



Management Discussion and Analysis

For the second quarter and first half ended June 30, 2023

SCB X Public Company Limited

9 Ratchadapisek Road, Jatujak, Bangkok 10900 THAILAND

Website: www.scbx.com

Investor Relations Email: ir@scbx.com

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1. Executive Summary

SCB X Public Company Limited (SCBX) reported consolidated net profit of Baht 11.9 billion for the second quarter of 2023, up 18.1% yoy, from strong top-line growth, effective cost control and prudent risk management. For the first half of 2023, net profit increased 13.8% yoy to Baht 22.9 billion.

For the second quarter, net interest income rose 18.1% yoy to Baht 30.8 billion from quality loan growth strategy and expansion in consumer finance business.

Fee and other income increased 0.8% yoy to Baht 11.1 billion, reflecting a rebound in transactional banking and loan-related fee. Investment and trading income also increased 50.5% yoy to Baht 2.4 billion from mark-to-market valuation on investment portfolios.

Operating expenses went up 6.8% yoy to Baht 17.0 billion while total revenue grew 14.5% yoy. As a result, the cost-to-income ratio for the second quarter at 38.4% showed a further decrease from the previous quarter.

In light of the fragile economic recovery and higher risk factors arising from both domestic and external headwinds, the Company proactively set aside provisions of Baht 12.1 billion, up 18.0% yoy, to strengthen operations of banking and unsecured consumer finance business. Therefore, the provisioning raised the non-performing loan (NPL) coverage ratio for the quarter to 170.6%.

The overall loan quality remained under control at the end of June 2023 as the NPL ratio stood at 3.25%, down marginally from 3.32% at the end of March 2023. The capital adequacy ratio remained strong at 18.7%.

2. Thailand's Economic Outlook

The SCB EIC maintains its economic growth projection for Thailand in 2023 at 3.9%, primarily driven by the robust recovery of the tourism and service sectors. Foreign tourist arrivals in 2023 are anticipated to reach 30 million and are expected to return to pre-COVID-19 levels by 2024, which should underpin a sustained labor market and a recovery in consumption. On the export front, the outlook appears somewhat subdued, with export values of goods projected to expand modestly by 0.5%, reflecting a global economic slowdown and downside risks from a decelerating Chinese economy. **As for headline inflation, it is projected to stand at 2.1%**, returning within the target range, partly influenced by elevated base effects and lower energy prices. Nevertheless, **core inflation is expected to moderate at a slower pace of 1.7%**, given the ongoing cost pass-through from producers to consumer prices as the Thai economy strengthens and inflationary pressures from rising demand become more pronounced.

The global economy in 2023 is expected to grow at a slower rate of 2.1% compared to 3.0% the previous year. In the second half of this year, the economy will tend to expand at a slower rate because of credit and financial conditions that continue to tighten due to the cumulative effects of interest rate hikes, weak manufacturing activities, sluggish demand, fading support from the service sector, the weak momentum of Chinese economic recovery, as well as uncertain and prolonged geopolitical tensions. However, a tight labor market and strong wage growth will support consumption and economic activities and help keep the global economy from falling into recession.

Global headline inflation tends to slow down continuously with falling commodity prices. This helps reduce pressure on costs and purchasing power. **Core inflation is likely to slow down** due to higher wages and a tight labor market. As a result, the central banks of major economies are likely to extend their interest rate hikes into the third and fourth quarters of this year. The major central banks will keep interest rates high throughout the year so that the effect of interest is passed on to the economy. The Federal Reserve (Fed) raised interest rates to 5.25-5.5% in late July, while the European Central Bank (ECB) and the Bank of England (BOE) will continue to raise interest rates. The ECB is likely to raise interest rates one more time in September to a terminal rate of 4%. The BOE is likely to extend the hike until the fourth quarter to 6%, the highest among advanced economies.

Notwithstanding, the Thai economy is poised to confront significant downside risks in the latter half of 2023. These include: (1) A deceleration in the global economy, which will directly impinge upon Thailand's merchandise export sector. (2) The El Nino phenomenon that may confront the low-to-high impacts in 2H23 and its damage to the agricultural sector may cause around Baht 40 billion. (3) Elevated household and informal debt, which are exerting pressure on private sector consumption.

Furthermore, political uncertainty remains a salient risk for the Thai economy. Clarity of new government formation remains elusive, resulting in the extended absence of a fully empowered Prime Minister and cabinet. This situation will also hamper budget disbursement capabilities. While the impact has been somewhat contained since the budget expenditure for the fiscal year 2024 has been initially disbursed under the framework of the 2023 Budget Act. A delay in government formation and the

enactment of the 2024 Budget Act beyond 3-4 months could exacerbate the adverse effects, especially for large investment projects. Apart from this, uncertainties also linger over the leading party and the coalition parties, including the stability of the new government. Political uncertainty could impact both the economy and business sentiment.

SCB expects the policy rate to hike toward 2.5% in the third quarter of this year, following an upbeat Thai economic outlook and upside risks from higher cost pass-through and demand-pull inflationary pressures ahead. The interest rate hikes have resulted in higher funding costs in the credit market and the short-term bond market, which will impact capital raising, the ability to repay debt, and credit quality. As for the Thai Baht, the duration of the government formation will be one of the main factors determining the direction of the Baht in the short term. By the end of 2023, it's expected that the Baht will strengthen to around Baht 32.80-33.80 per US dollar.

3. Management Discussion and Analysis

For the second quarter and first half ended June 30, 2023

Thai economy continued to recover well in the second quarter of 2023 supported by a pick-up in private consumption and a continued rebound in tourism activities, amid widening uneven recovery. Continued high household debt and limited household income growth amid sluggish export outlook will also add pressure on economic recovery.

As the path of domestic economic recovery remains uncertain and contingent on various factors that continue to exert pressure on the economy for the remaining of the year, SCBX continues to be stringent and adopts prudent approach to ensure overall asset quality and cost efficiency, while fine tuning growth plan for optimum risk-reward. Our commitment to improve capital efficiency is unchanged.

