SCB X Public Company Limited

BASEL III
PILLAR 3
MARKET DISCLOSURE

JUNE 2023

Contents

1. INTRODUCTION

Siam Commercial Bank PCL (SCB) and its Financial Group (the Group) started to adopt Basel III, the latest global regulatory framework for assessing bank capital adequacy and liquidity, on January 1, 2013 to further strengthen its risk management practices. The Bank and the Group'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 a 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 risk management guidelines beyond Pillar I, with an emphasis on 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 assessment.

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://www.scbx.com/en/investor-relations/pillar-iii-disclosure.html*

Beginning January 1, 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 use 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 2022 Annual Report.

Regulatory Consolidation [1/]

Regulatory consolidation consists of **solo consolidation**, which considers only financial entities of which SCB 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 holds 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:

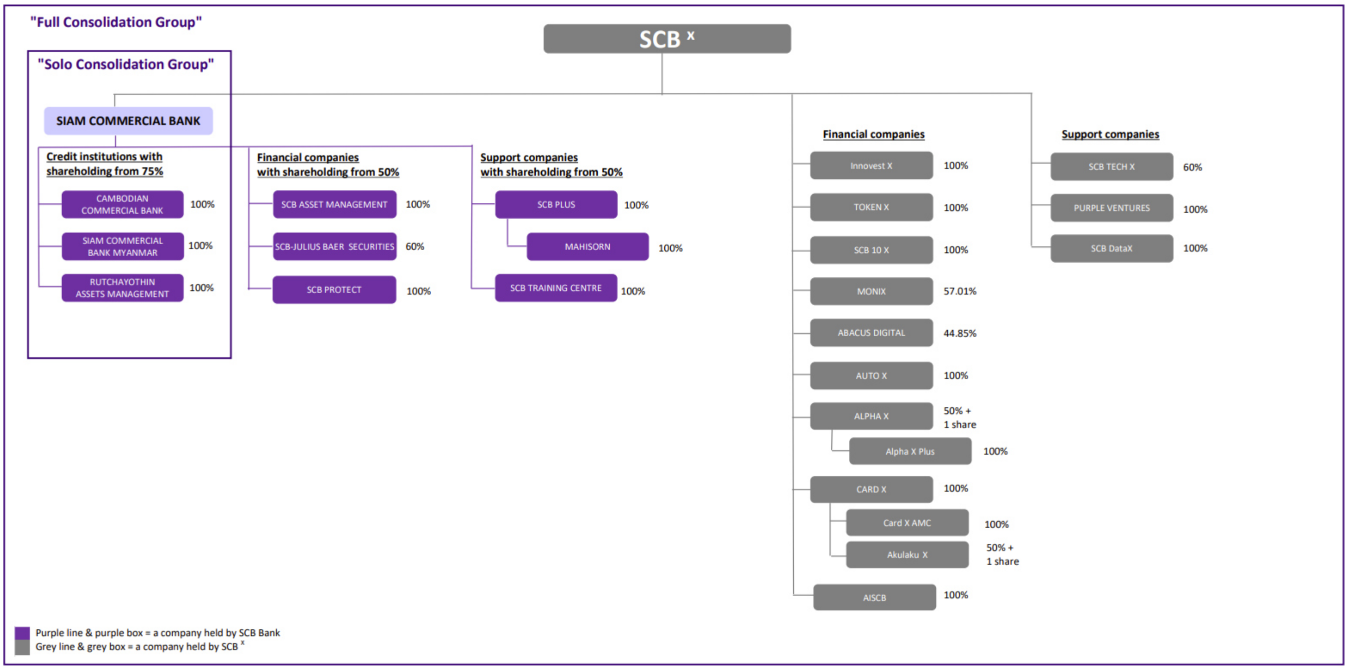
  In this case which is considered a significant investment based on the threshold approach, the BOT requires calculation to be split into two parts. The portion of investment that exceeds 10% of the Bank and/or the Financial Group's net CET1 must be deducted from the corresponding tier of capital. Any 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 June 30, 2023

