provisions	Specific provisions	Total	Net exposures
Net loans [3/]	88,069	2,638,675	2,726,744	83,226	48,891	132,117	2,594,627
Investment in debt securities [4/]	-	441,697	441,697	18	-	18	441,679
Deposits [5/]	-	36,060	36,060	-	-	-	36,060
Loan commitments and financial guarantee contracts [6/]	4,359	302,781	307,140	2,930	2,448	5,378	301,762

Table 10 (Cont.)

Unit: Baht million

Consolidated

31 Dec 24	Exposures [1/]			Provisions			Net exposures [2/]
	Defaulted exposures	Non-defaulted exposures	Total	General provisions	Specific provisions	Total	Net exposures
Net loans [3/]	97,870	2,821,227	2,919,097	94,137	54,436	148,573	2,770,524
Investment in debt securities [4/]	-	394,649	394,649	45	-	45	394,604
Deposits [5/]	-	63,291	63,291	43	-	43	63,249
Loan commitments and financial guarantee contracts [6/]	3,161	306,357	309,518	4,560	1,111	5,671	303,846

Consolidated

31 Dec 23	Exposures [1/]			Provisions			Net exposures [2/]
	Defaulted exposures	Non-defaulted exposures	Total	General provisions	Specific provisions	Total	Net exposures
Net loans [3/]	97,077	2,743,165	2,840,242	91,515	56,509	148,024	2,692,218
Investment in debt securities [4/]	-	442,840	442,840	129	-	129	442,711
Deposits [5/]	-	45,655	45,655	31	-	31	45,624
Loan commitments and financial guarantee contracts [6/]	4,442	304,373	308,815	4,283	2,532	6,815	302,000

1/ Financial Instruments measurement based on TFRS9

2/ Net exposure = Exposure - Provision

3/ Including accrued interest receivables, net of deferred income, unamortized modification gain (loss), and including loans and accrued interest receivables of interbank and money market

4/ Excluding accrued interest receivables and net of allowances for revaluation

5/ Including accrued interest receivables

6/ Before credit conversion factor. Loan commitments shown in the table are undrawn committed lines which align with the BOT regulations on the calculation of credit risk-weighted assets and information disclosed in the Bank and Consolidated financial statement.

Table 11: Loans and Investment in Debt Securities by Geographical Area and Asset Classification

Unit: Baht million

Bank-only	31 Dec 24			31 Dec 23		
	Thailand	Foreign Countries	Total	Thailand	Foreign Countries	Total
Total loans [1/]	**2,764,074**	**17,461**	**2,781,535**	**2,709,694**	**17,050**	**2,726,744**
Stage 1	2,465,264	16,374	2,481,638	2,459,611	16,065	2,475,676
Stage 2	210,173	111	210,284	162,999	-	162,999
Stage 3	88,637	976	89,613	87,084	985	88,069
Investment in debt securities [2/]	**392,833**	**746**	**393,578**	**440,733**	**973**	**441,706**
Stage 1	392,833	746	393,578	440,733	973	441,706
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-

Consolidated	31 Dec 24			31 Dec 23		
	Thailand	Foreign Countries	Total	Thailand	Foreign Countries	Total
Total loans [1/]	**2,898,590**	**20,507**	**2,919,097**	**2,819,835**	**20,407**	**2,840,242**
Stage 1	2,576,621	18,744	2,595,365	2,548,222	18,637	2,566,859
Stage 2	225,436	426	225,862	176,000	306	176,306
Stage 3	96,533	1,337	97,870	95,613	1,464	97,077
Investment in debt securities [2/]	**393,780**	**875**	**394,655**	**441,548**	**1,300**	**442,848**
Stage 1	393,780	875	394,655	441,548	1,300	442,848
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-

1/ Including accrued interest receivables, net of deferred income, unamortized modification gain (loss), and including loans and accrued interest receivables of interbank and money market

2/ Excluding accrued interest receivables and net of allowances for revaluation

Table 12: Provisions[1/] and Bad Debts Written-Off During Period on Loans and Investment in Debt Securities by Geographical Area

Unit: Baht million

Bank-only	31 Dec 24			31 Dec 23		
	Thailand	Foreign Countries	Total	Thailand	Foreign Countries	Total
Total loans[2/]						
General provisions[3/]			85,426			83,226
Specific provisions	46,553	981	47,534	48,324	567	48,891
Bad debts written-off during period	22,469	-	22,469	19,693	-	19,693
Investment in debt securities						
General provisions[3/]			22			26
Specific provisions	-	-	-	-	-	-

Consolidated	31 Dec 24			31 Dec 23		
	Thailand	Foreign Countries	Total	Thailand	Foreign Countries	Total
Total loans[2/]						
General provisions[3/]			94,137			91,515
Specific provisions	53,194	1,242	54,436	55,636	873	56,509
Bad debts written-off during period	38,745	-	38,745	33,644	-	33,644
Investment in debt securities						
General provisions[3/]			51			100
Specific provisions	-	-	-	-	-	-

1/ Allowance for expected credit loss

2/ Including provision for outstanding amounts and accrued interest receivables of interbank and money market

3/ Disclosed in total amount

Table 13: Loans[1/] by Type of Business and Asset Classification

Unit: Baht million

Bank-only	31 Dec 24				31 Dec 23			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and mining	6,019	695	912	7,626	7,848	680	1,065	9,593
Manufacturing and commercial	1,110,529	67,698	38,421	1,216,648	1,030,578	52,764	37,326	1,120,668
Real estate and construction	155,994	23,862	8,771	188,627	149,358	15,722	10,577	175,657
Utilities and services	360,358	27,022	9,486	396,866	389,699	23,762	12,020	425,481
Housing loans	561,101	44,995	20,689	626,785	573,772	27,978	16,293	618,043
Others	287,637	46,012	11,334	344,983	324,421	42,093	10,788	377,302
Total	**2,481,638**	**210,284**	**89,613**	**2,781,535**	**2,475,676**	**162,999**	**88,069**	**2,726,744**

Consolidated	31 Dec 24				31 Dec 23			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and mining	6,019	695	912	7,626	7,848	680	1,065	9,593
Manufacturing and commercial	1,066,772	67,879	38,422	1,173,073	970,105	53,039	37,326	1,060,470
Real estate and construction	156,165	23,862	9,155	189,182	149,536	15,722	10,956	176,214
Utilities and services	360,358	27,023	9,486	396,867	389,701	23,762	12,020	425,483
Housing loans	561,171	44,995	20,689	626,855	574,035	28,009	16,293	618,337
Others	444,880	61,408	19,206	525,494	475,634	55,094	19,417	550,145
Total	**2,595,365**	**225,862**	**97,870**	**2,919,097**	**2,566,859**	**176,306**	**97,077**	**2,840,242**

1/ Including accrued interest receivables, net of deferred income, unamortized modification gain (loss), and including loans and accrued interest receivables of interbank and money market

Table 14: Provisions[1/] and Bad Debts Written-Off for Loans[2/] by Type of Business

Unit: Baht million

Bank-only	31 Dec 24			31 Dec 23		
	General provisions[3/]	Specific provisions	Bad debts written-off	General provisions[3/]	Specific provisions	Bad debts written-off
Agriculture and mining		860	319		896	466
Manufacturing and commercial		26,242	11,464		26,155	7,514
Real estate and construction		5,691	1,081		6,791	1,157
Utilities and services		7,322	2,002		7,647	2,292
Housing loans		4,446	497		3,513	548
Others		2,972	7,107		3,888	7,716
Total	**85,426**	**47,534**	**22,469**	**83,226**	**48,891**	**19,693**

Consolidated	31 Dec 24			31 Dec 23		
	General provisions[3/]	Specific provisions	Bad debts written-off	General provisions[3/]	Specific provisions	Bad debts written-off
Agriculture and mining		860	319		896	466
Manufacturing and commercial		26,242	11,464		26,155	7,514
Real estate and construction		6,019	1,081		7,112	1,157
Utilities and services		7,322	2,002		7,647	2,292
Housing loans		4,446	497		3,513	548
Others		9,546	23,383		11,185	21,667
Total	**94,137**	**54,436**	**38,745**	**91,515**	**56,509**	**33,644**