For the second quarter of 2023, SCB Bank continued to be the core pillar of the Group. Its stellar performance was driven by strong NIM, excellent cost control, and solid fee income. Overall asset quality of SCB Bank was within expectation though we topped up our provision as a precaution for renewed future uncertainty. As for Gen 2 business, while overall growth remains healthy, we suffered a setback from CardX's near-term operational issues and deteriorating asset quality of personal loan portfolio, leading to a spike in credit cost. The rest of Gen 2 companies remained robust with most notably AutoX showing potential to reach breakeven as soon as this year. Gen 3 staged a comeback for the quarter with a strong qoq rebound in investment gains at SCB 10X.

Overall earnings growth for the Group was robust and ROE for the quarter for the first time since COVID reached a double digit-mark at 10.1%. We are confident that we will be able to manage future uncertainty from the position of strength to maximize shareholders' return.

2Q23 operating performance: Robust NII and cost control outpaced ECL rise

SCBX reported consolidated net profit of Baht 11.9 billion in the second quarter of 2023, up 18.1% yoy, largely due to an increase in net interest income (NII) from NIM expansion. Fee and investment income moderately increased yoy thanks to higher fees from transactional banking and lending related business which offset weak wealth management and bancassurance fees. Despite lower bancassurance fees due to the expiration of performance-linked bonus, organic growth in bancassurance business remained robust and satisfactory. In this quarter, SCB Bank and FWD extended long-term exclusive bancassurance partnership for a further two years. This collaboration has played a pivotal role in propelling SCB's bancassurance business to rank number one in the market.

The Group is committed to manage cost stringently where cost-to-income ratio continued to improve to 38.4% in 2Q23. Along with cost control as we navigate through the uncertainties of the current economic landscape, we recognize the rising concern over the domestic economic recovery. We undertook a prudent approach and set aside significantly higher expected credit losses (ECL) to Baht 12.1 billion or 201 bps of total loans. Despite setting higher provisions, we maintained overall asset quality and non-performing loans (NPLs) at a healthy level with NPL ratio declined to 3.25% (from

3.32% in 1Q23) and coverage ratio improved to 170.6% (from 163.8% in 1Q23), underscoring our commitment to prudent risk management.

The Group's loan growth for the quarter was moderate at 2.7% yoy as the Bank adopts loan optimization strategy. The Group's 2Q23 loan growth was driven mainly by SCB Bank's housing loans and portfolio companies' digital loans and auto title loans.

SCBX update

SCBX achieved remarkable success with its debut debenture offering worth a total of Baht 50 billion. Issued in 6 series, the debentures were offered to individuals, high-net worth, and institutional investors. The public offering (PO) of Baht 25 billion for retail investors offered solely through SCB Easy App marked Thailand's largest ever PO offering digitally. The success reflected the public's confidence in SCBX Group's potential amid global economic volatility. The proceeds from debenture will be utilized according to our strategic plan to drive growth and increase long-term value of the Group.

In this quarter, SCBX Group marked another important milestone towards a leading regional technology group whereby SCBX teamed up with KakaoBank, South Korea's largest full-fledged digital bank, to pursue the Virtual Banking License in Thailand. The joint venture has an aim to provide best-in-class services to underserved populations in Thailand. SCBX believes the strategic partnership with KakaoBank will significantly enhance our Group's competitive advantage and serve Thailand's mission for financial inclusion.

SCBX's capital ratio remained robust at 18.7%, well above the minimum regulatory requirement and sufficient for unforeseen adverse shocks as well as the pursuit of growth opportunities. With solid capital position, SCBX will further optimize capital efficiency to unlock value to shareholders.

Portfolio companies update

- **Gen 1 business update**

SCB Bank

In the second quarter of 2023, the Bank reported strong operating performance driven by strong NII growth yoy. Net fee income is stable yoy, as transactional and lending related fees offsetting weak wealth management business. The Bank strictly maintained cost discipline, resulting in cost income ratio at 36.5%. The Bank's asset quality was well with NPL improved qoq to 3.1% and strong NPL coverage ratio at 164.7%, amid higher credit cost set aside as additional precautionary buffer against future uncertainty.

At the end of June 2023, loans under the CDR program (blue scheme only) remained stable at 11% of total loans with early signs of recovery in the hospitality industry which accounted for more than one third of the program. To further mitigate risks associated with the weakening economic outlook, the Bank is closely monitoring certain retail customer subsegments within CDR program and have implemented robust risk management measures to timely identify early warning signs for retail portfolio that might still be at risk.

- **Gen 2 business update**

CardX

Since the completion of business transfer in Jan 2023, CardX has built up operational capability through technology adoption to strengthen underwriting, risk management and collection process. Two critical factors weighed down on 2Q23 performance for the company. First, the company implemented customer data migration for personal loan portfolio to a new system in 2Q23. Given the sheer volume of data, we experienced operational issues that prevented us from being able to utilize new capability within planned timeline. The incident led to a delay in collection efficiency improvement for the quarter which in turn resulted in higher-than-expected provision requirement. We have since taken serious steps to stabilize the situation and considered this a one-time event.

Second, worsening macro environment on the back of persistently high household debts has led to deteriorating sign of asset quality for personal loan portfolio, while credit card portfolio has been relatively more stable. As a result, CardX set aside higher expected credit losses in 2Q23 as a result of legacy NPL write-offs, and to preempt asset quality worsening. CardX has also tightened the underwriting standards and maintains a cautious approach for new personal loan applications. The main focus for the remaining of the year will be on efficiency improvement and stabilizing asset quality.

AutoX

AutoX business has continued to grow well, amid a watchful consideration from the management against macro backdrop. With operational efficiency and stringent cost control, AutoX is on track to be net profit breakeven within 2023, one year earlier than expected. Loan was at Baht 18.2 billion at the end of the second quarter, with growth of 46.5% qoq. AutoX's yield remains satisfactory at 20.2%, flat qoq, showing the ability to maintain its unique market position. At the end of the second quarter, AutoX had 1,800 outlets, +322 outlets from 1Q23, and on track to reach 2,000 outlets target at the end of 2023.

- **Gen 3 business update**

Purple Ventures

Purple Ventures' strategy is to reduce subsidies and improve revenue stream at Robinhood's food delivery unit. In 1H23, Purple Ventures reduced per-order subsidies by 30% from the previous year and expected another 33% cut in 2H23, while the number of daily orders remained unchanged at 100,000.

