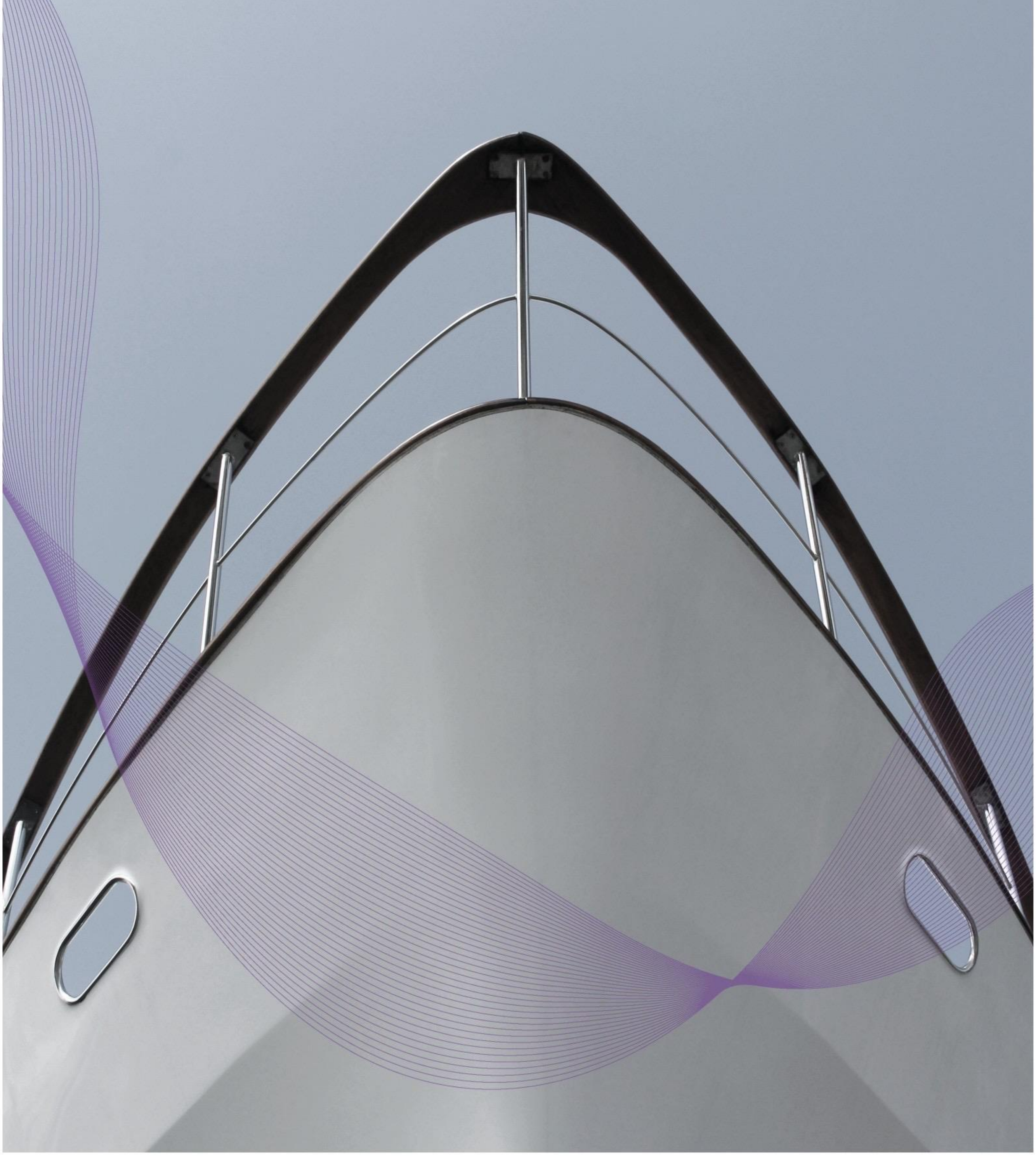
BASEL III PILLAR 3 MARKET DISCLOSURE

JUNE 2022

Embark Mothership.



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1. INTRODUCTION

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

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

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

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

The tender offer by SCB^{X} for the Bank's shares had been successfully completed with a 99.06% acceptance rate, followed by SCB^{X} listing and SCB delisting on the Stock Exchange of Thailand on April 22, 2022. In addition, on September 2, 2022, the Bank of Thailand approved the Bank to distribute 61 billion baht in dividends from retained earnings to SCB^{X} and other shareholders of the Bank. Such dividend will facilitate SCB^{X} to complete the restructuring process while the Bank, after paying these dividends, will continue to maintain a strong capital position and the ability to operate the business efficiently.