1/ Allowance for expected credit loss

2/ Including outstanding amounts of loans, accrued interest receivables, and interbank and money market

3/ General provisions disclosed in total amount

Table 15: Reconciliation of Changes in Provisions [1/] and Bad Debts Written-Off for Loans [2/]

Unit: Baht million

Bank-only	31 Dec 24			31 Dec 23		
	General provisions	Specific provisions	Total	General provisions	Specific provisions	Total
Balance, beginning of year	83,226	48,891	132,117	80,077	52,237	132,314
Bad Debts Written-Off during period	-	(22,469)	(22,469)	-	(19,693)	(19,693)
Increase/decrease in provisions during period [3/]	2,200	21,112	23,312	3,149	16,347	19,496
Balance, end of year	**85,426**	**47,534**	**132,960**	**83,226**	**48,891**	**132,117**

Consolidated	31 Dec 24			31 Dec 23		
	General provisions	Specific provisions	Total	General provisions	Specific provisions	Total
Balance, beginning of year	91,515	56,509	148,024	89,030	56,594	145,624
Bad Debts Written-Off during period	-	(38,745)	(38,745)	-	(33,644)	(33,644)
Increase/decrease in provisions during period [3/]	2,622	36,672	39,294	2,485	33,559	36,044
Balance, end of year	**94,137**	**54,436**	**148,573**	**91,515**	**56,509**	**148,024**

1/ Allowance for expected credit loss

2/ Including provisions for outstanding amounts and accrued interest receivables of interbank and money market

3/ Excluding allowance for expected credit loss on financial instruments measured at FVOCI

Table 16: Exposures by Asset Type under the Standardized Approach (SA)

Unit: Baht million

Bank-only	31 Dec 24			31 Dec 23		
	On-balance sheet	Off-balance sheet 1/	Total	On-balance sheet	Off-balance sheet 1/	Total
Performing						
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	308,997	476,108	785,105	390,237	374,339	764,576
Claims on Bank, PSEs-Bank	74,078	147,207	221,285	51,361	141,443	192,805
Claims on Corporate, PSEs-Corporate	1,049,285	157,727	1,207,012	1,054,931	158,324	1,213,255
Claims on Retail portfolios	546,762	5,950	552,712	589,596	5,962	595,558
Claims on Retail mortgage loans	605,268	-	605,268	595,304	-	595,304
Other assets	254,318	-	254,318	225,644	-	225,644
Non-Performing loans	42,584	1,019	43,604	39,858	899	40,757
Total	**2,881,293**	**788,010**	**3,669,303**	**2,946,929**	**680,968**	**3,627,897**

Consolidated	31 Dec 24			31 Dec 23		
	On-balance sheet	Off-balance sheet 1/	Total	On-balance sheet	Off-balance sheet 1/	Total
Performing						
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	317,215	476,559	793,774	397,895	375,369	773,264
Claims on Bank, PSEs-Bank	75,452	147,281	222,733	53,955	142,148	196,103
Claims on Corporate, PSEs-Corporate	1,008,110	159,391	1,167,501	995,766	159,399	1,155,166
Claims on Retail portfolios	719,186	6,779	725,966	753,635	6,561	760,196
Claims on Retail mortgage loans	605,268	-	605,268	595,304	-	595,304
Other assets	298,031	-	298,031	272,103	-	272,103
Non-Performing loans	44,017	1,019	45,036	41,262	899	42,161
Total	**3,067,279**	**791,031**	**3,858,310**	**3,109,921**	**684,376**	**3,794,297**

1/ Off-balance sheet exposures (including Repo and Reverse Repo transactions) after multiplying by Credit Conversion Factor (CCF), net of specific provision

Table 17: Adjusted Exposures by Asset Type and Risk Weight under the Standardized Approach (SA)

Unit: Baht million

Bank-Only

31 Dec 24	Rated exposure					Unrated exposure										
Risk weights (%)	0	20	50	100	150	0	2	20	35	50	75	100	250	625	938	100/8.5%
Performing																
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	320,012	0	7,630	126	503											
Claims on Bank, PSEs-Bank	-	64,525	6,356	10,843	-		195									
Claims on Corporate, PSEs-Corporate	-	130,896	99,122	30,124	20,707							901,867				
Claims on Retail portfolios											518,231	25,358				
Claims on Retail mortgage loans									527,296		76,830	1,126				
Other assets						115,838		9,234				129,246	-			
Risk weights (%)	0	20	50	100	150						75					
Non-Performing loans		-	17,426	24,414	435						923					

Bank-Only

31 Dec 23	Rated exposure					Unrated exposure										
Risk weights (%)	0	20	50	100	150	0	2	20	35	50	75	100	250	625	938	100/8.5%
Performing																
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	400,748	0	6,942	68	506											
Claims on Bank, PSEs-Bank	-	44,852	6,867	9,553	-											
Claims on Corporate, PSEs-Corporate	-	139,333	105,439	46,005	4,310							897,280				
Claims on Retail portfolios											561,115	23,949				
Claims on Retail mortgage loans									538,180		55,663	1,436				
Other assets						111,846		-				113,798	-			
Risk weights (%)	0	20	50	100	150						75					
Non-Performing loans		-	14,918	24,004	1,006						350					

Capital deduction prescribed by the BOT: - None -

Table 17 (Cont.)

Unit: Baht million

Consolidated

31 Dec 24	Rated exposure					Unrated exposure										
Risk weights (%)	**0**	**20**	**50**	**100**	**150**	**0**	**2**	**20**	**35**	**50**	**75**	**100**	**250**	**625**	**938**	**100/8.5%**
Performing																
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	320,922	0	7,630	4,773	3,616											
Claims on Bank, PSEs-Bank	-	64,480	9,313	9,377	-		195									
Claims on Corporate, PSEs-Corporate	-	77,246	99,122	30,124	20,707		590					915,221				
Claims on Retail portfolios											688,626	27,509				
Claims on Retail mortgage loans									527,296		76,830	1,126				
Other assets						129,697		9,234				157,281	1,818			
Risk weights (%)	**0**	**20**	**50**	**100**	**150**						**75**					
Non-Performing loans		-	18,693	24,512	504						923					

Consolidated

31 Dec 23	Rated exposure					Unrated exposure										
Risk weights (%)	**0**	**20**	**50**	**100**	**150**	**0**	**2**	**20**	**35**	**50**	**75**	**100**	**250**	**625**	**938**	**100/8.5%**
Performing																
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	401,504	0	6,942	4,626	3,880											
Claims on Bank, PSEs-Bank	-	47,379	9,464	7,726	-											
Claims on Corporate, PSEs-Corporate	-	71,260	105,439	46,005	4,310							907,193				
Claims on Retail portfolios											721,034	27,936				
Claims on Retail mortgage loans									538,180		55,663	1,436				
Other assets						125,586		-				144,806	1,711			
Risk weights (%)	**0**	**20**	**50**	**100**	**150**						**75**					
Non-Performing loans		-	16,132	24,181	1,020						350					

Capital deduction prescribed by the BOT: - None -

Table 18: Collateralized Exposures by Asset and Collateral Type under the Standardized Approach (SA)

Unit: Baht million

Bank-only	31 Dec 24		31 Dec 23	
	Eligible financial collateral[1/]	Guarantee and credit derivatives	Eligible financial collateral[1/]	Guarantee and credit derivatives
Performing				
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	468,430	-	367,334	-
Claims on Bank, PSEs-Bank	127,995	11,598	120,748	11,022
Claims on Corporate, PSEs-Corporate	24,269	24,354	20,857	24,295
Claims on Retail portfolios	9,090	32	10,455	39
Claims on Retail mortgage loans	16	-	24	-
Other assets	-	-	-	-
Non-Performing loans	237	167	309	169
Total	**630,038**	**36,151**	**519,728**	**35,524**

Consolidated	31 Dec 24		31 Dec 23	
	Eligible financial collateral[1/]	Guarantee and credit derivatives	Eligible financial collateral[1/]	Guarantee and credit derivatives
Performing				
Claims on Sovereign & Central Banks, MDBs, PSEs-Sovereign	468,430	-	367,334	-
Claims on Bank, PSEs-Bank	127,998	11,598	120,750	11,022
Claims on Corporate, PSEs-Corporate	24,464	24,354	20,928	24,295
Claims on Retail portfolios	9,799	32	11,188	39
Claims on Retail mortgage loans	16	-	24	-
Other assets	-	-	-	-
Non-Performing loans	237	167	309	169
Total	**630,945**	**36,151**	**520,533**	**35,524**

1/ Financial collateral permitted by the BOT. When using the Comprehensive approach, values reported are after haircut.