For 2H23, Robinhood is launching a ride hailing service, available on the same platform as food-delivery app Robinhood. The service will be offered in greater Bangkok and is expected to expand to other areas. Robinhood starts the service with 4,500 registered vehicles and plans for a fleet of over 10,000 registered vehicles within this year, with a daily average of 12,000 transactions expected. Robinhood aims to meet diverse needs of customers and create unique customer experiences in various features such as route sharing, driver silent mode and call centers. Robinhood ride will offer eight types of

vehicles, including electric vehicles, sport utility vehicles, and cars with women drivers to cater to female passengers seeking "enhanced peace of mind."

Robinhood Ride has 6 distinct features from its competitors:

1. Fair price with cheaper starting fares
2. Good service-minded drivers
3. Collects only 20% GP margin while competitors collect 25-30%.
4. No top up credit required for drivers before accepting a job. 100% Cashless service
5. Insurance coverage during 22.00 - 04.00 hrs.,
6. 24-hour high touch, human call centers.

Robinhood also plans to offer nanofinance loan in 2H23 and expects to grow new loans by Baht 100 million this year under nanofinance license from the Bank of Thailand. Robinhood riders are the key target segment, aiming to give a credit line per borrower of around Baht 5,000. Robinhood plans to also offer the digital loan service to merchants who are on the Robinhood platform.

At the end of June 2023, Robinhood had over 3.8 million registered users.

Token X

Token X, a provider of digital token offering services (ICO Portal) under the SCBX group, has received a license from the SEC to offer digital assets such as cryptocurrencies and digital tokens which will drive the digital token ecosystem. Token X is planning to launch RealX Investment Token (RealX), the first investment digital token in Thailand with units of Park Origin Prompong, Phayathai and Thonglor condominiums as underlying assets. The offering size is between Baht 2.4-3.5 billion, with offering price of Baht 182 per 1 token (1 token equivalent to approximately 1 square inch of space), with guaranteed return at 4-5% per year for the first 5 years. In the 6th-10th year, investors will receive returns from the sale of condos as well as rental income.

SCB 10X

SCB 10X is our flagship investment arm in technology arena. In the second quarter of 2023, SCB 10X made a new investment in VISAI (<https://visai.ai/>) in Pre-Series A funding. VISAI is a Thai start-up that provides comprehensive AI solutions for businesses, AI consultation services and AI Training programs which provide knowledge on how to use AI through real-data exercises to enable learners to apply their knowledge and increase work efficiency. This investment and collaboration will allow SCB 10X to access high-quality AI models more easily. At the end of June 2023, SCB 10X had USD 503 million in AUM.

SCBX Performance in 2Q23 (consolidated)

SCBX reported (reviewed) consolidated **net profit** of Baht 11,868 million for 2Q23, an 18.1% yoy increase from Baht 10,051 million in 2Q22. The increase was attributable mainly to a robust growth in net interest income (NII) and higher investment and trading income from portfolio companies despite higher expected credit losses and an increase in operating expenses (OPEX).

On a **quarter-on-quarter** basis, the net profit increased 7.9% due mainly to higher NII, higher investment and trading income which were partly offset by higher expected credit losses.

For the **first half of 2023**, net profit stood at Baht 22,864 million, a 13.8% yoy increase from Baht 20,095 million in 1H22 mainly due to higher NII despite higher expected credit losses and higher OPEX.

Table 1. Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	2Q23	% qoq	% yoy	1H23	% yoy
Net interest income	30,791	6.4%	18.1%	59,734	17.6%
Fee and others	11,119	2.7%	0.8%	21,950	-3.0%
Investment and trading income	2,406	113.5%	50.5%	3,532	19.2%
Total operating income	44,316	8.4%	14.5%	85,216	11.5%
Operating expenses	17,016	1.5%	6.8%	33,773	5.3%
Pre-provision operating profit	27,300	13.1%	19.9%	51,443	16.0%
Expected credit loss	12,098	21.9%	18.0%	22,025	15.9%
Income tax	3,289	4.5%	22.7%	6,436	16.1%
Non-controlling interests	46	-37.3%	NM	118	NM
Net profit (attributable to shareholders of the Company)	11,868	7.9%	18.1%	22,864	13.8%
Other comprehensive income (loss)	(316)	NM	NM	(341)	NM
Total comprehensive income	11,552	5.3%	22.1%	22,523	17.2%
ROAE	10.1%			9.9%	
ROAA	1.4%			1.3%	

NM denotes "not meaningful"

Income statement for the second quarter and first half ended June 30, 2023**(Consolidated basis)****Table 2. Net interest income**

Consolidated Unit: Baht million	2Q23	% qoq	% yoy	1H23	% yoy
Interest income	39,519	6.5%	29.3%	76,612	28.6%
Loans	32,698	6.6%	26.2%	63,371	25.2%
Interbank and money market	2,373	18.7%	209.2%	4,372	183.3%
Hire purchase	2,562	-1.5%	-12.2%	5,163	-11.2%
Investments	1,826	2.2%	92.9%	3,613	128.6%
Others	60	89.2%	149.2%	93	200.0%
Interest expenses	8,728	7.1%	94.5%	16,878	92.6%
Deposits	3,504	14.3%	51.0%	6,571	42.1%
Interbank and money market	1,357	10.8%	435.4%	2,581	414.6%
Borrowings	827	0.4%	127.0%	1,650	175.6%
Contribution to the Deposit Protection Agency & FIDF	2,959	0.7%	93.4%	5,899	95.5%
Others	81	-16.0%	327.8%	177	691.1%
Net interest income	30,791	6.4%	18.1%	59,734	17.6%

- **Net interest income** in 2Q23 increased 18.1% yoy to Baht 30,791 million, driven by NIM expansion by 53 bps and loan growth of 2.7% yoy.
- On a **quarter-on-quarter** basis, net interest income increased by 6.4% mainly from widened NIM (+24 bps qoq) coupled with loan growth of 1.0% qoq.
- In the **first half of 2023**, net interest income increased 17.6% yoy to Baht 59,734 million largely due to widened NIM (+45 bps) as well as loan growth of 2.7% yoy.

