



Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2023

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1. Executive Summary

SCB X Public Company Limited (SCBX) reported consolidated net profit of Baht 9.7 billion for the third quarter of 2023, down 6.3% yoy. Given the prevailing geopolitical uncertainty, the Company has set aside an additional provision of Baht 1.5 billion as a matter of prudent practice. Net profit for the first nine months of 2023 increased 7.0% yoy to Baht 32.5 billion. As for Siam Commercial Bank, the core pillar of the group, reported net profit of Baht 11.8 billion in the third quarter of 2023, a 6.3% decrease yoy. However, the Bank's net profit for the first nine months of 2023 increased 21.2% yoy to Baht 36.6 billion.

For the third quarter of 2023, total operating income was Baht 43.3 billion, increased 9.0% yoy from net interest income of Baht 31.5 billion or 13.8% increase yoy mainly due to steady loan growth and net interest margin expansion. Fee and other income decreased 9.2% yoy to Baht 10.7 billion while investment and trading income almost tripled yoy reaching Baht 1.1 billion this quarter.

Operating expenses for this quarter was Baht 18.5 billion resulting in the cost-to-income ratio of 42.7% reflecting our commitment to cost management.

In light of rising geopolitical uncertainty, the Company proactively added a provision of Baht 1.5 billion, bringing the total provision for this quarter to Baht 12.2 billion, equivalent to the credit cost of 2.01%. The non-performing loan (NPL) coverage ratio remained high at 167.2%.

The overall loan quality remained under control. At the end of September 2023, the NPL ratio stood at 3.30%, slightly up from 3.25% at the end of June 2023. The capital adequacy ratio remained strong at 18.7%.

2. Thailand's Economic Outlook

SCB EIC revised down Thailand's GDP growth forecast for 2023 to 3.1% from 3.9% due to a much lower-than-expected outturn in Q2 and a continued export contraction in the past 7 months, but there remained significant impetus from private consumption and the tourism sector. In 2024, Thai economic growth will accelerate to 3.5% thanks to an upbeat recovery in foreign tourists of around 37.7 million. Private investment is also expected to grow in line with the better trend of investment greenlights from Thailand's Board of Investment (BOI) and export recovery. **Moreover, headline inflation will likely pick up in 4Q23 but still hover within the target range at 1.7% and 2% in 2023 and 2024 respectively** due to rising energy and food prices. The core inflation should remain at 1.4% this year and 1.5% next year.

In 2023, the global economic recovery will be unsynchronized, and the global GDP growth is expected to increase to 2.4% in 2023. Although the global economy has been outperforming the consensus, the global economy from 4Q23 to 2024 will face persistent fragility on the back of elevating inflation, policy rate hikes among advanced economies, and depleting excess savings. China's economy will witness a sharp slowdown in the short and long term, pressured by structural challenges. In 2024, the global economy is expected to grow by 2.3%, close to this year's forecast. However, the global economy could resume expansion in the latter half of the year as monetary policy easing starts.

Looking ahead, the Thai economy will face some major uncertainties. (1) China's economic slowdown will hamper exports of some products and weaken inward FDI from China. The slowdown might also deter Chinese buyers' demand in some segments of Thailand's property market. (2) Severe drought could slash Thai GDP growth by 0.5 pp and drive inflation by 0.63 pp during 2023-2024 in the base case. New government policies also pose uncertainties to the economic outlook. (3) The Israel-Palestine war will likely have a limited impact on Thai trade in the base case. This is because direct trade between Israel and Thailand is comparatively modest, similar to trade between Palestine and Thailand, which is essentially negligible. However, if the war were to persist and escalate, the conflicts may indirectly impact Thai exports through fluctuations in world oil prices and volatile global financial market conditions. (4) The government's policies, especially Digital Wallet which might bolster Thailand's GDP growth to over 5% in 2024 only temporarily, but this will entail a higher fiscal burden in the long term. The impact on Thai economy still remains uncertain depending on clarity of the scheme in budget amount, target group, spending condition, and the timeline of the project.

Thailand's policy rate was gradually normalized to 2.5% in 3Q23 and is expected to stay at this level throughout next year as it is currently at the neutral rate and is consistent with inflation which will likely increase in the future. The real interest rate should also turn positive and contribute to Thailand's economic and financial stability in the long term. As for the Thai baht, it is expected to strengthen in 4Q23 and next year on the back of the recovery of the Thai economy and less tightening monetary policy from the Fed, which will weaken dollars. **Thai baht is expected to be at 35–36 baht/USD towards the end of the year and strengthen to 33-34 baht/USD.**

3. Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2023

SCB EIC revised Thailand's GDP in 2023 down to 3.1% (previously 3.9%) due to the lower-than-expected outturn and the continuous export contraction. However, there is still main support from private consumption and the tourism sector. Foreign tourists traveling to Thailand is still projected to recover to 30 million persons for the year. This has resulted in the service sector continuously recovering, helping alleviate vulnerabilities in the labour market. The headline inflation is expected to remain within the target range at 1.7% and 2.0% for 2023 and 2024, respectively. In September 2023, the BOT raised policy rate for another 25 bps to 2.5%. In our view, Thailand will keep policy rate at 2.5% throughout 2024 as the economy continues to regain its potential strength, and inflation faces upward pressures from rising energy and food prices. Thus, the real interest rate should turn positive and contribute to Thailand's long-term financial stability.