7. MARKET RISK

7.1 Market Risk Management

Market risk positions are classified into trading book and non-trading book. Trading book positions comprise short-term market trades intended for resale to make profits from price fluctuation or market arbitrage, while non-trading book positions mainly comprise positions from risk management activities, such as interest rate risk in the banking book and investment risk.

7.2 Market Risk Management Policy

Companies in the Financial Group with material market risk exposures have their own Market Risk Policy, Trading Book Policy, or Investment Policy to manage market risk. The policies must be submitted to the Risk Management Committee for review prior to seeking approval from their respective boards. These policies must be reviewed at least once a year, or when deemed appropriate and/or upon any significant strategic or market change. Companies in the Financial Group with material market risk exposure are required to have an independent market risk management function responsible for measuring, evaluating, controlling, monitoring, and reporting market risk to ensure that market risk is effectively managed to be within the target risk limits.

7.3 Market Risk Assessment

Both statistical and non-statistical tools to assess market risk in the trading book and in the non-trading book depending on individual company's risk characteristics. These tools include stress testing, value at risk (VaR), position size, sensitivity analysis, management action trigger, and others.

Stress testing for all material positions held in portfolios are conducted. Stress testing is a methodology to quantify potential losses on a portfolio in case of extreme yet plausible market events. Risks from stress events, although unlikely, can cause substantial losses and may impact the stability of the Bank and SCBX Financial Group. The independent market risk management function is responsible for defining and reviewing market risk stress testing methodology, performing stress testing, and reporting stress exposure to senior management regularly.

7.4 Market Risk Limits

Market risk limits constitute a key control mechanism to ensure that market risk exposure is aligned with market risk appetite of SCB and SCBX Financial Group. The process to review market limits considers factors such as business strategy, historical performance, market risk capital requirement, market depth, liquidity, etc. Market risk limits are reviewed and approved by SCBX Board of Directors, Board of Directors of each company or other appointed committees at least once a year and/or upon any significant strategic or market changes. Market risk limits are applied at the close of the business day and are monitored daily. There are also intraday limits on foreign exchange net open positions and interest rate sensitivity limits.

7.5 Market Risk Monitoring and Reporting

Market risk reports presenting trading risk exposure against limits are prepared and delivered to relevant parties including book owners and senior management daily. Market risk exposures are regularly reported to

SCBX Board of Directors, Board of Directors of each company, or other appointed committees.

SCBX Financial Group continuously monitors market situations and manages market risk exposure to ensure that it remains within acceptable risk levels and approved limits.

7.6 Capital Adequacy

SCB and the Financial Group maintain capital against market risk in the trading book based on the Standardized Approach as required by the Bank of Thailand. From December 31, 2013 onward, SCB has been granted permission from the Bank of Thailand to apply the Duration Method for calculating market risk capital charges for interest rate risk and the Contingent Loss Method to determine capital requirements for currency and interest rate options. The following table shows capital requirements for market risk of the Bank and SCBX Financial Group as of December 31, 2024.

Table 19: Minimum Capital Requirements for Market Risk under the Standardized Approach (SA)

Unit: Baht million

	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	**31 Dec 24**	31 Dec 23
Interest rate risk	1,943	1,959	1,949	1,965
Equity position risk	-	-	40	27
Foreign exchange risk	335	357	3,428	3,473
Commodity risk	-	-	-	-
Total minimum capital requirements for market risk	**2,278**	**2,316**	**5,417**	**5,466**

8. OPERATIONAL RISK

8.1 Operational Risk Management Principles

SCB and SCBX Financial Group recognize that operational risk is inherent in any business and have always considered operational risk management a priority and continue to encourage the enhancement /improvement of operational risk management. This priority is more pressing in today's rapidly changing environment rife with economic uncertainties, increased competition, growing complexity of products, dependency on technology, natural disasters, and new epidemics, and political/civil conditions, for instance.

All companies in SCBX Financial Group are required to manage their own operational risks covering all related key processes for both existing activities and those arising from new businesses or new projects, by using risk management tools (Risk and Control Self Assessment: RCSA) to identify, assess, control, monitor, and report risks. Senior management has the duty to manage operational risk within their areas of responsibilities in parallel with implementing and maintaining a sound internal control environment and control effectiveness. Moreover, SCBX has set the escalation process and crisis response workflows at the Group level in case the incident could widely affect the operations or reputation of the Group. The lessons learned from operational risk incidents are continually shared and applied to enhance risk governance, risk management framework, and risk monitoring processes across the Group.

8.2 Governance Framework

SCB and SCBX Financial Group have established a governance framework for operational risk management using the ‘three lines of defense’ principle:

- **1st line of defense** consists of business and support functions taking primary responsibilities for managing risks within their own functions.
- **2nd line of defense** consists of centralized risk management and control functions, such as the Operational Risk Management Function and Compliance Function, with the duties to support, assist, and provide risk management guidance to the 1st line functions.
- **3rd line of defense** is the internal audit function which independently checks and reviews business processes and operations to assure the Board of Directors and the Audit Committee of the effectiveness of the Group’s internal control system.

8.3 Risk Management Process and Approach

Because operational risk is a major risk from conducting business, SCB and SCBX Financial Group place heavy emphasis on continually developing/improving the Group’s operational risk management practice.

Every function within SCB and SCBX Financial Group, either business or support function, has a duty to oversee and manage their operational risks with appropriate methodologies and approaches. A sound risk management approach must include risk identification and assessment, internal control effectiveness assessment in dimension of design and performance, as well as defined risk mitigation planning and implementation to ensure that operational risk is within the risk appetite given the nature of the business.

As part of the risk mitigation effort, SCB and SCBX Financial Group implement a wide variety of methods to manage operational risk. In addition to the core operational risk framework mentioned above, SCB and SCBX Financial Group also use other risk management tools, such as risk and control self-assessment (RCSA), key risk indicators (KRI) containing qualitative and quantitative measurement, and incident and loss management (ILM).

The Group also adopts other risk mitigation practices, such as business continuity planning (BCP), business impact analysis (BIA), for critical functions as well as crisis management plans for major incidents, with clear targets regarding recovery time. The plans are tested and reviewed on a regular basis. Including New Product & Process Approval (NPPA) and outsourcing/insourcing (other services) management. Moreover, the Group maintain comprehensive insurance policies, including cyber risk insurance, to cover the tail risk to avoid any large financial losses.

8.4 Operational Risk Report

Key functions of SCBX Financial Group are required to regularly report operational risk to senior management so that management is informed of the risk level and risk issues. Moreover, Group companies are required to report their operational risks to SCBX. The Risk Management Function analyzes this risk information to prepare a monthly report, for the Risk Management Committee and/or other relevant committees, which will then be used as input into the Committee's risk management decisions.

8.5 Capital Adequacy

SCB and SCBX Financial Group have adopted the Standardized Approach to calculate capital requirements for operational risk. The table below shows capital requirements for operational risk as of December 31, 2024.