Table 3. Yield and cost of funding

Consolidated Unit: Percentage	2Q23	1Q23	4Q22	3Q22	2Q22
Net interest margin	3.70%	3.46%	3.54%	3.38%	3.17%
Yield on earning assets	4.75%	4.44%	4.21%	3.96%	3.71%
Yield on loans	5.85%	5.57%	5.34%	5.11%	4.92%
Yield on interbank and money market	1.89%	1.54%	1.22%	0.71%	0.53%
Yield on investment	1.75%	1.64%	1.60%	1.42%	1.02%
Cost of funds ^{1/}	1.26%	1.17%	0.80%	0.70%	0.65%
Cost of deposits ^{2/}	1.03%	0.94%	0.65%	0.61%	0.61%

Note Profitability ratios use the average beginning and ending balances as the denominator.

^{1/} Cost of funds = Interest expenses (including contributions to DPA & FIDF) / Average interest-bearing liabilities.

^{2/} Cost of deposits includes contributions to the Deposit Protection Agency and FIDF fees.

In 2Q23, NIM expanded by 53 bps yoy to 3.70% largely due to an increase in interbank yield (+136 bps), loan yield (+93 bps) and investment yield (+73 bps) despite an increase in funding cost (+61 bps). The higher yields resulted from 6 policy rate hikes and the Bank's upward revisions of lending rates since 2H22; a larger volume of high-yield loans; and pricing discipline on new bookings. The cost of funds increased mainly because of a 23 bps rise in FIDF fee as well as higher cost of deposits.

On a quarter-on-quarter basis, NIM increased by 24 bps due to higher yields on interbank, loans and investment following rate hikes in 2Q23 which was partly offset by higher cost of funds (+9 bps). For a detailed breakdown of loan yields by segment/product, please refer to Additional Financial Information on page 20.

Table 4. Fee and others

Consolidated					
Unit: Baht million					
	2Q23	% qoq	% yoy	1H23	% yoy
Transactional banking *	3,388	14.7%	27.6%	6,340	22.9%
Lending related **	1,575	-14.8%	20.5%	3,423	29.2%
Wealth management ***	1,684	-9.0%	-4.8%	3,534	-15.2%
Bancassurance/Insurance	3,120	-8.9%	-18.4%	6,544	-13.8%
Others	1,353	79.2%	-8.5%	2,109	-31.0%
Fee and others	11,119	2.7%	0.8%	21,950	-3.0%

* Including transactional fees, trades, and FX income

** Including loan-related and credit card fees

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

- Fee and others increased 0.8% yoy to Baht 11,119 million in 2Q23 due mainly to higher transactional fees and lending related fees. The expiration of performance-linked compensation for bancassurance in 2022 was the cause of the declining bancassurance fees yoy, if excluding performance-linked compensation, bancassurance fees grew strongly yoy.
- On a **quarter-on-quarter** basis, fee and others increased 2.7% qoq due to gains on the sale of unsecured loans of the portfolio company and higher transactional fees which was partly offset by lower bancassurance fee, lending related fees and wealth management business amid unfavorable markets.
- In the **first half of 2023**, fee and others decreased 3.0% yoy to Baht 21,950 million. This decrease was largely due to lower fees from wealth management and bancassurance fees.

Table 5. Investment and trading income

Consolidated					
Unit: Baht million					
	2Q23	% qoq	% yoy	1H23	% yoy
Investment and trading income	2,406	113.5%	50.5%	3,532	19.2%

NM denotes "not meaningful"

- **Investment and trading income** increased 50.5% yoy to Baht 2,406 million in 2Q23 largely due to higher mark-to-market gains from the investment portfolio of SCB 10X.
- On a **quarter-on-quarter** basis, investment and trading income increased qoq due to higher investment gain as mentioned above.
- In the **first half of 2023**, investment and trading income increased 19.2% yoy to Baht 3,532 million largely due to higher gain from the investment portfolio.

Table 6. Operating expenses

Consolidated					
Unit: Baht million					
	2Q23	% qoq	% yoy	1H23	% yoy
Employee expenses	8,449	0.1%	15.8%	16,892	13.4%
Premises and equipment expenses	3,037	26.4%	9.3%	5,439	-1.3%
Taxes and duties	1,261	-2.4%	28.6%	2,552	33.8%
Directors' remuneration	26	-17.3%	-67.2%	57	-48.0%
Other expenses	4,244	-7.5%	-11.7%	8,833	-8.5%
Total operating expenses	17,016	1.5%	6.8%	33,773	5.3%
Cost to income ratio	38.4%			39.6%	

- **Operating expenses** increased 6.8% yoy to Baht 17,016 million in 2Q23 largely due to an increase in staff cost from higher number of staffs of portfolio companies to support business growth and annual salary adjustments, higher taxes and duties and higher premises and equipment from outlet expansion of portfolio company.
- On a **quarter-on-quarter** basis, operating expenses increased slightly by 1.5% largely due to the higher premises and equipment as mentioned above
- In the **first half of 2023**, operating expenses rose 5.3% yoy to Baht 33,773 million largely due to higher staff cost as mentioned above.

In 2Q23, cost-to-income ratio improved qoq and yoy to 38.4%, from 41.0% in 1Q23 and 41.2% in 2Q22 mainly because revenue growth exceeded expense growth as well as effective cost control. The Company's cost discipline will continue to be a key focus.

Table 7. Expected credit loss (ECL)

Consolidated Unit: Baht million	2Q23	% qoq	% yoy	1H23	% yoy
Expected credit loss	12,098	21.9%	18.0%	22,025	15.9%
Credit cost (bps)	201			184	

- In 2Q23, **expected credit losses** increased to Baht 12,098 million (201 bps of total loans) to preemptively provide as a cushion for overall uneven economic recovery and higher expected credit losses of the portfolio companies as prudent approach to possible deterioration in asset quality. The amount not only reflected the pro-cyclicality of forward-looking Expected Credit Loss (ECL) models under the TFRS 9 framework, but also included management overlays set accordingly to current economic uncertainties.