New Structure of SCB^{X} Financial Group Companies
30 June 2023



3. KEY PRUDENTIAL METRICS

Table 1: Key Prudential Metrics

Unit: Baht million, %

		Bank-Only		Consolidated	
		30 Jun 23	31 Dec 22	30 Jun 23	31 Dec 22
1.	**Available Capital (amounts)**				
1.1	Common Equity Tier 1 (CET1)	361,163	344,932	417,747	408,286
1.2	Fully loaded ECL CET1	361,163	344,932	417,747	408,286
1.3	Tier 1	361,163	344,932	419,217	409,359
1.4	Fully loaded ECL Tier 1	361,163	344,932	419,217	409,359
1.5	Total capital	385,447	369,182	445,711	434,907
1.6	Fully loaded ECL total capital	385,447	369,182	445,711	434,907
2.	**Risk-weighted assets (amounts)**				
2.1	Total risk-weighted assets (RWA)	2,217,275	2,220,000	2,387,130	2,306,339
3.	**Risk-based capital ratios as % of RWA**				
3.1	Common Equity Tier 1 ratio (%)	16.29%	15.54%	17.50%	17.70%
3.2	Fully loaded ECL Common Equity Tier 1 (%)	16.29%	15.54%	17.50%	17.70%
3.3	Tier 1 ratio (%)	16.29%	15.54%	17.56%	17.75%
3.4	Fully loaded ECL Tier 1 ratio (%)	16.29%	15.54%	17.56%	17.75%
3.5	Total capital ratio (%)	17.38%	16.63%	18.67%	18.86%
3.6	Fully loaded ECL total capital ratio (%)	17.38%	16.63%	18.67%	18.86%
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/]	8.9%	8.1%	10.2%	10.4%
5.	**Liquidity Coverage Ratio for Bank-Only basis**[2/]				
5.1	Total HQLA	792,121	834,934		
5.2	Total net cash outflows	387,195	387,233		
5.3	LCR ratio (%)	205%	216%		

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 Q2/2023 and Q4/2022 were calculated using simple averages of month-end data for each quarter. For example, Q2 data were obtained by taking a simple average of month-end data in April, May and June.

Highlight of changes to the capital and key drivers

As of June 30, 2023, the Bank's Tier 1 capital and total capital were 16.29% and 17.38%, respectively. An increase of around 0.75% from December 2022, mainly due to the appropriation of 2022 net profit after dividend payment.

On a consolidated basis, Tier 1 capital and total capital were 17.56% and 18.67%. Decrease of around 0.19% from December 2022 mainly due to higher risk-weighted assets from loan growth, especially in corporate and retail segments and was offset by the appropriation of 2022 net profit after dividend payment.

The capital position at the end of June 2023 from both bank-only and consolidated perspectives far exceeded the minimum regulatory requirements including additional buffers.

Given its strong CET1 capital position, the Bank 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, respectively.

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 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 FVTOCI 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 business operations. 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 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 anticipate potential financial impacts from the business plans and capital requirements as well as to formulate management action plans for impact mitigation should such adverse events or similar circumstances 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 is 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 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 June 30, 2023, the total CAR was 18.67% on a consolidated basis and 17.38% on a bank-only basis, while Tier 1 capital was 17.56% on a consolidated basis and 16.29% on a bank-only basis and CET1 capital stood at 17.50% on a consolidated basis and 16.29% on a bank-only basis.

Note: The ratios as of June 30, 2023 excluded 1H23 net profit after dividend payment.

Figure 2: Basel III Capital Structure as of June 30, 2023

(In Baht billion)

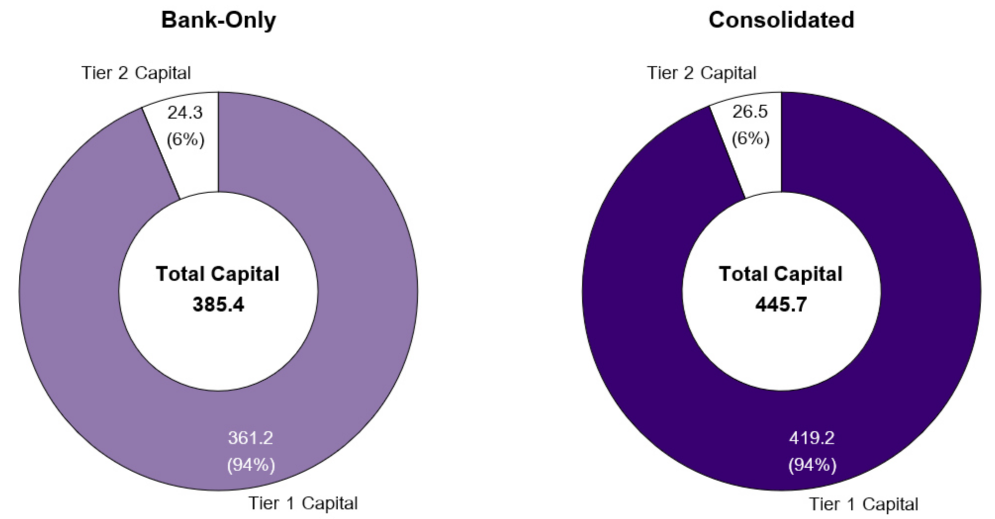


Figure 3: Capital Adequacy Ratios under the Standardized Approach (SA) of SCB and its Financial Group