Table 20: Minimum Capital Requirements for Operational Risk under the Standardized Approach (SA)

Unit: Baht million

	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	**31 Dec 24**	31 Dec 23
Operational risk - Standardized Approach	19,318	19,440	21,837	21,109
Total minimum capital requirements for operational risk	**19,318**	**19,440**	**21,837**	**21,109**

9. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Interest rate risk in the banking book arises from financial instruments or other positions held by SCB and SCBX Financial Group for non-trading purposes which may impact the Group's net interest income and economic value due interest rate fluctuations. There are four sources of interest rate risk:

- **Repricing risk** arises from maturity/timing mismatch of the Bank's assets and liabilities, which causes interest rates at reset to differ due to yield curve movements. For example, assuming all other factors are constant, if the assets can be repriced faster than liabilities (a positive gap), interest margins increase when interest rates rise. On the other hand, if the ability to reprice assets is slower than liabilities (a negative gap), then interest margins narrow when interest rates rise.
- **Yield curve risk** arises from interest rates at different maturities changing differently.
- **Basis risk** occurs when the assets and liabilities are based on different reference interest rates, e.g. fixed-deposit rates, interbank lending rates, THBFIX interest rates. Therefore, any change in reference rates will affect interest rates tied with assets and liabilities differently.
- **Options risk** arises from implicit and explicit options in the assets and liabilities and off-balance sheet items where exercising these options might affect the revenue and costs. For example, an option on three-month deposit that allows early withdrawal before maturity will, if exercised, cause the costs to rise sooner than expected.

9.1 Governance

For the purpose of managing interest rate risk in the banking book, SCB and SCBX Financial Group divide companies into two groups:

- **SCB and companies with material interest rate risk in the banking book,** i.e., banking business
- **Companies with non-material interest rate risk in the banking book,** i.e., securities, asset management, debt management, and other supporting businesses

SCB and SCBX Financial Group companies with material exposures to interest rate risk in the banking book have their own policies and guidelines to manage this risk. Companies may pursue different risk management approaches depending on the scope, volume, and complexity of transactions, local regulations, business-specific regulatory requirements as well as each company's risk appetite. Despite some differences, all companies have set up independent IRRBB risk management functions responsible for measuring, evaluating, controlling, monitoring, and reporting interest rate risk in the banking book, as well as ensuring that interest rate risk in the banking book exposure stays within the risk limits.

SCB has established the Interest Rate Risk in the Banking Book Management Policy which has been approved by the Board of Directors. The Assets and Liabilities Management Committee is responsible for ensuring compliance with such policy.

Other relevant functions include the Group Treasury Function, which manages the overall interest rate risk in the banking book, and the Balance Sheet Risk Management Division, which monitors IRRBB based on both Net Interest Income (NII) and Economic Value of Equity (EVE).

9.2 Risk Assessment and Control

The Bank sets risk limits for IRRBB by measuring the impact of interest rate fluctuations on net interest income and economic value of equity (EVE) under stress situations. To monitor IRRBB, the Bank produces repricing gap reports for risk analysis and assessment which are then reported to the Assets and Liabilities Management Committee (ALCO) for further actions. The Bank has structured assets and liabilities to achieve its business targets which may require the use of derivative instruments to hedge against residual interest rate risk. Risk analysis reports are submitted to the Assets and Liabilities Management Committee, the Risk Management Committee, the Risk Oversight Committee, and the Board of Directors on a regular basis.

The Bank measures the risk of interest rate fluctuations by measuring the impact on net interest income and economic value of equity (EVE). This analysis is conducted monthly for the Bank and annually for the SCBX Financial Group.

The Bank adopted a behavior model in measuring interest rate risk in the banking book to better reflect the risk by adjusting asset and liability repricing tenors i.e., maturity of non-maturity deposits (NMDs), fixed-rate loans subject to prepayment risk, and term deposits subject to early redemption risk, as well as adjusting the relationship of loan and deposit interest rate to the policy rate. The behavior adjustment is in accordance with the BoT notification number Sor. Kor. Sor.1. 2/2564 dated 19 August 2021, regarding to Pillar II.

As of 31 December 2024, for Interest rate risk in banking book in the event that interest rates rise by 1%, within 1 year the Bank would be impacted by decreasing NII (before behavioral adjustment) by Baht 3.1 billion or 3.15% and increasing NII (after behavioral adjustment) by Baht 6.7 billion or 6.75%. With a long-term economic measure, the Bank would be impacted by decreasing EVE (before behavioral adjustment) by Baht 24.0 billion or 6.02% and decreasing EVE (after behavioral adjustment) by Baht 2.6 billion or 0.65%.

For the SCBX Financial Group, net interest income (before behavioral adjustment) would have declined by Baht 3.0 billion or 2.41% of target net interest income. and increasing NII (after behavioral adjustment) by Baht 6.2 billion or 4.94%. With a long-term economic measure, the Bank would be impacted by decreasing EVE (before behavioral adjustment) by Baht 27.7 billion or 6.10% and decreasing EVE (after behavioral adjustment) by Baht 6.3 billion or 1.40%.

Table 21.1: Impact on Net Interest Income in the Event that Interest Rates Rise by 1%

Unit: Baht million

Currency	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	31 Dec 24	31 Dec 23
THB	(2,733)	(2,358)	(2,621)	(2,350)
USD	(321)	(204)	(342)	(194)
EURO and other foreign currencies	(78)	21	(77)	21
Total impact on net interest income	**(3,132)**	**(2,541)**	**(3,040)**	**(2,523)**
% of target net interest income	**-3.15%**	**-2.42%**	**-2.41%**	**-1.89%**

Table 21.2: Impact on Net Interest Income in the Event that Interest Rates Rise by 1% (after behavioral adjustment)

Unit: Baht million

Currency	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	31 Dec 24	31 Dec 23
THB	7,108	7,756	6,665	7,169
USD	(321)	(204)	(343)	(194)
EURO and other foreign currencies	(78)	21	(77)	21
Total impact on net interest income	**6,709**	**7,573**	**6,245**	**6,996**
% of target net interest income	**6.75%**	**7.23%**	**4.94%**	**5.24%**

Table 22.1: Impact on Economic Value of Equity in the Event that Interest Rates Rise by 1%

Unit: Baht million

Currency	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	31 Dec 24	31 Dec 23
THB	(23,835)	(19,017)	(27,659)	(21,318)
USD	(94)	(83)	35	257
EURO and other foreign currencies	(36)	(37)	(46)	(38)
Total impact on economic value of equity	**(23,965)**	**(19,137)**	**(27,670)**	**(21,099)**
% of total capital	**-6.02%**	**-4.97%**	**-6.10%**	**-5.05%**

Table 22.2: Impact on Economic Value of Equity in the Event that Interest Rates Rise by 1% (after behavioral adjustment)

Unit: Baht million

Currency	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	31 Dec 24	31 Dec 23
THB	(2,457)	2,931	(6,327)	566
USD	(94)	(83)	35	257
EURO and other foreign currencies	(35)	(37)	(46)	(38)
Total impact on economic value of equity	**(2,586)**	**2,811**	**(6,338)**	**785**
% of total capital	**-0.65%**	**0.73%**	**-1.40%**	**0.19%**

10. LIQUIDITY RISK

Liquidity risk is the risk that SCB and SCBX Financial Group cannot meet their contractual obligations from normal operations as well as from unforeseen events or disruption because of an inability to convert assets or to secure the required funding at a reasonable cost, thus resulting the loss.

10.1 Governance

For liquidity risk management, SCB and SCBX Financial Group separate companies into two groups:

- **SCB and companies with material liquidity risk,** i.e., banking, securities, asset management
- **Companies with non-material liquidity risk,** i.e., debt management and other supporting businesses

SCB and companies with material liquidity risk develop their own liquidity risk management policies and guidelines. Companies may pursue different risk management approaches depending on the scope, volume, and complexity of transactions, local regulations, business-specific regulatory requirements as well as each company's risk appetite.

SCB has established the Liquidity Risk Management Policy which has been approved by the Board of Directors. The Assets and Liabilities Management Committee is responsible for ensuring compliance with this policy. The Group Treasury Function is responsible for managing the overall liquidity risk, while the Balance Sheet Risk Management Division is responsible for monitoring and controlling liquidity risk.