Balance sheet as of June 30, 2023 (Consolidated basis)

As of June 30, 2023, the Company's total assets rose 1.2% yoy to Baht 3,440 billion from loan growth of 2.7% yoy and higher investments which were partly offset by a decline in interbank and money market. Details on the consolidated balance sheet are provided in the following sections:

Table 8. Loans by segment

Consolidated Unit: Baht million	Jun 30, 23	Mar 31, 23	% qoq	Dec 31, 22	% ytd	Jun 30, 22	% yoy
Corporate	855,382	852,635	0.3%	857,736	-0.3%	874,951	-2.2%
SME	420,312	416,180	1.0%	407,355	3.2%	414,328	1.4%
Retail	992,735	987,146	0.6%	975,946	1.7%	954,102	4.0%
Housing loans*	749,199	739,986	1.2%	729,555	2.7%	707,145	5.9%
Auto loans	180,904	184,984	-2.2%	188,765	-4.2%	202,183	-10.5%
Unsecured loans	42,230	43,873	-3.7%	45,026	-6.2%	35,582	18.7%
Other loans	20,402	18,303	11.5%	12,599	61.9%	9,191	122.0%
Loans under subsidiaries	154,519	143,262	7.9%	136,178	13.5%	116,655	32.5%
CardX **	117,471	115,173	2.0%	114,044	3.0%	106,170	10.6%
AutoX	18,161	12,399	46.5%	7,495	142.3%	61	NM
Other subsidiaries	18,887	15,690	20.4%	14,639	29.0%	10,424	81.2%
Total loans ***	2,422,949	2,399,222	1.0%	2,377,215	1.9%	2,360,037	2.7%

* Including all home mortgage loans, some of which are from segments

** Data as of March 2022 was restated to furnish comparative information.

*** Total loan excluded unamortized modification loss

NM denotes "not meaningful"

Total loans increased 2.7% yoy, 1.0% qoq and 1.9% ytd at the end of June 2023. Changes in loan volume by customer segment are as follows:

- **Corporate** loans decreased by 2.2% yoy and 0.3% ytd but increased slightly 0.3% qoq. The yoy and ytd decrease was largely from corporate loan repayment.

- **SME** loans grew 1.4% yoy, 1.0% qoq and 3.2% ytd. The increase was from targeted lending to existing high-quality small SME and SME customers.
- **Retail** loans increased 4.0% yoy, 0.6% qoq and 1.7% ytd. Below are details of changes in loan volume by sub-segment.
 - **Housing loans** increased 5.9% yoy, 1.2% qoq and 2.7% ytd given continued demand in high-end housing developments.
 - **Auto loans** fell 10.5% yoy, 2.2% qoq and 4.2% ytd largely from loan repayments of new cars and used cars.
 - **Unsecured loans** of the Bank (personal loans and credit card receivables) increased 18.7% yoy but fell 3.7% qoq and 6.2% ytd. The qoq and ytd decrease was mainly from personal loans amid domestic economy deterioration.
- **Loans under subsidiaries**, including loans extended by CardX, AutoX, MONIX, Abacus digital and InnovestX increased significantly by 32.5% yoy, 7.9% qoq and 13.5% ytd to Baht 154,519 million.
 - **CardX loans** (personal loans and credit card receivables) increased 10.6% yoy, 2.0% qoq and 3.0% ytd to Baht 117,471 million at the end of June 2023.
 - **AutoX loans** increased significantly by 46.5% qoq and 142.3% ytd to Baht 18,161 million from the strong performance from both outlet and agency channels.

Table 9. Deposits breakdown

Consolidated							
Unit: Baht million							
	Jun 30, 23	Mar 31, 23	% qoq	Dec 31, 22	% ytd	Jun 30, 22	% yoy
Demand	137,459	128,799	6.7%	122,346	12.4%	111,361	23.4%
Savings	1,887,565	1,936,920	-2.5%	1,984,751	-4.9%	1,916,304	-1.5%
Fixed	443,135	444,539	-0.3%	448,703	-1.2%	495,650	-10.6%
Less than 6 months	87,751	93,604	-6.3%	95,626	-8.2%	102,241	-14.2%
6 months and up to 1 year	123,636	132,825	-6.9%	140,843	-12.2%	160,836	-23.1%
Over 1 year	231,748	218,110	6.3%	212,234	9.2%	232,573	-0.4%
Total deposits	2,468,159	2,510,258	-1.7%	2,555,800	-3.4%	2,523,316	-2.2%
CASA - Current & Savings Accounts (%)	82.0%	82.3%		82.4%		80.4%	
Gross loans to deposits ratio (Bank only)	92.5%	90.7%		89.5%		93.2%	
Liquidity ratio (Bank-only)	31.2%	32.5%		34.6%		32.6%	

As of June 30, 2023, total **deposits** decreased 2.2% yoy, 1.7% qoq and 3.4% ytd. The decrease in deposits were mainly from saving deposits. As a result, CASA mix dropped to 82.0% at the end of June 2023 from 82.4% at the end of last year. Gross loans to deposits ratio (at a bank-only level) increased to 92.5% from 89.5% at the end of December 2022. We see deposit decrease as natural outflow due to rising policy rate as SCB Bank's deposit market share remains unchanged.

The Bank's daily liquidity ratio of 31.2%, as measured by total liquid assets to total deposits (at a bank-only level), was well above the 20% minimum threshold.

Table 10. Investment ClassificationConsolidated
Unit: Baht million

Investments	Jun 30, 23	Mar 31, 23	% qoq	Dec 31, 22	% ytd	Jun 30, 22	% yoy
Financial assets measured at FVTPL	70,565	67,637	4.3%	62,326	13.2%	64,937	8.7%
Investments in debt securities measured at amortised cost	209,960	211,363	-0.7%	211,019	-0.5%	109,340	92.0%
Investments in debt securities measured at FVOCI	135,826	135,563	0.2%	178,016	-23.7%	188,009	-27.8%
Investments in equity securities measured at FVOCI	1,726	1,695	1.8%	1,636	5.5%	1,625	6.2%
Net investment *	347,512	348,621	-0.3%	390,671	-11.0%	298,974	16.2%
Investment in associates	1,511	1,428	5.8%	1,206	25.3%	749	101.7%
Total	419,588	417,686	0.5%	454,203	-7.6%	364,660	15.1%

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

Investments at the end of June 2023 increased 15.1% yoy and 0.5% qoq but fell 7.6% ytd. The yoy increase was mainly from higher government bonds measured at amortized cost. The ytd decrease was mainly from lower government bonds measured at FVOCI. SCBX ran down investment portfolio in government bonds amid the interest rate fluctuation.