(In % of RWAs)

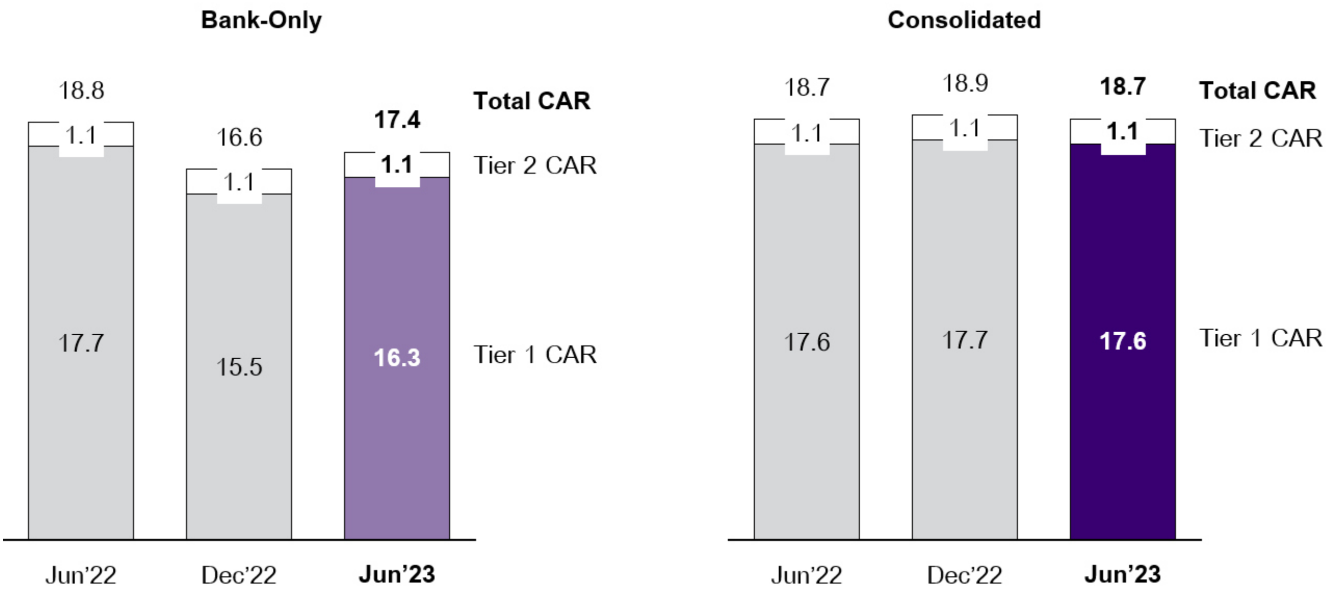


Table 2: Comprehensive Regulatory Capital and Capital Adequacy

Unit: Baht million, %

	Bank-Only			Consolidated		
	30 Jun 23	**31 Dec 22**	**30 Jun 22**	**30 Jun 23**	**31 Dec 22**	**30 Jun 22**
Tier 1 capital	**361,163**	**344,932**	**403,081**	**419,217**	**409,359**	**405,793**
Common Equity Tier 1 (CET1)	**361,163**	**344,932**	**403,081**	**417,747**	**408,286**	**404,829**
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	6,934
Net profit after appropriation	309,132	293,281	354,281	373,711	360,647	357,113
Other reserves						
Other comprehensive income	18,058	18,775	18,692	20,092	20,580	20,251
Others owner changes items	-	-	-	(607)	90	0
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	-	-	-	1,531	1,668	1,648
Regulatory deduction to CET1 capital	(18,143)	(19,240)	(22,008)	(25,071)	(22,788)	(25,807)
Additional Tier 1	**-**	**-**	**-**	**1,470**	**1,072**	**964**
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	-	-	-	1,470	1,072	964
Tier 2 capital	**24,285**	**24,250**	**25,065**	**26,494**	**25,548**	**25,636**
Proceeds from issuing subordinated debt securities	-	-	-	-	-	-
General provision	24,285	24,250	25,065	25,813	24,983	25,064
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	-	-	-	682	565	573
Total Regulatory Capital	**385,447**	**369,182**	**428,146**	**445,711**	**434,907**	**431,429**
Risk-weighted assets						
Credit risk	1,942,792	1,940,018	2,005,168	2,065,013	1,998,651	2,005,087
Market risk	44,430	47,945	49,955	79,653	69,311	72,341
Operational risk	230,053	232,037	227,690	242,464	238,377	233,847
Total Risk-Weighted Assets	**2,217,275**	**2,220,000**	**2,282,813**	**2,387,130**	**2,306,339**	**2,311,276**
Total capital/ Total risk-weighted assets	**17.38%**	**16.63%**	**18.76%**	**18.67%**	**18.86%**	**18.67%**
Total Tier 1 capital/ Total risk-weighted assets	**16.29%**	**15.54%**	**17.66%**	**17.56%**	**17.75%**	**17.56%**
Total CET1 capital/ Total risk-weighted assets	**16.29%**	**15.54%**	**17.66%**	**17.50%**	**17.70%**	**17.52%**
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		
	30 Jun 23	**31 Dec 22**	**30 Jun 22**	**30 Jun 23**	**31 Dec 22**	**30 Jun 22**
Credit risk - Standardized Approach						
Performing						
Governments, Central Banks, MDBs [1/] and PSEs [2/] treated as Sovereign	508	349	522	1,223	1,108	1,339
Banks and PSEs [2/] treated as banks	1,261	1,646	2,007	1,403	1,844	2,131
Corporates [3/] and PSEs [2/] treated as corporates	91,729	93,028	90,784	90,358	88,241	90,394
Retail	38,843	37,436	43,808	48,354	45,843	44,490
Retail mortgage loans	19,166	18,684	18,069	19,166	18,684	18,069
Other assets [4/]	11,053	11,009	12,122	12,372	11,384	10,864
Non-performing	2,577	2,750	3,127	2,650	2,781	3,146
First-to-default credit derivatives and securitization	-	-	-	-	-	-