For the third quarter of 2023, SCBX delivered solid top line growth yoy driven by NII on the back of NIM expansion. Cost management continued to be efficient. Overall asset quality for the quarter was under control. With proactive provisioning over the years, SCB Bank has maintained sufficient buffer to cope with potential adverse outcomes in the future for high risk retail customers under the CDR program. Given rising geopolitical uncertainty again, we added Baht 1.5 billion as additional provision as a matter of prudent practice. Asset quality of CardX showed an improvement compared with the previous quarter though credit cost remained elevated. The company's operational issue that had affected performance in the previous quarter has been stabilized. AutoX continued to deliver strong loan growth and turned profitable for the quarter. SCBX's net profit for the quarter declined both on qoq and yoy basis. Net profit for the first nine months though was on a solid growth path with ROE improvement. Despite earnings volatility in this quarter, we are confident with the group's earnings growth potential in the future.

SCBX raised interim dividend for 1H23 operations to Baht 2.5 per share to reflect our commitment to capital optimization strategy to increase shareholder returns.

3Q23 operating performance

SCBX reported a consolidated net profit of Baht 9.7 billion in the third quarter of 2023, reflecting a decrease of 6.3% yoy. This decline was attributed largely to higher expected credit losses and increased operational expenses, despite positive loan growth and an expansion in net interest income (NII) resulting from a widened Net Interest Margin (NIM). Fee income decreased yoy, primarily due to weaker bancassurance/insurance revenue and wealth business, although fees from lending-related activities and transactional banking performed well. Investment income increased yoy largely due to higher mark-to-market gains from the investment portfolio of SCB 10X.

The cost-to-income ratio in 3Q23 stood at 42.7%, showing a slight quarter-on-quarter increase, mainly due to higher marketing and promotional expenses and premises and equipment expenses.

We adopted a prudent approach and set aside expected credit losses (ECL) of Baht 12.2 billion or 201 bps of total loans. Despite higher provisions, we maintained overall asset quality and non-performing loans (NPLs) at a healthy level, with an NPL ratio of 3.30% and a coverage ratio of 167.2%, underscoring our commitment to prudent risk management.

The Group's loan growth in 3Q23 was primarily driven by housing loans and corporate loans at SCB Bank, as well as auto title loans at our portfolio company.

In August 2023, SCBX announced an interim dividend payment of Baht 2.5 per share. Despite the high dividend payout, SCBX's CET1 ratio was robust at 17.5% at the end of 3Q23.

Portfolio companies update

- **Gen 1 business update**

SCB Bank

In the third quarter of 2023, the Bank delivered resilient operational results, primarily fueled by impressive yoy growth in net interest income (NII), attributed to enhancements in net interest margin (NIM) at 3.23%. Non-NII experienced a weakness yoy due mainly to a decrease in bancassurance fees from the expiration of performance-linked compensation from FWD. The Bank maintained its commitment to cost management, keeping the cost-to-income ratio well below 40%, at 38.1%.

The Bank has conducted a detailed risk analysis of entire loan portfolio under the CDR program to assess asset quality risk that may arise after the expiration of the BOT program at the end of this year. The outstanding balance of the CDR program (Blue Scheme) at the end of 3Q23 was around 12% of total Bank's loan portfolio. The findings based on current macroeconomic outlook are that non-retail customers in the program have insignificant risk of asset quality deterioration. For retail customers, we believe the risk is with certain segments of retail customers under the program and stems from customers' difficulty to service repayment step-ups that will be in effect mainly over the next 12-24 months. We estimate this high-risk retail customer segment to be around 15-20% of retail loan portfolio within the CDR program. The Bank has been proactively set aside provision to mitigate possible deterioration for this group of customers. Given our rigorous analysis and actions, we believe that the amount of provision we have set aside is adequate under current economic environment.

At the end of 3Q23, Non-performing loans (NPLs) stood at 3.15%, and the Bank maintained a strong NPL coverage ratio at 161.8%.

- **Gen 2 business update**

CardX

During the third quarter of 2023, CardX's emphasis was to stabilize internal operational hiccup that had affected its performance in the previous quarter. The result was satisfactory where operational issue has been stabilized. CardX implemented various measures to revamp its risk management process and

enhance our collection efforts such as conducting a comprehensive review of the data quality and verifying the integrity of the technical infrastructure to ensure the system's reliability and accuracy.

CardX's asset quality issue is mainly associated with its personal loan portfolio, while its credit card portfolio showed relative stability and resilience. At the end of the third quarter of 2023, CardX loan portfolio stood at Baht 116 billion, showing little change from the previous quarter. NPL ratio was still high at 5.8%, but we expect to see improvement over the next quarters as we continue to improve our collection efficiency and asset quality.

AutoX

AutoX delivered a stellar performance in the third quarter. The company achieved an impressive loan growth of 45.1%, reaching Baht 26.3 billion and became profitable. AutoX anticipated to meet its target loan growth for this year, while maintaining a healthy loan yield of over 20%, reflecting its prudent pricing strategy and risk management. Furthermore, the company effectively managed its asset quality and kept its NPL ratio below 1%, with a robust coverage ratio over 200%, well above the industry average. These results demonstrated AutoX's resilience and competitiveness in the market.

Apart from solid NII revenue, another key contributor to AutoX's outstanding performance in the third quarter was the remarkable growth of its fee-based income. The third quarter marked a significant milestone for AutoX, as the company turned profitable for the first time and was on track to meet its full-year profitability target, reflecting its strong operational efficiency and risk management. The company also kept its OPEX under control, despite its rapid expansion, by optimizing the branch network at 1,800 outlets in the third quarter.