10.2 Liquidity Coverage Ratio (LCR)

The 2008 financial crisis had shown that a liquidity crunch can inflict severe damages to financial and real sectors. In response, the BCBS introduced new liquidity standards under Basel III, namely Liquidity Coverage Ratio (LCR) and Net Stable Fund Ratio (NSFR), to promote strong liquidity positions among commercial banks both short-term and long-term. In Thailand, the BOT has prescribed the LCR standard in line with the BCBS's guidelines since January 1, 2016.

The LCR requirement aims to ensure that commercial banks have adequate unencumbered High-Quality Liquid Assets (HQLA) to meet their liquidity needs, specifically to cover total net cash outflows for a 30-calendar day severe liquidity stress scenario according to the BOT's computation methodology. The intent is to allow commercial banks, along with the BOT and relevant regulators, sufficient time to identify and implement appropriate measures to address the situation.

The LCR components:

$$\text{LCR} = \frac{\text{High-quality liquid assets}}{\text{Total net cash outflows}}$$

I. High-Quality Liquid Assets (HQLA)

HQLA under the LCR requirement must have the following characteristics:

- Fundamental characteristics such as having low risk, straightforward valuation; and
- Market-related characteristics such as being actively traded, having low volatility, and attracting high demand during a crisis

Additionally, HQLA is categorized into two levels according to their convertibility under stress conditions.

- **HQLA Level 1** are cash, deposits, central bank reserves, and bonds issued or backed by governments and central banks which have the highest ratings and the highest liquidity.
- **HQLA Level 2** are considered lower tier in terms of asset quality and liquidity. This level of assets is further sub-categorized into Level 2A and Level 2B which consist of lower-rated government bonds and corporate bonds. Level 2 assets are subject to a range of haircuts as specified by the BOT. Level 2 assets and Level 2B assets may not exceed 40% and 15% respectively of a commercial bank's aggregate HQLA.

In addition, HQLA must meet certain operational requirements to ensure timely convertibility through a secondary market either by outright or repo transactions during periods of financial stress. Commercial banks should ensure that their HQLA portfolios are properly diversified even though certain classes of liquid assets are likely to remain liquid both under normal and stressed conditions. Banks should also impose limits to avoid concentration risk with respect to asset types, issue and issuer types, and currency within each asset class.

II. Total Net Cash Outflows

Total net cash outflows within 30 days under a severe liquidity stress scenario are defined as total expected cash outflows less total expected cash inflows for 30 days under a severe liquidity stress scenario. In this computation, total expected cash inflows are capped at 75% of total expected cash outflows.

Total net cash outflows = Total expected cash outflows - Total expected cash inflows

- **Total expected cash outflows** are the sum of outstanding balances of various categories of liabilities and off-balance sheet commitments multiplied by their expected run-off or drawdown rates over the next 30 days under severe liquidity stress scenario. Cash outflows can be categorized into 5 types as follows:
  - Retail deposits and borrowings
  - Unsecured wholesale funding
  - Secured funding
  - Contractual obligations
  - Non-contractual obligations
- **Total expected cash inflows** are the sum of outstanding balances of various categories of contractual receivables multiplied by their expected flow-in rates over the next 30 days under severe liquidity stress scenario. In this computation, total cash inflows are capped at 75% of total expected cash outflows. Cash inflows can be categorized into 3 types as follows:
  - Secured lending
  - Fully performing loans
  - Contractual obligations

III. The BOT's Minimum requirement

A commercial bank must maintain its LCR above 100%.

LCR report

This LCR disclosure presents information on a bank-only basis and all data are simple averages of month-end observations of the previous quarter in Baht currency. Specifically, the Bank's average LCR, HQLA, and total net cash outflows for the 4th quarter of 2024 was a simple average of month-end LCR, HQLA, and total net cash outflows, respectively, in October, November and December 2024 (3 months).

Liquidity Coverage Ratio (LCR)

Under the new requirement, the Bank has been able to maintain its LCR well above the regulatory requirement on both bank-only and consolidated basis.

The Bank's average LCR for the 4th quarter of 2024 was 212%. This level exceeded both the Bank's risk tolerance limit and the BOT's minimum requirement at 100%, showing the Bank's ample liquidity.

High-Quality Liquid Assets (HQLA)

The average HQLA for the 4th quarter of 2024 was Baht 761,660 million, of which 99.3% were level 1 assets mainly consisting of government bonds and fixed-income instruments issued by the BOT. It is the Bank's policy to hold high quality liquid assets unencumbered by legal, regulatory, or operational restrictions that can be converted into cash during a stress situation.

Total net cash outflows (Net COF)

The average net cash outflows over the next 30 days for the 4th quarter of 2024 was Baht 358,941 million. Most of the estimated cash outflows were from withdrawal of retail and wholesale deposits using the BOT's run-off rates. Meanwhile, most of the estimated cash inflows were from repayment of normal loans using the BOT's inflow rates.

10.3 Risk Assessment and Control

The Bank manages and controls liquidity risk to ensure adequate liquidity and sufficient future cash flows to cover its activities under both normal and stress situations. Cash flow report and liquidity gap report are some of the mechanisms used to monitor and control the Bank's overall liquidity risk. The Bank's policy is to maintain Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and the liquidity ratio (liquid assets as a percentage of total deposits) at an appropriate level and to monitor net cash outflows over different time horizons to ensure that the Bank can effectively manage its liquidity risk.

Additionally, the Bank conducts stress testing on a regular basis under the BOT's scenarios and the Bank's own scenarios. Stress test results are incorporated into the Bank's contingency funding plan which establishes scenario-specific action plans and explicit roles and responsibilities for liquidity management in a stress situation.

The Bank has a policy to maintain its daily liquidity ratio of at least 20%, measured as total liquid assets to total deposits. At the end of December 2024, the Bank's liquid assets represented 32.5% of total deposits.

Table 23: Liquidity Coverage Ratio (LCR)

Unit: Baht million

Bank-only	**Q4/2024 (Average)**[1/]	**Q4/2023 (Average)**[1/]
(1) Total HQLA	761,660	783,794
(2) Total net cash outflows	358,941	361,080
(3) LCR (%) [2/]	**212**	**217**
Minimum requirement by the BOT (%)	*100*	*100*

Table 24: LCR data for comparison [3/]

Unit: Percentage

Bank-only	**2024 (Average)**[1/]	**2023 (Average)**[1/]
3rd Quarter	200	204
4th Quarter	212	217

1/ Calculation based on a simple average using month-end data for each quarter. For example, Q4 data were calculated by taking a simple average of month-end data in October, November, and December.

2/ Data of item 3 (LCR) might not be equal to item 1 (Total HQLA) divided by item 2 (Total net cash outflows).

3/ LCR data will show Q1-Q2 for the first half period and Q3-Q4 for the second half period.

11. INVESTMENT RISK AND EQUITY INVESTMENTS IN THE BANKING BOOK

Investment risk comprises of various type of risks such as business (credit) risk, market risk, and liquidity risk. As a result, investment risk is managed through risk management policies and investment policy in order to define investment framework and scope, investment principle, risk management, internal control and approval authority. The market risk limit for investment is applied. The monitoring and reporting to the Company's board of directors or the assigned committee(s) are also required.

The objectives for equity investments in the banking book are as follows:

- Equity investments intended mainly to generate dividend yield and/or capital gains from changes in equity prices within an appropriate timeframe and/or to strengthen business alliances in some cases.
- Strategic investments in high-growth equity and/or those that support the Financial Group's business.
- Equity investments in Fintech businesses and investments in Digital Assets related business are under regulatory conditions imposed by relevant authorities.

According to the SCBX Group Risk Management Policy and the SCBX Group Investment Policy, companies within SCBX Group are allowed to make investments in accordance with applicable regulations of the supervisory authorities and/or within the investment scope defined in the SCBX Group Investment Policy.