Minimum capital requirements for credit risk	**165,137**	**164,902**	**170,439**	**175,526**	**169,885**	**170,432**
Market risk - Standardized Approach						
Interest rate risk	2,203	2,502	3,010	2,209	2,508	3,017
Equity position risk	-	-	-	90	85	182
Foreign exchange risk	1,573	1,574	1,236	4,472	3,298	2,951
Commodity risk	-	-	-	-	-	-
Minimum capital requirements for market risk	**3,777**	**4,075**	**4,246**	**6,770**	**5,891**	**6,149**
Operational risk - Standardized Approach						
Minimum capital requirements for operational risk	**19,555**	**19,723**	**19,354**	**20,609**	**20,262**	**19,877**
Total minimum capital requirements [5/]	**188,468**	**188,700**	**194,039**	**202,906**	**196,039**	**196,458**

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 June 2023 would have been Baht 266,073 million on a bank-only basis and Baht 286,456 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 1/	Group
Amount recognized in regulatory capital	33,992 million Baht	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 Capital from Consolidated Financial Statements

Unit: Baht million

Capital related items as of 30 June 2023	Balance sheet as per the published financial statements 1/	Balance sheet under the regulatory scope of consolidation 2/	References
Assets			
Cash	37,180	37,180	
Interbank and money market items, net	488,819	488,819	
Financial asstes measured at FVTPL	70,565	70,565	
Derivative assets	64,128	64,128	
Investments, net	347,512	347,512	
Investments in subsidiaries, associates and joint venture, net	1,511	1,607	
Loans to customers and accrued interest receivables, net			
Loans to customers	2,422,949	2,422,949	
Accrued interest receivables and undue interest receivables	22,705	22,705	
Total loans to customers and accrued interest receivables and undue interest receivables	2,445,654	2,445,654	
Less Unamortised modification loss	(2,525)	(2,525)	
Less Allowance for expected credit loss	(150,838)	(150,838)	
Qualified as capital		(25,813)	R
Non-qualified as capital		(125,025)	
Total loans to customers and accrued interest receivables, net	2,292,291	2,292,291	
Properties for sale, net	25,009	25,009	
Investment properties, net	495	495	
Premises and equipment, net	46,354	46,354	
Goodwill and other intangible assets, net	20,103	20,103	
Goodwill	1,270	1,270	M
Other intangible assets	18,833	18,833	N
Deferred tax assets	6,114	6,114	O
Other assets, net	40,316	40,293	
Total assets	**3,440,397**	**3,440,471**	
Liabilities			
Deposits	2,468,159	2,468,232	
Interbank and money market items	204,345	204,345	
Liabilities payable on demand	15,167	15,167	
Financial liabilities measured at FVTPL	8	8	
Derivative liabilities	64,601	64,601	
Debt issued and borrowings	110,019	110,019	
Provisions	21,193	21,193	
Deferred tax liabilities	1,192	1,192	P
Other liabilities	84,616	84,615	
Total liabilities	**2,969,301**	**2,969,374**	