The rest of Gen 2 business has achieved remarkable results. Our loan portfolio for this segment grew by 126.6% yoy, while our non-performing loan ratio remained below 1%. We are optimistic about the potential of this segment. We will continue to leverage our data-driven and customer-centric approach to offer customers the best possible solutions and experiences.

- **Gen 3 business update**

Purple Ventures

Robinhood continued to execute the strategy of lowering subsidies and optimizing costs, while expanding our service offerings and exploring new opportunities. We have recently launched our ride hailing service where we have seen good traction picking up with over 8,000 approved drivers onboarded on our platform.

Although the daily average number of orders of food delivery business drops below 100,000 orders during the low season of the rainy period, we are able to carry out our strategy to decrease subsidies for food delivery business as planned.

In 3Q23, Robinhood launched nano loans for Robinhood riders, with a plan to extend the service to Robinhood merchants in 4Q23.

Robinhood also targets to introduce an electric motorcycle rental service (EV service) in 4Q23 to offer a quality yet affordable alternative to the market and drive SCBX group's net zero mission.

SCBX Performance in 3Q23 (consolidated)

SCBX reported a reviewed consolidated **net profit** of Baht 9,663 million for 3Q23, marking a 6.3% decrease yoy from Baht 10,309 million in 3Q22. This decrease was primarily due to higher expected credit losses and increased operating expenses (OPEX), despite a strong growth in net interest income (NII).

On a **quarter-on-quarter** basis, the net profit decreased by 18.6% due mainly to higher OPEX, lower investment and trading income, and lower fees and other income, which were partly offset by higher NII.

For the **first nine months of 2023**, net profit stood at Baht 32,527 million, a 7.0% yoy increase from Baht 30,403 million in 9M22 mainly due to robust NII despite higher expected credit losses and higher OPEX.

Table 1. Net Profit and Total Comprehensive Income

Consolidated Unit: Baht million	3Q23	% qoq	% yoy	9M23	% yoy
Net interest income	31,536	2.4%	13.8%	91,269	16.2%
Fee and others	10,667	-4.1%	-9.2%	32,617	-5.1%
Investment and trading income	1,141	-52.6%	291.2%	4,673	43.5%
Total operating income	43,344	-2.2%	9.0%	128,560	10.7%
Operating expenses	18,490	8.7%	9.1%	52,263	6.6%
Pre-provision operating profit	24,854	-9.0%	8.9%	76,297	13.6%
Expected credit loss	12,245	1.2%	58.0%	34,270	28.1%
Income tax	2,891	-12.1%	-38.7%	9,327	-9.1%
Non-controlling interests	55	21.1%	39.8%	174	NM
Net profit (attributable to shareholders of the Company)	9,663	-18.6%	-6.3%	32,527	7.0%
Other comprehensive income (loss)	(301)	NM	NM	(642)	NM
Total comprehensive income	9,362	-19.0%	-7.2%	31,885	8.8%
ROAE	8.3%			9.4%	
ROAA	1.1%			1.2%	

NM denotes "not meaningful"

Income statement for the third quarter and first nine months ended September 30, 2023 (Consolidated basis)

Table 2. Net interest income

Consolidated Unit: Baht million	3Q23	% qoq	% yoy	9M23	% yoy
Interest income	41,073	3.9%	26.3%	117,685	27.8%
Loans	33,910	3.7%	24.4%	97,281	24.9%
Interbank and money market	2,492	5.0%	169.4%	6,864	178.1%
Hire purchase	2,502	-2.4%	-11.2%	7,665	-11.2%
Investments	2,068	13.2%	41.3%	5,681	86.6%
Others	102	69.3%	91.7%	195	131.3%
Interest expenses	9,538	9.3%	98.6%	26,416	94.7%
Deposits	4,041	15.3%	70.8%	10,612	51.8%
Interbank and money market	1,331	-1.9%	312.0%	3,913	374.4%
Borrowings	1,144	38.4%	118.0%	2,794	148.7%
Contribution to the Deposit Protection Agency & FIDF	2,900	-2.0%	91.2%	8,798	94.1%
Others	122	50.2%	69.8%	299	217.9%
Net interest income	31,536	2.4%	13.8%	91,269	16.2%

- **Net interest income** in 3Q23 increased by 13.8% yoy to Baht 31,536 million, driven by NIM expansion of 36 bps and a loan growth of 4.6% yoy.
- On a **quarter-on-quarter** basis, net interest income increased by 2.4% mainly from widened NIM (+4 bps qoq) coupled with loan growth of 1.3% qoq.
- For the **first nine months of 2023**, net interest income increased 16.2% yoy to Baht 91,269 million largely due to widened NIM (+37 bps) as well as loan growth of 4.6% yoy.