Statutory Capital

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

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

Capital positions of SCBX Financial Group and the Bank at the end of June 2023 under the Basel III framework are shown in the below table.

Table 11. Total Regulatory Capital

Unit: Baht million, %	SCBX (Consolidated)			SCB Bank (Bank-only)		
	Jun 30, 23	Dec 31, 22	Jun 30, 22	Jun 30, 23	Dec 31, 22	Jun 30, 22
Statutory Capital						
Common Equity Tier 1	417,744	408,287	404,829	361,163	344,932	403,081
Tier 1 capital	419,214	409,359	405,793	361,163	344,932	403,081
Tier 2 capital	26,495	25,548	25,636	24,285	24,250	25,065
Total capital	445,709	434,907	431,429	385,447	369,182	428,146
Risk-weighted assets	2,387,127	2,306,339	2,311,276	2,217,275	2,220,000	2,282,813
Capital Adequacy Ratio	18.7%	18.9%	18.7%	17.4%	16.6%	18.8%
Common Equity Tier 1	17.5%	17.7%	17.5%	16.3%	15.5%	17.7%
Tier 1 capital	17.6%	17.8%	17.6%	16.3%	15.5%	17.7%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

Consolidated common equity Tier 1/Tier 1 capital of SCBX Financial Group increased yoy at the end of June 2023 mainly from appropriation of net profit which was partly offset by a dividend payment. On the Bank-only basis, common equity Tier 1/Tier 1 capital decreased yoy to 16.3% due mainly to a one-off dividend payment of Baht 61 billion from retained earnings of the Bank to shareholders and appropriation of net profit of the Bank which was partly offset by a dividend payment. The dividend payment from SCB Bank to SCBX for funding purposes is considered an intra-group transaction and thus will only affect the capital position of the Bank but not of SCBX.

Asset Quality

At the end of June 2023, **gross NPLs** (on a consolidated basis) decreased 9.3% yoy and 2.2% qoq to Baht 93.0 billion. **Gross NPL ratio** decreased yoy and qoq to 3.25%. The Bank's NPL improved qoq driven by effective NPL management through write off and NPL sales. However, NPL for Gen 2 increased qoq mainly from unsecured personal loan at CardX amid domestic economy deterioration.

At the end of June 2023, the Company's **coverage ratio** rose to 170.6%, up 17.3% yoy and 6.8% qoq largely from a decline in NPLs coupled with an increase of allowance for expected credit losses. Also, the Company's total loan loss reserve as a percentage of total loans (LLR %) remained strong at 6.3%.

Table 12. Asset quality

Unit: Baht million, %	Jun 30, 23	Mar 31, 23	Dec 31, 22	Jun 30, 22
SCBX (Consolidated)				
Non-Performing Loans (Gross NPLs)	93,028	95,153	95,329	102,538
Gross NPL ratio	3.25%	3.32%	3.34%	3.58%
Total allowance*	158,708	155,908	152,265	157,193
Total allowance to NPLs (Coverage ratio)	170.6%	163.8%	159.7%	153.3%
Credit cost (Quarterly, bps)	201	166	120	175
SCB Bank (Bank-only)				
Non-Performing Loans (Gross NPLs)	85,510	88,204	90,550	101,203
Gross NPL ratio	3.09%	3.16%	3.25%	3.54%

* Total allowance includes loans, interbank and loan commitments, and financial guarantee contracts.

Loan Classification and Allowance for Expected Credit Losses

Under TFRS 9, loans are classified into 3 stages based on changes in credit quality since initial recognition. Loans and allowance for expected credit losses at the end of June 2023, December 2022, and June 2022 were classified as follows:

Table 13. Loans and allowances for expected credit losses by stages

Consolidated Unit: Baht million	Jun 30, 23		Dec 31, 22		Jun 30, 22	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,579,514	47,325	2,584,089	45,792	2,614,767	57,885
Stage 2 (Underperforming)	193,831	51,971	178,753	48,646	147,739	39,143
Stage 3 (Non-performing)	93,028	59,412	95,329	57,827	102,538	60,165
Total	2,866,373	158,708	2,858,171	152,265	2,865,044	157,193

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

Sources and Uses of Funds

As of June 30, 2023, deposits accounted for 71.7% of SCB's funding base. Other major sources of funds were: 13.7% from shareholders' equity, 5.9% from interbank borrowings, and 3.2% from debt issuance. Uses of funds for this same period were: 70.4% for loans, 14.2% for interbank and money market lending, 12.2% for investments in securities, and 1.1% held in cash.

Segment Performance

1H23 Operational Performance

Unit: Baht billion	Total operating income	% portion	Cost income ratio	Credit cost	Net profit (loss)	% portion	Total loans
Gen 1 - Banking Services*	71.2	81%	37%	1.21%	24.8	99%	2,330
Gen 2 - Consumer & Digital Financial Services*	13.0	15%	36%	11.10%	0.4	1%	150
Gen 3 - Platforms & Digital Assets*	4.0	4%	94%	-	(0.0)	0%	3
Inter Transaction and others	(3.1)		-	-	(2.3)		(60)
Total	85.2		40%	1.84%	22.9		2,423

* Before deducting intercompany transactions

Gen 1 - Banking Services

1H23 Performance

- **Net interest income** in 1H23 increased significantly yoy to Baht 50.1 billion, driven by a NIM expansion (+41 bps) and selective loan growth of 4%.
- **Non-interest income** improved yoy to Baht 21.1 billion due to higher investment and trading income as well as higher lending related and transactional fees despite lower wealth management fees. Organic bancassurance fees grew strongly yoy mainly from solid sales force of the Bank and the Bank's subsidiary (SCB Protect) despite the expiration of performance-linked compensation for bancassurance in 2022.
- **Total operating income** stood at Baht 71.2 billion mainly driven by a robust both NII and non-NII.
- **OPEX** was well under control. The Bank's cost discipline will continue to be a key focus, resulting in a cost to income ratio of 37.0% in 1H23.