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

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

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

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

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

This Pillar III report presents both qualitative and quantitative information on capital adequacy and measurement of credit risk, market risk in the trading book, and operational risk for both SCB (referred to as 'Bank-only') and SCB^{X} Financial Group (referred to as 'Consolidated'). The report also provides information on risk management guidelines and frameworks, risk components, risk monitoring and reporting, and methodologies used to assess capital adequacy. Qualitative information is updated annually, or whenever there is any material policy change. The Pillar III reports are published twice a year to disclose half-year and full-year information within four months of the report date (i.e., end of June 30 and December 31) as required by the BOT. A copy of the report can be found on the Bank's website and SCB^{X}'s website under Investor Relations at https://www.scb.co.th/en/investor-relations/financial-information.html and https://www.scbx.com/en/investor-relations/pillar-iii-disclosure.html

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

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

2. SCOPE OF APPLICATION

Standardized Approach

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

Regulatory Consolidation [1/]

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

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

- The Bank's investment does not exceed 10% of issued common shares:

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

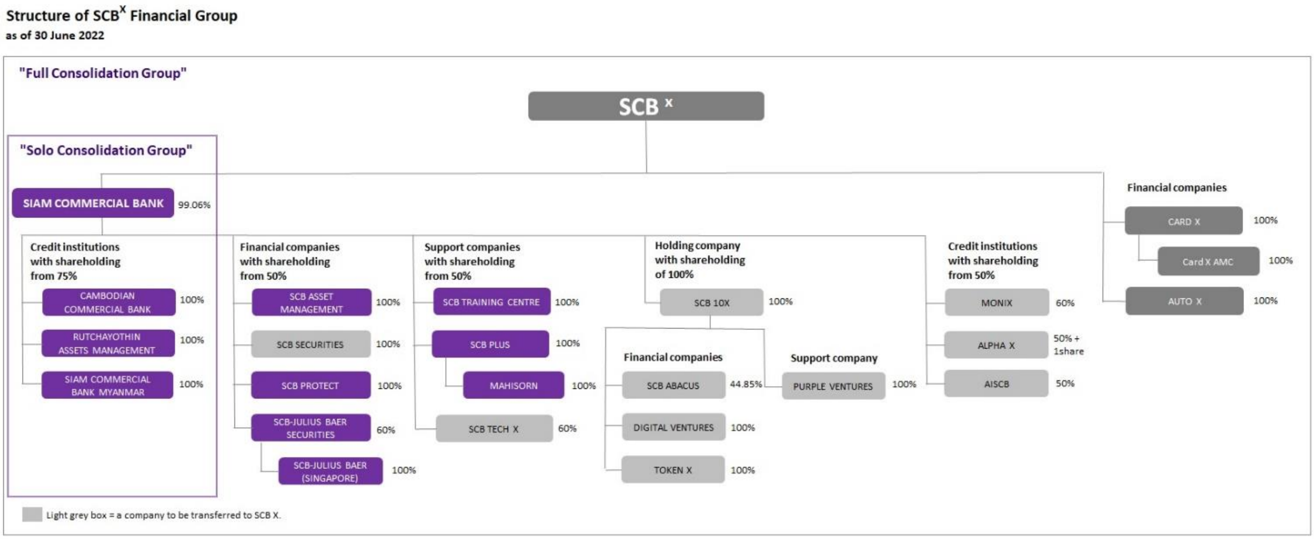
- The Bank's investment exceeds 10% of issued common shares:

  In this case which is considered a significant investment based on the threshold approach, the BOT requires calculation to be split into two parts. The portion of investment that exceeds 10% of the Bank's net CET1must be deducted from the corresponding tier of capital. Any shortfall must be deducted from the next higher tier of capital. The remaining portion under 10% of net CET1 will be assigned a risk weight of 250%.