Table 3. Yield and cost of funding

Consolidated Unit: Percentage	3Q23	2Q23	1Q23	4Q22	3Q22
Net interest margin	3.74%	3.70%	3.46%	3.54%	3.38%
Yield on earning assets	4.87%	4.75%	4.44%	4.21%	3.96%
Yield on loans	5.97%	5.85%	5.57%	5.34%	5.11%
Yield on interbank and money market	2.06%	1.89%	1.54%	1.22%	0.71%
Yield on investment	1.85%	1.75%	1.64%	1.60%	1.42%
Cost of funds ^{1/}	1.35%	1.26%	1.17%	0.80%	0.70%
Cost of deposits ^{2/}	1.10%	1.03%	0.94%	0.65%	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 3Q23, NIM expanded by 36 bps yoy to 3.74% largely due to an increase in interbank yield (+135 bps), loan yield (+86 bps) and investment yield (+43 bps) despite an increase in funding cost (+65 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 4 bps due to higher yields on interbank, loans and investment following policy rate hikes in 3Q23. This was partly offset by higher cost of funds (+9 bps) from an increase in the cost of deposits as well as the cost of borrowing from issuing SCBX debentures. For a detailed breakdown of loan yields by segment/product, please refer to Additional Financial Information on page 18.

Table 4. Fee and others

Consolidated					
Unit: Baht million					
	3Q23	% qoq	% yoy	9M23	% yoy
Transactional banking *	2,795	-17.5%	4.9%	9,135	16.7%
Lending related **	1,869	18.7%	21.5%	5,292	26.4%
Wealth management ***	1,751	4.0%	-12.9%	5,285	-14.5%
Bancassurance/Insurance	2,931	-6.1%	-26.3%	9,475	-18.1%
Others	1,321	-2.4%	-15.4%	3,430	-25.7%
Fee and others	10,667	-4.1%	-9.2%	32,617	-5.1%

* 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** saw a decrease of 9.2% yoy to Baht 10,667 million in 3Q23. This was primarily due to a decline in bancassurance fees resulting from the expiration of performance-linked compensation as well as lower fees from wealth management. Although there was a decrease in some areas, fee and others showed an improvement yoy in 3Q23 in other aspects. This was mainly due to an increase in lending-related fees and partly from transactional banking.
- On a **quarter-on-quarter** basis, fee and others decreased 4.1% largely due to lower transactional fees and lower bancassurance fees.
- For the **first nine months of 2023**, fee and others decreased 5.1% yoy to Baht 32,617 million. This decrease was largely due to lower fees from bancassurance and wealth management.

Table 5. Investment and trading income

Consolidated					
Unit: Baht million					
	3Q23	% qoq	% yoy	9M23	% yoy
Investment and trading income	1,141	-52.6%	291.2%	4,673	43.5%

NM denotes "not meaningful"

- In 3Q23, **investment and trading income** increased by 291.2% yoy to Baht 1,141 million, 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 decreased due to lower investment gain from the investment portfolios of SCB Bank, SCBX and SCB 10X.
- For the **first nine months of 2023**, investment and trading income increased by 43.5% yoy to Baht 4,673 million, largely due to higher mark-to-market gains as mentioned above.

Table 6. Operating expenses

Consolidated Unit: Baht million	3Q23	% qoq	% yoy	9M23	% yoy
Employee expenses	8,450	0.0%	4.2%	25,342	10.2%
Premises and equipment expenses	3,109	2.4%	15.6%	8,548	4.2%
Taxes and duties	1,065	-15.5%	-0.5%	3,617	21.5%
Directors' remuneration	57	120.8%	-37.4%	113	-43.2%
Other expenses	5,810	36.9%	16.6%	14,643	0.0%
Total operating expenses	18,490	8.7%	9.1%	52,263	6.6%
Cost to income ratio	42.7%			40.7%	

- In 3Q23, **operating expenses** saw a yoy increase of 9.1%, amounting to Baht 18,490 million. This was primarily due to an increase in marketing and promotional expenses aimed at supporting business growth, an expansion in premises and equipment due to the outlet expansion of a portfolio company, increased costs for cloud services, and a rise in staff costs due to an increase in the number of staff and annual salary adjustments.
- On a **quarter-on-quarter** basis, the operating expenses increased by 8.7%, largely attributable to higher marketing and promotional expenses as mentioned above.
- For the **first nine months of 2023**, operating expenses rose 6.6% yoy to Baht 52,263 million. This was largely due to the previously mentioned increase in staff costs.

In the third quarter of 2023, the cost-to-income ratio remained relatively unchanged yoy at 42.7%, compared to 38.4% in the second quarter of 2023 and 42.6% in the third quarter of 2022. Quarter-on-quarter increase in cost-to-income was due to higher marketing expenses. For the first nine months of 2023, the cost-to-income ratio stood at 40.7%, primarily due to effective cost control measures. The company will continue to maintain a strong focus on cost discipline.

Table 7. Expected credit loss (ECL)

Consolidated Unit: Baht million	3Q23	% qoq	% yoy	9M23	% yoy
Expected credit loss	12,245	1.2%	58.0%	34,270	28.1%
Credit cost (bps)	201			189	

- In 3Q23, **expected credit losses** increased to Baht 12,245 million (201 bps of total loans) to preemptively provide as a cushion for overall uneven economic recovery. 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 September 30, 2023 (Consolidated basis)

As of September 30, 2023, the Company's total assets rose 2.9% yoy to Baht 3,539 billion largely from loan growth of 4.6% yoy. Details on the consolidated balance sheet are provided in the following sections:

Table 8. Loans by segment

Consolidated Unit: Baht million	Sep 30, 23	Jun 30, 23	% qoq	Dec 31, 22	% ytd	Sep 30, 22	% yoy
Corporate	875,349	855,382	2.3%	857,736	2.1%	848,795	3.1%
SME	419,679	420,312	-0.2%	407,355	3.0%	410,776	2.2%
Retail	994,375	992,735	0.2%	975,946	1.9%	963,964	3.2%
Housing loans*	757,832	749,199	1.2%	729,555	3.9%	719,450	5.3%
Auto loans	175,313	180,904	-3.1%	188,765	-7.1%	194,784	-10.0%
Unsecured loans	39,836	42,230	-5.7%	45,026	-11.5%	39,126	1.8%
Other loans	21,393	20,402	4.9%	12,599	69.8%	10,604	101.7%
Loans under subsidiaries	166,245	154,519	7.6%	136,178	22.1%	123,948	34.1%
CardX **	116,230	117,471	-1.1%	114,044	1.9%	108,954	6.7%
AutoX	26,345	18,161	45.1%	7,495	251.5%	2,987	781.9%
Other subsidiaries	23,670	18,887	25.3%	14,639	61.7%	12,006	97.2%
Total loans ***	2,455,648	2,422,949	1.3%	2,377,215	3.3%	2,347,483	4.6%

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

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

*** Total loan excluded unamortized modification loss

NM denotes "not meaningful"

Total loans increased 4.6% yoy, 1.3% qoq and 3.3% ytd at the end of September 2023. Changes in loan volume by customer segment are as follows:

- **Corporate** loans increased by 3.1% yoy, 2.3% qoq and 2.1% ytd. The increase was largely due to demand from large corporates with high credit quality.
- **SME** loans grew 2.2% yoy and 3.0% ytd but fell slightly 0.2% qoq. The increase was from targeted lending to existing high-quality SME customers.
- **Retail** loans increased 3.2% yoy, 0.2% qoq and 1.9% ytd. Below are details of changes in loan volume by sub-segment.
 - **Housing loans** increased 5.3% yoy, 1.2% qoq and 3.9% ytd given continued demand in high-end housing developments.

- **Auto loans** fell 10.0% yoy, 3.1% qoq and 7.1% ytd largely from loan repayments of new cars and used cars.
- **Loans under subsidiaries**, including loans extended by CardX, AutoX, MONIX, Abacus digital and InnovestX increased significantly by 34.1% yoy, 7.6% qoq and 22.1% ytd to Baht 166,245 million.
 - **CardX loans** (personal loans and credit card receivables) increased 6.7% yoy and 1.9% ytd but fell 1.1% qoq to Baht 116,230 million at the end of September 2023. The qoq decrease was due to the slowdown in new personal lending.
 - **AutoX loans** increased significantly by 781.9% yoy, 45.1% qoq and 251.5% ytd to Baht 26,345 million from the strong performance from both outlet and agency channels as well as strong market penetration.

Table 9. Deposits breakdown

Consolidated							
Unit: Baht million							
	Sep 30, 23	Jun 30, 23	% qoq	Dec 31, 22	% ytd	Sep 30, 22	% yoy
Demand	135,473	137,459	-1.4%	122,346	10.7%	121,979	11.1%
Savings	1,929,132	1,887,565	2.2%	1,984,751	-2.8%	1,937,301	-0.4%
Fixed	482,208	443,135	8.8%	448,703	7.5%	473,993	1.7%
Less than 6 months	83,301	87,751	-5.1%	95,626	-12.9%	99,925	-16.6%
6 months and up to 1 year	118,948	123,636	-3.8%	140,843	-15.5%	153,423	-22.5%
Over 1 year	279,960	231,748	20.8%	212,234	31.9%	220,644	26.9%
Total deposits	2,546,813	2,468,159	3.2%	2,555,800	-0.4%	2,533,273	0.5%
CASA - Current & Savings Accounts (%)	81.1%	82.0%		82.4%		81.3%	
Gross loans to deposits ratio (Bank only)	91.8%	92.5%		89.5%		91.5%	
Liquidity ratio (Bank-only)	33.2%	31.2%		34.6%		31.7%	

As of September 30, 2023, total **deposits** increased 0.5% yoy and 3.2% qoq but slightly decreased 0.4% ytd. The qoq increase in deposits was mainly from fixed and saving deposits. CASA mix decreased to 81.1% at the end of September 2023 from 82.4% at the end of last year. Gross loans to deposits ratio (at a bank-only level) increased to 91.8% from 89.5% at the end of December 2022.

The Bank's daily liquidity ratio of 33.2%, 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	Sep 30, 23	Jun 30, 23	% qoq	Dec 31, 22	% ytd	Sep 30, 22	% yoy
Financial assets measured at FVTPL	99,931	70,565	41.6%	62,326	60.3%	68,473	45.9%
Investments in debt securities measured at amortised cost	209,193	209,960	-0.4%	211,019	-0.9%	171,110	22.3%
Investments in debt securities measured at FVOCI	165,633	135,826	21.9%	178,016	-7.0%	220,262	-24.8%
Investments in equity securities measured at FVOCI	1,718	1,726	-0.5%	1,636	5.0%	1,625	5.7%
Net investment *	376,544	347,512	8.4%	390,671	-3.6%	392,997	-4.2%
Investment in associates	1,840	1,511	21.8%	1,206	52.6%	888	107.2%
Total	478,315	419,588	14.0%	454,203	5.3%	462,358	3.5%

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

Investments at the end of September 2023 increased 3.5% yoy, 14.0% qoq, and 5.3% ytd. The yoy increase was mainly due to higher financial assets (government bonds) measured at FVTPL. The qoq increase was primarily due to higher financial assets measured at FVTPL and an increase in government bonds and foreign debentures measured at FVOCI.