Table 5 (Cont.)

Unit: Baht million

Capital related items as of 30 June 2023	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	21,436	21,436	
Qualified as capital		20,223	G[3/]
Non-qualified as capital		1,212	
Revaluation surplus (deficit) of investments classified at FVTOCI	748	748	H
Foreign currency translation differences	(790)	(790)	I
Surplus (deficit) from value of cash flow hedge reserve	(90)	(90)	J
Others owner changes items	(607)	(607)	K
Reserves for share-based payment	8	8	
Retained earning			
Appropriated retained earning			
Legal reserve	3,400	3,400	E
Unappropriated retained earning	396,653	396,653	
Net profit after appropriation to capital		373,711	F[4/]
Net profit unappropriated to capital		22,941	
Total owners of the company	465,449	465,449	
Non-controlling interest	5,648	5,648	
Qualified as Common Equity Tier 1	-	1,531	L
Qualified as Additional Tier 1	-	1,470	Q
Qualified as Tier 2 capital	-	682	S
Non-qualified as capital	-	1,965	
Total shareholders' equity	**471,097**	**471,097**	
Total liabilities and shareholders' equity	**3,440,397**	**3,440,471**	

1/ Balance sheet per the published financial statements refers to audited consolidated financial statements submitted to the Stock Exchange of Thailand.

2/ Balance sheet under the regulatory scope of consolidation refers to consolidated financial statements 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/ Second-half net profit after appropriation based on shareholders' resolutions or first-half net profit after appropriate based on the Bank's rules.

Table 5 (Cont.)

Unit: Baht million

Capital related items as of 30 June 2023	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	373,711	**F**
Other comprehensive income		
Revaluation surplus on land and building appraisal	20,223	**G**
Gain (loss) on investments designated at FVTOCI	748	**H**
Gain (loss) from converting foreign currency operation to the Bank	(790)	**I**
Gain (loss) from fair valued cash flow hedge reserve	(90)	**J**
Others owner changes items	(607)	**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	1,531	**L**
Total CET1 capital before regulatory adjustments and deduction	442,818	
Regulatory adjustments on CET1	-	
Regulatory deductions on CET1		
Goodwill	1,270	**M**
Other intangible assets	18,833	**N**
Deferred tax assets	4,923	**O - P**
Others	45	
Total regulatory deduction on CET1	25,071	
Total CET1 capital	**417,747**	
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	1,470	**Q**
Total Additional Tier 1	**1,470**	
Total Tier 1 capital	**419,217**	
Tier 2 capital		
General provision	25,813	**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	682	**S**
Total Tier 2 capital before regulatory adjustments and deduction	26,494	
Regulatory adjustment and deduction on Tier 2 capital	-	
Total Tier 2 capital	**26,494**	
Total regulatory capital	**445,711**	

Table 6: Capital Position During Transitional Period

Unit: Baht million

	Bank-only		Consolidated	
	Capital amount as of 30 June 2023	Net value of items with transitional phase subject to Basel III	Capital amount as of 30 June 2023	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	309,132		373,711	
Other comprehensive income				
Revaluation surplus on land and buidling appraisal	18,920		20,223	
Gain (loss) on investments designated at FVTOCI	748		748	
Gain (loss) from converting foreign currency operation to the Bank	(1,520)		(790)	
Gain (loss) from fair valued cash flow hedge reserve	(90)		(90)	
Others owner changes items	-		(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	-		1,531	
CET1 capital before regulatory adjustments and deduction	379,306	-	442,818	-
Regulatory adjustments on CET1	-		-	
Regulatory deduction on CET1				
Goodwill	(1,270)		(1,270)	
Other intangible assets	(14,012)		(18,833)	
Deferred tax assets	(2,861)		(4,923)	
Others	-		(45)	
Total regulatory deduction on CET1	(18,143)	-	(25,071)	-
Total CET1 capital	**361,163**	**-**	**417,747**	**-**
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	-		1,470	
Total Additional Tier 1	**-**	**-**	**1,470**	**-**
Total Tier 1 capital	**361,163**	**-**	**419,217**	**-**
Tier 2 capital				
Proceeds from issuing subordinated debt	-	-	-	-
General provision	24,285		25,813	
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	-		682	
Tier 2 capital before regulatory adjustments and deduction	24,285	-	26,494	-
Regulatory adjustments and deduction on Tier 2 capital	-		-	
Total Tier 2 capital	**24,285**	**-**	**26,494**	**-**
Total regulatory capital	**385,447**	**-**	**445,711**	**-**