11.1 Governance

The investment approval authority at the committee level and/or individual executive level are established in accordance with the Investment Policy that has been approved by SCBX's Board of Directors and/or each company's Board of Directors. Investment approval authority varies by transaction type and investment value which has different risk attributes.

For the effectiveness of investment risk management, the Group has set long-term investment plans and capital allocations for Gen 1, 2 and 3 businesses. The Investment Policy clearly specifies the permitted investment asset classes, and the SCBX Board of Directors has approved the risk appetite on investment amount and risk limits, including the limits for foreign investment, digital asset businesses and business with a long J-curve profitability horizon.

SCBX Financial Group also limit the size of investment and diversify the portfolio in Start-ups and Early-stage companies to avoid big loss and profit drag while gaining exposure to new technologies and business models.

For strategic investment, due diligence processes are led by the domain experts, assisted by comprehensive assessment of various aspects of the target's operations by SCBX's functional Centers of Excellence (COEs) includes representatives from Risk COE, related group companies and external due diligence advisors.

Business units with risk management duties to oversee company's equity investments portfolio are responsible for monitoring, overseeing, and controlling equity investment transactions to be in line with relevant rules and regulations. Another key responsibility is to prepare a summary report on equity investment transactions to be proposed to the Investment Management Committee, the Risk Management Committee, and/or the Board of Directors or other relevant committee in accordance with approval authorities.

SCB and SCBX Financial Group also monitor and control investment risks through their Risk Management Committee and/or other committees of companies within the Financial Group in accordance with the specified risk management structure. This includes but not limited to the consideration of policy set up and the determination of risk ratios relating to investment transactions.

11.2 Risk Assessment and Control

The fair value assessment of securities of each type is required according to Thai Financial Reporting Standards 9 (TFRS 9). The fair value will show the intrinsic value of equity investments and identify market risk limit to include equity investments to accurately reflect the potential impact to the investment.

Moreover, there is a periodic review of equity investments at the portfolio level, the company level and the Group level to determine an appropriate investment strategy.

11.3 Capital Adequacy

SCB and SCBX Financial Group have adopted the Standardized Approach to calculate capital requirements for equity exposures.

Table 25: Minimum Capital Requirements for Equity Exposures in the Banking Book

Unit: Baht million

	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	**31 Dec 24**	31 Dec 23
Equity exposures - Standardized Approach (domestic and foreign)				
Listed equity exposures (domestic and foreign)	268	314	268	314
Others (domestic and foreign)	11,924	11,858	32,089	33,875
Total gains (losses) arising from sales during the period	1	41	(784)	623
Increase (decrease) in value from remeasuring FVOCI investments	1,366	1,322	1,366	1,320
Total minimum capital requirements	**1,036**	**1,035**	**2,750**	**2,906**

12. STRATEGIC RISK

Strategic risk refers to risks on financial performance (e.g. revenues, profits, capital), reputation and stability of the Bank and SCBX Financial Group both at present and in the future that arise from changes in business environment, poor strategic decisions, ineffective strategic implementation, or untimely responses to industry, economic, and technological changes.

Strategic risk is managed through the strategy process consisting of 1) strategic planning, 2) alignment and change management, 3) implementation and monitoring and 4) performance evaluation and feedback.

The goal of this process is to ensure adequate input into strategy formulation and implementation. SCBX Financial Group also has a process to assess and monitor strategic risk in order to monitor any changes in external and internal factors that may affect the business operations, including considering business expansion through partnerships, mergers and acquisitions, entry into new markets and businesses, or significant divestment/closures to enable appropriate risk management and timely adjustment of strategies or decisions.

The Strategy Function of the Bank and the Operating and International Business Function of SCBX currently supports the Board of Directors and senior management in formulating and reviewing SCB and SCBX Financial Group's strategies. In addition, those Functions are also responsible for conducting strategic risk assessment on a regular basis.

13. REPUTATIONAL RISK

Reputation is of paramount importance for any business, especially for financial businesses, which can only be built gradually by earning confidence and trust for the business over a long period of time. As the old adage says, it takes years to build one's reputation, and only seconds to destroy it.

SCBX Financial Group recognizes the importance of reputational risk and therefore has developed reputational risk management policy and framework as a minimum requirement for all companies in SCBX Financial Group to establish Reputation Risk Management Policy. Each company is expected to protect their reputation from both internal and external risk factors without regard to revenue generating potential.

SCBX require the company in SCBX Financial Group to diligently monitor events and incidents that could negatively affect their reputation and that of the Group, and to ensure immediate and proper measures are taken along with timely escalation to SCBX. Moreover, the company apply social monitoring tools in detecting negative sentiments and engagement in various social media channels to ensure those reputationally sensitive issues are promptly managed. Strategic operating companies must undertake scenario planning, backed by clearly defined incident response processes, communication strategies, and roles and responsibilities. SCBX will inform regulators of major incidents on a timely basis, especially instances that could have a risk of contagion to the rest of the industry.

For any business transactions with potential reputational risk, especially the lending business for the Bank, the management concerned must seek prior approval from the Executive Committee. The Chairman of the Executive Committee may escalate the matter to the Board of Directors if necessary.

14. TECHNOLOGY RISK

Today's technology is changing rapidly. Failure to adapt or lack of a long-term plan to accommodate changes may affect business operations and cause the Bank and SCBX Financial Group to lose market share due to unable to serve customers effectively by meeting their product or pricing needs. Moreover, technology risk may also cause business and service disruptions which may lower of profitability and market share.

Because of these wide-ranging and inter-related impacts, technology risk management is one of the SCBX Financial Group's top priorities. Therefore, the Group adopts a proven framework for technology risk management consisting of: 1) Risk Identification, 2) Risk Assessment, 3) Risk Response, and 4) Monitoring and Reporting. Technology risk management is one of the key risks of the organization (Enterprise-Wide Risk) in terms of security, integrity and availability in both normal and critical situations.

Furthermore, the SCBX Financial Group recognizes and has taken steps to build and enhance the organization's risk culture, particularly for technology risk, by educating and training employees, maintaining technology risk and knowledge databases that are accurate and up-to-date, applying a zero-trust security policy, adopting best-in-class risk management tools along with continually improving its risk management framework to be in line with global practices. SCBX also set group-wide cybersecurity and technology risk standards including key risk indicators to ensure effective and efficient cyber and information security, technology, and IT third-party risk management across the Group. To ensure the effectiveness of the monitoring and control of cybersecurity and technology risk management, the maturity assessment of subsidiaries shall be conducted regularly, and early warning indicators shall be specified in order to proactively manage potential risks.

Moreover, the technology risk management process enables the SCBX Financial Group to adequately manage technology risk at both strategic and operational levels.

At the strategic level, the SCBX Financial Group aims to build a modern, flexible, and secure technology architecture to support a wide variety of customer service platforms along with providing data management capability for marketing and credit management analysis to use technology that is in line with business strategies and is flexible enough to accommodate future business changes.

At the operational level, the process covers assessing organizational structure on the technology side; technology people; system acquisition, development, and maintenance; accuracy and security of technology systems and important data (e.g., customers' information); system's capacity to accommodate high volume transactions, the complexity of information technology as well as service continuity during crises and IT vendor management. These components of technology risk management process will bolster the SCB and SCBX Financial Group's competitiveness and profitability.

SCBX has set up a Cloud Center of Excellence (COE) and a Cyber Risk COE to establish best practices and minimum requirements and coordinate activities among the group for cloud infrastructure and migration, and for cyber and technology risk management, respectively. Moreover, SCBX provides a centralized services including Security Operations Center (SOC), the Bug Bounty Program, Attack Surface Management (ASM) and Cyber Threat Intelligence (CTI), to enhance the Group's capability in comprehensively monitoring and preventing

IT and cyber security threats, and to respond to cyber incidents promptly and effectively.

15. PEOPLE RISK

People are vital resources in the business operation. Not only must the Bank provide suitable products and services that meet customer needs, the companies within the Group and its employees must also comply with rules and regulations on customer protection which may give rise to market conduct risk. Therefore, the SCBX Financial Group needs knowledgeable and capable people to help achieve its business goals in a sustainable manner.