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 September 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)		
	Sep 30, 23	Dec 31, 22	Sep 30, 22	Sep 30, 23	Dec 31, 22	Sep 30, 22
Statutory Capital						
Common Equity Tier 1	415,949	408,287	405,429	359,517	344,932	340,631
Tier 1 capital	417,360	409,359	406,446	359,517	344,932	340,631
Tier 2 capital	26,442	25,548	25,909	23,806	24,250	24,998
Total capital	443,802	434,907	432,355	383,323	369,182	365,629
Risk-weighted assets	2,378,723	2,306,339	2,333,062	2,169,158	2,220,000	2,279,401
Capital Adequacy Ratio	18.7%	18.9%	18.5%	17.7%	16.6%	16.0%
Common Equity Tier 1	17.5%	17.7%	17.4%	16.6%	15.5%	14.9%
Tier 1 capital	17.5%	17.8%	17.4%	16.6%	15.5%	14.9%
Tier 2 capital	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

Consolidated common equity Tier 1/Tier 1 capital of SCBX Financial Group increased yoy to 18.7% at the end of September 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 increased yoy to 17.7%. 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 September 2023, **gross NPLs** (on a consolidated basis) increased 3.7% yoy and 2.7% qoq to Baht 95.6 billion. **Gross NPL ratio** increased slightly to 3.30% from 3.25% at the end of June 2023. The Bank's NPL increased qoq mainly from SME segment and housing loan. The NPL for Gen 2 also increased qoq, largely as a result of unsecured personal loan at CardX in the midst of an uneven economic recovery.

At the end of September 2023, the Company's **coverage ratio** fell to 167.2%, down 3.4% qoq largely from an increase of NPLs. 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, %	Sep 30, 23	Jun 30, 23	Dec 31, 22	Sep 30, 22
SCBX (Consolidated)				
Non-Performing Loans (Gross NPLs)	95,576	93,028	95,329	92,131
Gross NPL ratio	3.30%	3.25%	3.34%	3.34%
Total allowance*	159,833	158,708	152,265	150,867
Total allowance to NPLs (Coverage ratio)	167.2%	170.6%	159.7%	163.8%
Credit cost (Quarterly, bps)	201	201	120	132
SCB Bank (Bank-only)				
Non-Performing Loans (Gross NPLs)	87,156	85,510	90,550	91,379
Gross NPL ratio	3.12%	3.09%	3.25%	3.32%

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

Loan Classification and Allowance for Expected Credit Losses

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

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

Consolidated Unit: Baht million	Sep 30, 23		Dec 31, 22		Sep 30, 22	
	Loans and interbank	ECL*	Loans and interbank	ECL*	Loans and interbank	ECL*
Stage 1 (Performing)	2,630,812	50,472	2,584,089	45,792	2,516,763	60,171
Stage 2 (Underperforming)	169,070	48,832	178,753	48,646	147,171	39,309
Stage 3 (Non-performing)	95,576	60,529	95,329	57,827	92,131	51,387
Total	2,895,458	159,833	2,858,171	152,265	2,756,065	150,867

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

Sources and Uses of Funds

As of September 30, 2023, deposits accounted for 72.0% of SCB's funding base. Other major sources of funds were: 13.3% from shareholders' equity, 5.8% from interbank borrowings, and 3.2% from debt issuance. Uses of funds for this same period were: 69.4% for loans, 13.5% for interbank and money market lending, 13.5% for investments in securities, and 1.0% held in cash.

Segment Performance

9M23 Operational Performance

Unit: Baht billion	Total operating income	% portion	Cost income ratio	Credit cost	Net profit (loss)	% portion	Total loans
Gen 1 - Banking Services*	107.2	80%	37%	1.2%	36.6	100%	2,354
Gen 2 - Consumer & Digital Financial Services*	20.0	15%	40%	11.4%	(0.3)	-1%	157
Gen 3 - Platforms & Digital Assets*	6.5	5%	89%	-	0.2	1%	3
Inter Transaction and others	(5.1)		-	-	(4.0)		(58)
Total	128.6		41%	1.89%	32.5		2,456

* Before deducting intercompany transactions

Gen 1 - Banking Services

9M23 Performance

- **Net interest income** in 9M23 increased significantly yoy to Baht 76.3 billion, driven by a NIM expansion (+38 bps) and selective loan growth of 5%.
- **Non-interest income** increased slightly yoy to Baht 30.8 billion. This was primarily due to an increase in investment and trading income, as well as higher lending-related fees. Meanwhile, the growth in wealth management fees remained unchanged yoy. Organic bancassurance fees (excluding performance-linked compensation) experienced strong yoy growth, largely driven by the solid sales force of the Bank and its subsidiary, SCB Protect.
- **Total operating income** stood at Baht 107.2 billion mainly driven by a robust NII.
- **OPEX** were effectively managed, with only a slight increase yoy. The Bank's cost discipline will continue to be a key focus, resulting in a cost to income ratio of 37.4% in 9M23.