- **Loan** growth of 4% yoy was driven by housing loan, SME segment as well as loan to SCBX portfolio companies. The Bank continued its growth with quality strategy to optimize returns within its risk tolerance.
- **NPL** improved to 3.10% at the end of June 2023 from 3.27% at the end of 2022 which were driven by effective NPL management. At the end of June 2023, the Bank's coverage ratio remained high at 164.7%

Gen 2 – Consumer & Digital Financial Services

1H23 Performance

- Total operating income was Baht 13.0 billion which accounted for 15% of total Group operating income. Revenue from Gen 2 was mainly from NII largely from unsecured personal loans, auto title loans and digital loans.
- OPEX was well under control, as a result cost income ratio improved to 36%.
- With the nature of the unsecured lending business and auto title loans with high-risk high-return, Gen 2 unsecured personal loans face challenges from domestic economy deterioration resulted in significantly higher credit cost.
- Gen 2 companies reported net profit of Baht 0.4 billion in 1H23.
- Total loans for Gen 2 increased 31% yoy to Baht 149 billion mainly from AutoX, CardX and digital loans from MONIX and Abacus.
- NPLs increased qoq mainly from CardX amid worsening macro environment on the back of persistently high household debts.

Gen 3 – Platforms & Digital Assets

1H23 Performance

- Total operating income was Baht 4.0 billion, mostly contributed from fee income and investment income.
- Cost income ratio for Gen 3 remained at a high level. However, Gen 3 business is on process to increase revenue stream from new business ride hailing and reduce subsidy for food delivery order.
- In 1H23, Gen 3 companies reported a net loss of Baht 0.03 billion.

Credit Ratings

Credit Ratings of SCB X Public Company Limited	June 30, 2023
Moody's Investors Service	
Issuer Rating (Local and Foreign Currency)	Baa2
Outlook	Stable
Fitch Ratings	
Long Term Issuer Default Rating	BBB
Short Term Issuer Default Rating	F3
Outlook	Stable
Viability Rating	bbb
Government Support Rating	bbb-
Senior Unsecured (National Long-Term Rating)	AA+(tha)
Senior Unsecured (National Short-Term Rating)	F1+(tha)

Additional Financial Information

Consolidated Unit: Baht million, %	Jun 30, 23	Mar 31, 23	% qoq	Jun 30, 22	% yoy
Total loans	2,422,949	2,399,222	1.0%	2,360,037	2.7%
Add Accrued interest receivables and undue interest receivables	22,705	21,715	4.6%	16,433	38.2%
Total loans and accrued interest receivables and undue interest receivables	2,445,654	2,420,937	1.0%	2,376,470	2.9%
Less Unamortised modification losses	2,525	3,018	-16.4%	4,231	-40.3%
Less Allowance for expected credit loss	150,838	150,276	0.4%	151,615	-0.5%
Total loans and accrued interest receivables, net	2,292,291	2,267,643	1.1%	2,220,624	3.2%
Loans by Sector	2,422,949	2,399,222	1.0%	2,360,037	2.7%
Agricultural and mining	8,858	13,016	-31.9%	12,943	-31.6%
Manufacturing and commercial	661,302	664,106	-0.4%	676,279	-2.2%
Real estate and construction	178,515	172,552	3.5%	179,002	-0.3%
Utilities and services	430,394	420,186	2.4%	422,412	1.9%
Housing loans ^{1/}	606,864	601,019	1.0%	581,329	4.4%
Other loans	537,016	528,343	1.6%	488,072	10.0%
Debt issued and borrowings	110,019	73,246	50.2%	82,542	33.3%
Debentures	85,576	51,138	67.3%	67,026	27.7%
Structured notes	25,792	23,347	10.5%	15,563	65.7%
Others	26	41	-36.6%	78	-66.7%
Hedge accounting adjustment	(1,375)	(1,280)	NM	(125)	NM
	2Q23	1Q23	2Q22	1H23	1H22
Share Information					
EPS (Baht)	3.52	3.27	2.98	6.79	5.93
BVPS (Baht)	138.23	139.99	132.77	138.23	132.77
Closing price (Baht)	106.50	102.50	104.00	106.50	104.00
Shares outstanding (Million shares)	3,367	3,367	3,367	3,367	3,367
Market capitalization (Baht billion)	358.6	345.1	350.2	358.6	350.2
Yield on loans by segment					
Yield on loans	5.85%	5.57%	4.92%	5.71%	4.84%
Corporate	4.28%	3.95%	3.13%	4.10%	3.08%
SME	7.09%	6.85%	5.95%	6.99%	5.84%
Retail	5.19%	5.13%	4.99%	5.17%	4.93%
Housing loans	4.71%	4.64%	4.57%	4.68%	4.56%
Auto loans	5.58%	5.55%	5.65%	5.56%	5.50%
CardX ^{2/}	15.06%	14.60%	15.44%	14.79%	14.06%
AutoX ^{3/}	20.2%	20.2%	-	20.2%	-
Auto loans portfolio					
New car	59.9%	59.4%	58.5%	59.9%	58.5%
Used car	17.0%	18.3%	21.8%	17.0%	21.8%
My car, My cash	23.1%	22.3%	19.7%	23.1%	19.7%
Gross NPL ratio by segment/product					
Corporate	2.7%	2.8%	4.1%	2.7%	4.1%
SME	9.6%	10.2%	10.2%	9.6%	10.2%
Retail	2.3%	2.2%	2.3%	2.3%	2.3%
Housing loans	2.3%	2.3%	2.5%	2.3%	2.5%
Auto loans	2.3%	2.1%	1.7%	2.3%	1.7%
CardX ^{2/}	5.2%	4.9%	2.0%	5.2%	2.0%
AutoX	0.7%	0.5%	-	0.7%	-
New NPLs by segment and by product (Bank-only)					
Total loans	0.52%	0.43%	0.39%	0.95%	0.81%
Corporate	0.09%	0.01%	0.01%	0.10%	0.01%
SME	0.73%	0.55%	0.41%	1.28%	0.74%
Housing loans	0.65%	0.60%	0.42%	1.24%	0.85%
Auto loans	2.24%	2.06%	1.54%	4.35%	3.00%
New NPLs (Baht billion)	14.0	11.7	11.1	25.7	23.2
NPL reduction methodology					
NPL sales (Baht billion)	3.6	2.2	0.5	5.8	3.0
Write off (Baht billion)	7.4	4.6	5.7	12.0	12.1

^{1/} Classified by sector/product and excludes retail loans where customers use their home as collateral. (These loans are classified under "Other loans" in accordance with regulatory guidelines). Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of June 30, 2023, March 31, 2023, and March June 30, 2022, was Baht 749 billion, Baht 740 billion, and Baht 707 billion, respectively.