SCB and SCBX Financial Group recognizes the importance of human resources which present significant and constant challenges in today's environment. A key challenge is the advent of new technologies which may replace the existing service model and put pressure on the organization to reform or transform itself. Such broad-scale organizational change raises demand on human resources both in terms of quality and quantity including a smooth transition of leadership through succession planning. Specifically, an organization requires knowledgeable, well-rounded, and adaptable people to drive its transformation efforts, especially those having data and artificial intelligence (AI) capabilities, while avoiding a culture clash between the new generation of workers and personnel at our traditional businesses.

SCB and SCBX Financial Group manages such risks by implementing several key initiatives which include:

- Building a risk culture in which risk awareness and ownership are the norm and risk prevention and mitigation are the responsibility of all employees
- Establishing SCB Academy to build additional skills and knowledge necessary for future business changes, such as knowledge in product areas and data analytics for business analysis and planning
- Providing attractive career paths for employees to ensure business success and sustainable growth
- Providing safe and conducive work environment to foster employee engagement.

Governance

Boards of Directors of the SCBX and Group companies have established an effective people risk management policy and framework and regularly reviewed the overall people risk. Senior management is responsible for managing people risks within their areas of responsibilities and establishing effective control as well as coordinating with the People Function and other relevant functions.

People Function, business functions, and relevant supporting functions are responsible for identifying people risks using appropriate analyses given the function's inherent business complexity with regular updates/reviews of potential risks.

For people risk management, the SCB and SCBX Financial Group also apply the 'three lines of defense' principle used in operational risk management to ensure effectiveness in risk management and internal control.

16. MODEL AND AI RISK

The SCB and SCBX Financial Group have prepared for changes which may affect its business operations by developing models to facilitate business analysis and decision making, which may give rise to model risk. For instance, models may produce inaccurate results or may be misused. Model risk may appear in four following forms:

- **Input** which may arise from low quality or untimely data, insufficient historical data or small sample size;
- **Methodology** which may arise during the stage of model development or data processing, including wrong theories, models derived from outdated historical data that are no longer applicable to today's context, or inappropriate assumptions, etc.;
- **Implementation** which may arise from poor implementation or inappropriate IT environment for model calculation; and
- **Usage** which may arise from outright misuse or disregarding model limitations.

To minimize the above model risks, SCBX requires companies that use models for critical transactions to establish the Model Risk Management Policy to serve as an operational framework. The policy provides the Model Risk Governance Framework and requires periodic model validation to manage and control potential model risks.

With the availability of big data, SCBX Financial Group are also experimenting with and utilizing AI and machine learning in our model development to enhance the predictive powers and accuracy of our models.

16.1 Model Risk Management Structure

To set up a dedicated unit for model risk management for ensuring that there are checks and balances as well as independence in model validation. This unit is part of the second line of defense which offers recommendations, support, and validation after the first line of defense. Model risk oversight consists of Model Validation using both quantitative and qualitative approaches to ensure that the models work as expected, and Model Governance, along with Responsible AI Principles, to prevent any misuse of models and minimize model risks. The Bank's Model Risk Management Unit, which is part of the Risk Management Function, consists of:

- **Model Governance** is responsible for overseeing model risk management and other relevant conceptual frameworks, making a model inventory by collecting data and details for models used by the Bank, and planning for model validation resources. The unit also oversees model development and implementation according to each model's life cycle to ensure compliance with model governance; and
- **Model Validation** is responsible for validating models independently and effectively within the scope of the Model Risk Management Policy to ensure that models work as expected, meet their objectives, and fulfill their intended purposes. An effective validation must identify possible model limitations or weaknesses and assess their impacts.

16.2 Model Risk Management Policy and Guideline

Guided by the SCBX Financial Group's Model Risk Management Policy and Framework, the Group Model Risk Management Policy specifies key principles on governance and control requirements for managing model risks throughout the model lifecycle, with key components of Responsible AI Principles embedded. Besides, the policy also engenders efficient and effective collaboration across subsidiaries while ensuring robust governance is performed, but not duplicated. The model tiering shall be specified for managing and controlling model risks according to their life cycles, along with model validation principles and procedures. The Model Risk Management Committee was set up for the Bank to oversee model risk and all models used within the Bank, to verify the effectiveness of the Model Risk Management Framework, and to approve models and validation outcomes.

16.3 Model Risk Monitoring and Control

Approval for model releases follows standard protocols. Conditional approval must be accompanied by a monitoring process within a specified timeframe to ensure that model effectiveness is maximized. In addition, mitigation actions or compensating controls may be required to minimize any potential risks from using such model.

16.4 Model Risk Report

The policy requires that model risks, risk status, and risk management effectiveness be reported to the Risk Management Committee, the Risk Oversight Committee and/or the Model Risk Management Committee for the Bank and other companies within SCBX Financial Group that model risk is assessed as being material.

17. LEGAL AND COMPLIANCE RISK

17.1 Legal Risk

Legal risk refers to the risk arising from non-compliance with laws or contracts, which may result in companies within the SCBX Financial Group being subject to litigation, facing complaints, or entering dispute resolution processes. This could lead to significant damage compensation or substantial reputational harm, including risks arising from the revocation or revision of key laws relevant to the business operations of companies with the SCBX Financial Group.

To ensure legal risk management is efficient, consistent, and appropriate to the nature and complexity of business operations and potential damages, the SCBX Financial Group has established a Legal Risk Policy as a framework for all companies to comply with, which must cover the following areas:

Legal Risk Management

(1) Assigned Legal Responsible Personnel: Each company in the Group must assign legal responsible personnel(s) to perform critical functions, at minimum covering the following: (a) providing legal consultation related to the company's business operations; (b) submitting, preparing, and certifying relevant documents for registration, permissions, or other legal procedures; (c) filing complaints and accusations with investigating officers, posting bail at investigation and court levels, hiring lawyers for civil, criminal, and administrative litigation; (d) conducting training and knowledge sharing to employees about important laws that may impact business operations, including newly issued or amended laws; and (e) coordinating the out-source hiring of specialized legal advisors and attorneys, both domestically and internationally.

(2) Risk Identification and Assessment: In business operations, each company in the Group is required to consult with legal departments or external legal advisors to identify and assess legal risks in material transactions, contract execution, intellectual property management, trade competition, information usage, and dispute resolution, etc., and to find ways to prevent or mitigate such risks.

(3) Risk Monitoring and Control: Each company in the Group must have personnel responsible for monitoring and administrating contracts, accessing legal documents, and establishing reporting procedures for significant legal risk events to supervisors and/or legal departments for appropriate action, such as high-value contract execution, contracts with significant limitations or business impact, contract defaults, legal disputes, or litigation cases.

(4) Control Measure Review: Each company in the Group must periodically report legal incidents according to key risk indicators, as well as review legal risk management measures and results, aligning with other risk reports to ensure risk management is effective, modern, and appropriate to the company's situation and business operations.

17.2 Compliance Risk

Compliance risk refers to the risk arising from non-compliance with laws, regulations, rules, standards, and practices relating to regulatory requirements applicable to various matters. This may result in significant financial loss, reputational risk, or intervention by regulators.

Compliance Risk Management

SCBX has deployed a compliance risk management framework to ensure that the Group complies with all relevant regulations and fosters a culture of compliance. This includes building and supporting all staff to gain comprehensive knowledge and understanding of relevant laws, regulatory measures, and compliance standards in a timely manner.

The SCBX Group therefore, has established a Compliance Policy to serve as a framework and guideline for identifying, assessing, and managing compliance risks in a comprehensive manner. Companies within the SCBX Group are required to adopt/adapt SCBX Compliance Policy as a guideline in developing their own Compliance Policy.