- **Net profit** in 9M23 increased yoy to Baht 36.6 billion which corresponds to 11.7% of ROE.
- **Loan** growth of 5% yoy was driven by housing loan and corporate loan. The Bank continued its growth with quality strategy to optimize returns within its risk tolerance.
- **NPL** improved to 3.15% at the end of September 2023, down from 3.27% at the end of 2022. This improvement was largely due to effective NPL management. At the end of September 2023, the Bank's coverage ratio remained high at 161.8%

Gen 2 – Consumer & Digital Financial Services

9M23 Performance

- Total operating income was Baht 20.0 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 increased yoy largely to support the business growth in Gen 2. Meanwhile, cost-to-income ratio stood at 40%.
- With the nature of the unsecured lending business, including nano loans and auto title loans, which carry high-risk, high-return potential, unsecured personal loans face challenges stemming from an uneven economic recovery, resulting in a high level of credit costs at 11.4%. Nevertheless, there have been noticeable improvements in credit costs on a qoq basis.
- Gen 2 companies reported net loss of Baht 0.3 billion in 9M23.
- Total loans for Gen 2 increased 35% yoy to Baht 163 billion, primarily driven by the growth in AutoX, CardX and digital loans provided by MONIX and Abacus.
- NPLs increased qoq mainly from personal loan at CardX amid an uneven economic recovery and high household debts.

Gen 3 – Platforms & Digital Assets

9M23 Performance

- Total operating income was Baht 6.5 billion, mostly contributed from fee income and investment income which accounted for 5% of total Group operating income.
- Despite the cost income ratio for Gen 3 remaining at a high level of 89% in 9M23, the Gen 3 business is actively working to enhance its revenue streams through new business, such as ride-hailing, while concurrently reducing subsidies for food delivery orders.
- In 9M23, Gen 3 companies reported a net profit of Baht 0.2 billion.

Credit Ratings

Credit Ratings of SCB X Public Company Limited

September 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, %	Sep 30, 23	Jun 30, 23	% qoq	Sep 30, 22	% yoy
Total loans	2,455,648	2,422,949	1.3%	2,347,483	4.6%
Add Accrued interest receivables and undue interest receivables	22,763	22,705	0.3%	17,720	28.5%
Total loans and accrued interest receivables and undue interest receivables	2,478,411	2,445,654	1.3%	2,365,203	4.8%
Less Unamortised modification losses	2,073	2,525	-17.9%	3,732	-44.4%
Less Allowance for expected credit loss	152,908	150,838	1.4%	145,183	5.3%
Total loans and accrued interest receivables, net	2,323,430	2,292,291	1.4%	2,216,289	4.8%
Loans by Sector	2,455,648	2,422,949	1.3%	2,347,483	4.6%
Agricultural and mining	9,714	8,858	9.7%	10,464	-7.2%
Manufacturing and commercial	661,337	661,302	0.0%	678,819	-2.6%
Real estate and construction	177,284	178,515	-0.7%	171,564	3.3%
Utilities and services	453,157	430,394	5.3%	400,220	13.2%
Housing loans ^{1/}	612,553	606,864	0.9%	588,752	4.0%
Other loans	541,603	537,016	0.9%	497,664	8.8%
Debt issued and borrowings	112,901	110,019	2.6%	76,298	48.0%
Debentures	86,547	85,576	1.1%	56,829	52.3%
Structured notes	28,323	25,792	9.8%	21,261	33.2%
Others	21	26	-19.2%	62	-66.1%
Hedge accounting adjustment	(1,990)	(1,375)	NM	(1,854)	NM
	3Q23	2Q23	3Q22	9M23	9M22
Share Information					
EPS (Baht)	2.87	3.52	3.06	9.66	8.99
BVPS (Baht)	138.51	138.23	135.76	138.51	135.76
Closing price (Baht)	102.50	106.50	104.00	102.50	104.00
Shares outstanding (Million shares)	3,367	3,367	3,367	3,367	3,367
Market capitalization (Baht billion)	345.1	358.6	350.2	345.1	350.2
Yield on loans by segment					
Yield on loans	5.97%	5.85%	5.11%	5.79%	4.96%
Corporate	4.46%	4.28%	3.30%	4.19%	3.20%
SME	7.33%	7.09%	6.19%	7.17%	6.01%
Retail	5.18%	5.19%	5.06%	5.18%	4.96%
Housing loans	4.71%	4.71%	4.59%	4.69%	4.56%
Auto loans	5.60%	5.58%	5.66%	5.59%	5.54%
CardX ^{2/}	15.15%	15.06%	15.27%	15.04%	14.09%
AutoX ^{3/}	20.2%	20.2%	20.2%	20.2%	-
Gross NPL ratio by segment/product					
Corporate	2.5%	2.7%	2.8%	2.5%	2.8%
SME	9.9%	9.6%	10.5%	9.9%	10.5%
Retail	2.4%	2.3%	2.3%	2.4%	2.3%
Housing loans	2.4%	2.3%	2.5%	2.4%	2.5%
Auto loans	2.5%	2.3%	1.9%	2.5%	1.9%
CardX ^{2/}	5.8%	5.2%	2.1%	5.8%	2.1%
AutoX	0.8%	0.7%	-	0.8%	-
New NPLs by segment and by product (Bank-only)					
Total loans	0.56%	0.52%	0.54%	1.50%	1.38%
Corporate	0.09%	0.09%	0.05%	0.18%	0.06%
SME	0.96%	0.73%	1.16%	2.25%	1.91%
Housing loans	0.65%	0.65%	0.44%	1.88%	1.28%
Auto loans	2.49%	2.24%	1.65%	6.98%	4.76%
New NPLs (Baht billion)	15.3	14.0	14.9	40.9	38.1
NPL reduction methodology					
NPL sales (Baht billion)	4.2	3.6	13.4	10.0	16.4
Write off (Baht billion)	7.7	7.4	5.1	19.7	17.2

^{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 September 30, 2023, June 30, 2023, and September 30, 2022, was Baht 758 billion, Baht 749 billion, and Baht 719 billion, respectively.