^{2/} Data for 2Q22 and 1H22 were restated to furnish comparative information.

^{3/} Calculated based on daily average data
NM denotes "not meaningful"

Appendix

SCB's interest rates and BOT's policy rate

SCB Interest Rates	May 25, 20	Feb 9, 21	Mar 12, 21	Oct 4, 22	Dec 7, 22	Jan 3 23	Jan 30 23	Apr 7 23	Jun 9 23
Lending rate (%)									
MLR	5.25	5.25	5.25	5.50	5.75	6.15	6.35	6.60	6.80
MOR	5.845	5.845	5.845	6.095	6.345	6.745	6.895	7.145	7.325
MRR	5.995	5.995	5.995	5.995	6.12	6.52	6.62	6.87	7.05
Deposit rate* (%)									
Savings rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.30
3-month deposits	0.375	0.37	0.32	0.47	0.62	0.62	0.77	0.82	0.92
6-month deposits	0.50	0.45	0.40	0.55	0.70	0.70	0.85	0.95	1.05
12-month deposits	0.50	0.45	0.40	0.70	1.00	1.00	1.15	1.35	1.45

* Excluding special campaigns, which generally offer significantly higher rates but have different terms and conditions for 3, 6, and 12 month term deposits.

	Feb 5, 20	Mar 23, 20	May 20, 20	Aug 10, 22	Sep 28, 22	Nov 30, 22	Jan 25, 23	Mar 29, 23	May 31, 23
Policy rate (%)	1.00	0.75	0.50	0.75	1.00	1.25	1.50	1.75	2.00

SCBX's interest expenses

SCBX (Separate financial statements)			
Unit: Baht million			
	2Q23	1Q23	2022
Interest expenses			
Interbank and money market items	656	597	154
Other debentures	34	-	-
Total	690	597	154

4. SCBX and Sustainability

Progress Towards Delivering on SCBX Group Sustainability Commitments

SCBX promotes and supports group-wide sustainability performance according to the Group Sustainability Framework comprising of four pillars - Planting Digital Seeds, Enriching Lives, Growing Economic Resilience and Achieving Climate Neutrality – as guided by the sustainability mission of ‘Opportunities for Everyone, Possibilities Everyday’. In second quarter of 2023, key performance includes:

Policy and Strategy:

- Set the SCBX Group's 2025 Sustainability Targets
- Developed Financial Inclusion Policy, People Management Policy, Tax Policy, and SCBX Supplier Code of Conduct to promote group-wide sustainability performance.
- Developed Sustainable Finance and Advisory Statement of Banking Services Group

Strategic Framework-Based Performance and Initiatives:

Planting Digital Seeds

- Announced new collaboration with the Stanford Institute for Human-Centered AI (HAI) as its first international member in the Financial Services & AI Corporate Affiliate Program to drive innovation in AI and fintech.
- SCB10X: Hosted the Fourth REDeFiNE Tomorrow Virtual Summit, partnering with Bloomberg to provide knowledge on financial technologies of the future and create inspiration for innovation and entrepreneurship among the audiences.
- SCB10X: Partnered with the Vidyasirimedhi Institute of Science and Technology (VISTEC) to collaborate on the research and development of WangChanGLM. This language model, specializing in Thai and capable of supporting other languages, is a Generative AI and Large Language Model available under a commercial-use permissible license. With its promising abilities in content summarization, idea generation, and article writing in Thai, this innovative technology aims to enhance equal and effective access to AI for the Thai population.

Enriching Lives

- MONIX: Launched ‘FINNIX Coin’, a novel feature within the FINNIX app aiming to reward customers who uphold a positive credit standing. This is the first time in the nano loan app industry in Thailand that users can convert their accumulated coins into interest discounts and temporary credit limit.
- InnovestX: Launched ‘InnovestX Academy’, an all-encompassing hub of investment knowledge, covering a spectrum ranging from fundamental investing principles to

advanced analytical thinking, designed to assist investors in learning and comprehending their chosen assets before making investment decisions.

Growing Economic Resilience

- SCB: Supported a green and sustainability-linked loans accounting for more than Baht 32,000 million.

Achieving Climate Neutrality

- Sets the mid-term target of 50% GHG reduction by 2027 to achieve the Net Zero commitment by 2030 through the group-wide implementation framework including:
 1. Low carbon building for existing and new buildings
 2. Electric vehicle: All new corporate vehicle shall be electric vehicles and the fleet to be all EV by 2028
 3. Renewable energy: Target to source 100% of electricity from renewable sources by 2030
 4. Green procurement
 5. Awareness and behavior
 6. Other activities have been initiated to reduce both direct and indirect greenhouse gas emissions, based on climate science principles, as well as to implement carbon capture and storage methods in support of our net-zero journey.

Capability Building and Communications

- Organized a workshop 'Net Zero and Energy Efficiency Building' to foster knowledge and understanding among executives and employees in facility management. This workshop covered definitions, standards, and case studies related to Net Zero Energy Buildings, as well as energy management guidelines, energy efficiency, and investments in clean energy of the SCBX Group.
- Developed a foundational sustainability and ESG curriculum tailored for general employees, formulated blended learning courses intended for supporting functions to foster Sustainability Champions, and devised a structured learning journey aimed at nurturing Sustainable Finance Leaders among Relationship Managers (RMs), Risk Office, etc. These initiatives were strategically developed to enhance the capacity of personnel in the realm of sustainability within the Banking Services Group.