Moreover, SCBX requires entities within the Group to establish a compliance function to operate as an independent function and consist of compliance experts, who are well equipped to effectively perform their roles and responsibilities in providing advice, communicating, and monitoring the undertaking of the business by the SCBX Group. The compliance measures are essentially twofold:

(1) Preventive measures, which include consultation, communication, and training across the group, and

(2) Monitoring measures, which involve conducting compliance testing to assess whether the Group remains compliant to regulatory requirements, which includes:

(2.1) Risk identification and assessment

(2.2) Monitoring and testing

(2.3) Analyzing the underlying issue to identify root cause(s) (Root Cause Analysis) for an implementation of corrective and preventive measures to reduce the likelihood of repeating incident in the future

(2.4) Monitoring to evaluate and report the progress of implementing corrective measures and preventive measures on non-compliance matters

18. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE RISK

Environmental, Social, and Governance (ESG) Risk Management is a key factor that enables the SCBX Financial Business Group to operate in a stable and sustainable manner amidst the challenges of economic conditions and stringent regulations. It enhances the group's ability to adapt and manage environmental risks, such as climate change, which may impact investment portfolios and the financial stability of clients. It also improves our management of social risks which may affect the credibility of business and relationships with stakeholders, such as responsible lending and market conduct, customer data protection, financial fraud prevention, and human rights. Furthermore, governance risks, in particular those related to SCBX's counterparties, need to be managed to foster trust among investors, clients and the general public. Systematic ESG risk management is, therefore, a crucial strategy to mitigate potential impacts, strengthen competitiveness, and create long-term value for both the organization and society.

To ensure continuous and systematic ESG risk management within the SCBX Financial Business Group, the organization has integrated ESG risk governance into its Enterprise Risk Management system under the ESG Risk Management Framework, overseen by the Risk Oversight Committee and the Risk Management Committee, together with relevant units. This structure ensures that operations are conducted in line with the Group ESG Risk Appetite statement.

In addition, in 2025 SCBX Group established the Sustainability Committee to consider and endorse sustainability strategies, as well as to approve targets and action plans to promote sustainable business operations in alignment with the group's policies and strategic direction. The Sustainability Committee also supports the development of ESG risk management framework, including the review of ESG risk management policies and the group's ESG risk appetite, before being presented to the Risk Oversight Committee and Board of Directors for approval.

SCBX Group also applies the "Three Lines of Defense" principle to our ESG risk management, which consists of 1) Risk identification, 2) Risk assessment, 3) Risk response, and 4) Risk monitoring and reporting.

Given that climate-related risk is considered among the most critical due to its urgency and potential wide-ranging impacts, in 2024 the Bank began assessing the impact of climate physical risk through a pilot project in collaboration with the Bank of Thailand. Additionally, an assessment of the climate transition risk is planned to be done for the second half of 2025. The results will be used to inform future direction of environmental risk management for the Bank and SCBX Group.

19. RISK MANAGEMENT FOR DIGITAL ASSET BUSINESS OPERATIONS AND TRANSACTIONS

Due to technology advancement, the increasing use of digital assets, and changing consumer behavior, the SCBX Financial Group acknowledges the significance of prioritizing the development of digital asset services and investments in various forms. Such services not only provide convenience to customers but also enhance the SCBX Financial Group's operational efficiency, potentially reducing financial service costs. This would ultimately benefit financial service users and the economy as a whole. However, the SCBX Financial Group acknowledges that managing services and transactions related to digital assets requires careful attention to various risks and system and information security, in accordance with laws and international standards. Additionally, the protection of service users is of utmost importance. As the parent company of the Group, SCBX has established a Digital Asset Policy. This policy outlines the scope of digital asset business and transactions and serves as a guideline for conducting such activities, requiring robust internal controls and risk management.

Risk Oversight and Risk Management

Before engaging in digital asset business and related transactions, all companies within the SCBX Financial Group must obtain approval from both the Board of Directors of SCBX and the relevant regulatory authorities.

SCBX is responsible for appropriately managing and overseeing risks that arise from the digital asset business, while considering the nature and complexity of business operations and adhering to the overall risk management strategy. These responsibilities ensure that the digital asset businesses and services align with the Group's business strategies and that technology resources are used efficiently. Furthermore, relevant entities are made aware of the risks involved, and risk exposure is controlled to an acceptable level. Effective risk management in accordance with good corporate governance principles requires appropriate segregation of duties and checks and balances in each role, following the "three lines of defense" guideline. This guideline necessitates independent operational processes, risk management and control, and audit processes.

Moreover, SCBX ensures proper management of intragroup contagion risk that may arise from the digital asset business, which could potentially affect the Bank or the SCBX Financial Group as a whole. Guidelines for risk management in these matters are clearly identified, such as separating operating systems related to the digital asset business from the Bank's primary operating system and taking measures to ensure that shared IT infrastructure is sufficient to support and will not affect any services provided by the Bank. Additionally, appropriate recovery plans are prepared, and IT and cyber security are meticulously supervised in accordance with regulatory requirements.

Risk Monitoring and Controlling

SCBX, as the parent company of the SCBX Financial Group, is responsible for monitoring and controlling investment ratios in digital assets, while also considering capital adequacy in accordance with regulatory requirements. Companies operating digital asset related business must regularly and appropriately submit information related to digital assets to SCBX and regulatory bodies.

Table 26: Amount of credit, investment, contingent liabilities, and transaction similar to granting credit for digital asset related business limit

Unit: Million Baht

	Bank-Only		Consolidated	
	31 Dec 24	31 Dec 23	31 Dec 24	31 Dec 23
Digital assets holding positions both directly and indirectly	**-**	**-**	**127**	**110**
Investment in digital asset related business both directly and indirectly	-	-	9,303	8,915
Lending to digital asset related business	2,196	732	2,196	732
Total investment in digital asset related business	**2,196**	**732**	**11,499**	**9,647**
Total Capital	**398,196**	**384,669**	**453,365**	**443,680**
DA Business Ratio (% of Total Capital)	**0.55%**	**0.19%**	**2.54%**	**2.17%**
DA Business Limit	**3.00%**	**3.00%**	**3.00%**	**3.00%**

APPENDIX

Details of companies within SCBX Financial Group (Solo and Full Consolidation)

Solo Consolidation Group

Company	Business Type
Siam Commercial Bank PCL	Banking
Cambodian Commercial Bank Limited.	Banking
Rutchayothin Asset Management Co., Ltd.	Asset management
Siam Commercial Bank Myanmar Limited	Banking

Non-Solo Consolidation Group

Company	Business Type
SCB X PCL	Holding company
SCB Asset Management Co., Ltd.	Asset management
SCB-Julius Baer Securities Co., Ltd.	Private banking
SCB Protect Co., Ltd.	Insurance broker
SCB Plus Co., Ltd.	Collection
Mahisorn Co., Ltd.	Property management
SCB Training Centre Co., Ltd.	Training center
InnovestX Securities Co., Ltd.	Securities
Token X Co.,Ltd.	Initial Coin Offering Portal
SCB 10X Co.,Ltd.	Venture capital and venture builder
Monix Co.,Ltd.	Digital lending
Abacus Digital Co., Ltd.	Digital lending
Auto X Co., Ltd.	Auto title loan and insurance brokerage
Alpha X Co., Ltd.	Luxury vehicles hire purchase, leasing, and refinancing
Alpha X Plus Co., Ltd.	Personal lending and insurance brokerage
Card X Co., Ltd.	Credit card and personal lending
Card X Asset Management Co., Ltd.	Distressed asset management
Akulaku X Co., Ltd.	Digital personal lending
SCB Tech X Co., Ltd.	Specialized technology services provider
SCB Data X Co., Ltd.	Data analytics as a service
Point X Co., Ltd.	Point loyalty platform

The structure of the Consolidated Supervision Group can be divided into two levels:

(1) Solo consolidation which includes the Bank and its subsidiaries whose businesses involve lending or lending-related transactions for which the Bank holds more than 75% of issued and paid-up shares.

(2) Full consolidation which includes the parent company and subsidiaries categorized as solo and non-solo consolidation subsidiaries, whereby non-solo consolidation subsidiaries mean any of the subsidiaries engaging in finance or supporting businesses for which the parent company has management control over a subsidiary’s business.

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