^{2/} Data for 3Q22 and 9M22 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.									
	May 20, 20	Aug 10, 22	Sep 28, 22	Nov 30, 22	Jan 25, 23	Mar 29, 23	May 31, 23	Aug 2, 23	Sep 27, 23
Policy rate (%)	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.25	2.50

SCBX's interest expenses

SCBX (Separate financial statements) Unit: Baht million	3Q23	2Q23	1Q23	2022
Interest expenses				
Interbank and money market items	498	656	597	154
Other debentures	398	34	-	-
Total	896	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 the third quarter of 2023, key performance includes:

Policy and Strategy:

- Communicated the SCBX Group’s 2025 sustainability targets to SCBX Group Sustainability Working Committee for strategic planning and implementation by the subsidiaries within SCBX Group.
- Reviewed Sustainability Policy, Climate Change and Environmental Stewardship Policy and Human Rights Policy of Siam Commercial Bank (SCB) and its subsidiaries to support material issues management in alignment with SCBX Group’s sustainability related policies.

Strategic Framework-Based Performance and Initiatives:

Planting Digital Seeds

- InnovestX and TokenX: Introduced the innovation ‘RealX’, Thailand’s first digital investment token backed by condominium asset (condo-backed investment token).
- TechX: Together with Hedera – a fully open-source public distributed ledger and two leading banks namely ShinHan Bank (South Korea) and Cathay Bank (Taiwan), formed a joint-research group to explore bank-issued stablecoins use case for facilitating international remittances. The aim was to develop a Proof of Concept (POC) solution addressing the challenges of traditional remittance methods that could be slow, expensive and prone to errors, due to settlement process and the fees charged by intermediaries like banks and other financial institutions.
- TechX: Designed ‘TechX Data Platform’, tailored to empower enterprise clients in seamlessly managing the entire spectrum of data within a unified data platform.
- DataX: Hosted its 2nd DataXperts event titled “Generative AI: Harnessing Its Potential Responsibly” for SCBX Group employees and those interested in Generative AI in collaboration with experts from VISTEC, BCG X, Accenture, and Deloitte. The aim was to build a foundation and pave the way to the future, propelled by the technology whose impact is deepening creatively and negatively across various industries which is an issue that draws focus and attention globally as Generative AI continues to grow its potential and intelligence.
- SCB: Launched the "Fraud Fighter" campaign with the key objectives of helping people become aware of, understand, and know how to prevent financial frauds and scams. The campaign

contents cover threats from scammers faced by both businesses and consumers, organized into three main sections: 1) Updates on scammer tricks, 2) How to avoid scams, and 3) Actions to take if you fall victim.

Enriching Lives

- Robinhood: Launched 'Robinhood Ride,' a legally certified ride-hailing platform in Thailand, with the concept of 'Calling Fair and Caring Rides for You.' The platform emphasizes fair pricing, standard quality drivers, lower commissions, easy onboarding without the need to top up credits beforehand, accident insurance, and a 24-hour call center. The service also offers up to 8 vehicle options, including taxis, electric cars, premium vehicles, and lady car, allowing passengers to choose the option that suits their lifestyle.
- SCB10X: Announced its co-lead investment in AI21 Labs, a Tel Aviv-based pioneer in the generative AI space. The Series C funding round raised a total of \$155 million. This investment showcases SCB 10X's commitment to providing financial support to startups and advancing AI technology.

Growing Economic Resilience

- SCB: Supported sustainable loans totaling over Baht 52,000 million in the initial 9 months of 2023 or 52% of its 100-billion-baht target by 2025. This included loans for projects transitioning to alternative energy sources of over Baht 12,600 million, loans for electric vehicle ecosystem of over Baht 10,000 million, sustainability-linked loans of over Baht 26,100 million, and additional loans for SMEs, SSMEs, and individual customers totaling over Baht 3,000 million.
- SCB: Provided knowledge to both corporate and SME customers to aid their transition toward sustainability, with more than 500 companies participating. In addition, the Bank organized capacity uplift for Relationships Managers (RMs) in Sustainable Finance pilot with Wholesale Business Group.

Achieving Climate Neutrality

- Set target to reduce GHG emissions at least 10% in 2024 from 2022 baseline (increasing ambition from 5% in 2023) with an aim to achieve a 50% GHG reduction by 2027 and reach Net Zero for scope 1 and 2 by 2030. SCB is planning the installation of solar PVs at the Bank's head office, replacing more than 3,000 air conditioners with environmentally friendly R32 refrigerant, and transitioning to 100% electric vehicles. These initiatives are expected to be completed by 2028. Additionally, AutoX has already installed solar PVs at 220 branches and plans to install another 100 branches in the fourth quarter of this year and 400 branches in 2024. These efforts are expected to reduce branch electricity expenses by approximately 20%.
- Organized 3 training sessions including Partnership for Carbon Accounting Financials (PCAF), Financed Emissions and Sustainable Finance, and Implied Temperature Rise (ITR) and Portfolio Alignment Team (PAT) by external experts, for SCBX Sustainability Office and related units of Siam Commercial Bank. The training aimed to enhance knowledge and understanding

of GHG accounting through financial support, setting GHG reduction targets in line with the Science Based Targets initiative (SBTi), and providing guidance on how financial business can support climate transition. Greenhouse gas emissions accounting of financed emissions is currently under review to improve coverage and data quality for disclosure.