5. LIQUIDITY COVERAGE RATIO (LCR)

The 2008 financial crisis demonstrated that inadequate liquidity could inflict tremendous damages to financial and real sectors. In response, the Basel Committee on Banking Supervision (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, LCR standards in line with the BCBS's guidelines have been imposed by the BOT since January 1, 2016.

The objective of this LCR requirement is to ensure that commercial banks and financial groups maintain adequate amount of unencumbered High-Quality Liquid Assets (HQLA) to meet their liquidity needs, specifically to cover total net cash outflows for 30 calendar days in a 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** generally include cash, central bank reserves, and certain marketable securities 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 securities, and corporate bonds. Level 2 assets are subject to a range of haircuts as specified by the BOT. For a given commercial bank, Level 2 assets and Level 2B assets may not exceed 40% and 15% respectively of the 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 currencies within each asset class.

II. Total net cash outflows

Total net cash outflows are defined as total expected cash outflows less total expected cash inflows in a specified stress scenario for the subsequent 30 calendar days. 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. Specifically, the Bank's average LCR, HQLA, and total net cash outflows for the 2^{nd} quarter of 2023 are simple averages of month-end LCR, HQLA, and total net cash outflows in April, May and June 2023 (3 months).

Liquidity Coverage Ratio (LCR)

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 2^{nd} quarter of 2023 was 205%. This level exceeded both the Bank's 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 2^{nd} quarter of 2023 was Baht 792,121 million, of which 98.0% were level 1 assets mainly consisting of government and BOT bonds/bills. It is the Bank's policy to hold high quality liquid assets as cushion against severe liquidity stress scenarios. These assets must be unencumbered by legal, regulatory, or operational restrictions and highly convertible into cash during a crisis.

Total net cash outflows (Net COF)

The average net cash outflows over the next 30 days for the 2^{nd} quarter of 2023 was Baht 387,195 million. Most of the estimated cash outflows were from withdrawal of retail and wholesale deposits using the BOT's run-off rates while most of the estimated cash inflows were from repayment of normal loans using the BOT's inflow rates.

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. Specifically, the Bank uses cash flows report or liquidity gap report to monitor and control its 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 will be able to meet its liquidity needs on a timely basis.

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 the event of crisis.

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 June 2023, the Bank's liquid assets represented 31.2% of total deposits.

Table 7: Liquidity Coverage Ratio (LCR)

Unit: Baht million

Bank-only	**Q2/2023 (Average)**[1/]	**Q2/2022 (Average)**[1/]
(1) Total HQLA	792,121	852,163
(2) Total net cash outflows	387,195	405,966
(3) LCR (%)[2/]	**205**	**210**
Minimum requirement by the BOT (%)	*100*	*100*

Table 8: LCR data for comparison [3/]

Unit: Percentage

Bank-only	**2023 (Average)**[1/]	**2022 (Average)**[1/]
1st Quarter	228	203
2nd Quarter	205	210

1/ Calculation is based on a simple average using month-end data for each quarter. For example, Q2 data were based on simple averages of month-end data in April, May and June.

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

3/ The BOT requires that Q1 and Q2 LCR be disclosed in the first half of Pillar III report while Q3 and Q4 LCR be disclosed in the annual Pillar III report.

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 Co., Ltd.	Banking
Rutchayothin Asset Management Co., Ltd.	Asset management
Siam Commercial Bank Myanmar	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
AISCB Co., Ltd.	Digital lending
SCB Tech X Co., Ltd.	Specialized technology services provider
Purple Ventures Co., Ltd.	Lifestyle Super App platform
SCB Data X Co., Ltd.	Data analytics as a service

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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