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

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

Figure 1: List of Companies and Business Types within the SCB^{X} Financial Group as of June 30, 2022



3. KEY PRUDENTIAL METRICS

Table 1: Key Prudential Metrics

Unit: Baht million, %

		Bank-Only		Consolidated	
		30 Jun 22	31 Dec 21	30 Jun 22	31 Dec 21
1.	**Available Capital (amounts)**				
1.1	Common Equity Tier 1 (CET1)	403,081	397,032	404,829	399,566
1.2	Fully loaded ECL CET1	403,081	397,032	404,829	399,566
1.3	Tier 1	403,081	397,032	405,793	399,566
1.4	Fully loaded ECL Tier 1	403,081	397,032	405,793	399,566
1.5	Total capital	428,146	421,644	431,429	424,235
1.6	Fully loaded ECL total capital	428,146	421,644	431,429	424,235
2.	**Risk-weighted assets (amounts)**				
2.1	Total risk-weighted assets (RWA)	2,282,813	2,238,352	2,311,276	2,265,443
3.	**Risk-based capital ratios as % of RWA**				
3.1	Common Equity Tier 1 ratio (%)	17.66%	17.74%	17.52%	17.64%
3.2	Fully loaded ECL Common Equity Tier 1 (%)	17.66%	17.74%	17.52%	17.64%
3.3	Tier 1 ratio (%)	17.66%	17.74%	17.56%	17.64%
3.4	Fully loaded ECL Tier 1 ratio (%)	17.66%	17.74%	17.56%	17.64%
3.5	Total capital ratio (%)	18.76%	18.84%	18.67%	18.73%
3.6	Fully loaded ECL total capital ratio (%)	18.76%	18.84%	18.67%	18.73%
4.	**Additional CET1 buffer requirements as % of RWA**				
4.1	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%
4.2	Countercyclical buffer requirement (%)	0.0%	0.0%	0.0%	0.0%
4.3	Higher loss absorbency for D-SIB (%)	1.0%	1.0%	1.0%	1.0%
4.4	Total capital buffer requirements (%)	3.5%	3.5%	3.5%	3.5%
4.5	CET1 available after meeting the bank's minimum capital requirements (%)[1/]	10.3%	10.3%	10.2%	10.2%
5.	**Liquidity Coverage Ratio for Bank-Only basis**[2/]				
5.1	Total HQLA	852,163	816,947		
5.2	Total net cash outflows	405,966	405,324		
5.3	LCR ratio (%)	210%	202%		

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

2/ Average LCR for Q2/2022 and Q4/2021 were calculated using simple averages of month-end data for each quarter. For example, Q2 data were obtained by taking a simple average of month-end data in April, May and June.

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

As of June 30, 2022, the Bank's Tier 1 capital was 17.66% and 17.56% on a consolidated basis, a decrease of around 0.08 % from December 2021 mainly due to higher credit risk-weighted assets from loan growth, especially in the corporate and SME segments, as well as higher market risk-weighted assets from the Financial Group.

The capital position at the end of June 2022 from both bank-only and consolidated perspectives far exceeded the minimum regulatory requirements including additional buffers.

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

4. REGULATORY CAPITAL

4.1 Capital Management

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

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

Senior management is responsible for reviewing capital adequacy regularly based on business needs and potential regulatory changes as primary considerations.

4.2 Capital Structure and Adequacy

Capital Structure

Regulatory capital under Basel III consists of 3 following categories:

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

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

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

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

(3) Tier 2 Capital consists of:

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

Capital Adequacy

Maintaining adequate capital is crucial for financial stability of the Bank and SCB^X Financial Group as it provides cushion against risk that arises from business operations. SCB and SCB^X Financial Group identify and manage risk by setting internal control procedures and performing stress tests as well as assessing and managing risk impacts through the capital planning process. Scenario analysis and stress tests are employed to assess sensitivities of regulatory capital to business plans and adverse shocks from extreme yet plausible events. SCB and SCB^X Financial Group use these analytical tools to anticipate potential financial impacts from the business plans and capital requirements as well as to formulate management action plans for impact mitigation should such adverse events or similar circumstances occur.

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

As a result, throughout 2022, the Bank and SCB^X Financial Group must maintain the minimum ratios of Common Equity Tier 1 (CET1) at 8.0%, Tier 1 capital at 9.5%, and total CAR at 12.0%.

As of June 30, 2022, the total CAR was 18.67% on a consolidated basis and 18.76% on a bank-only basis, while Tier 1 capital was 17.56% on a consolidated basis and 17.66% on a bank-only basis and CET1 capital stood at 17.52% on a consolidated basis and 17.66% on a bank-only basis.

Note: To comply with the BOT's guidelines, the ratios as of June 30, 2022 excluded 1H22 net profit of Baht 22.7 billion.

Figure 2: Basel III Capital Structure as of June 30, 2022

(In Baht billion)

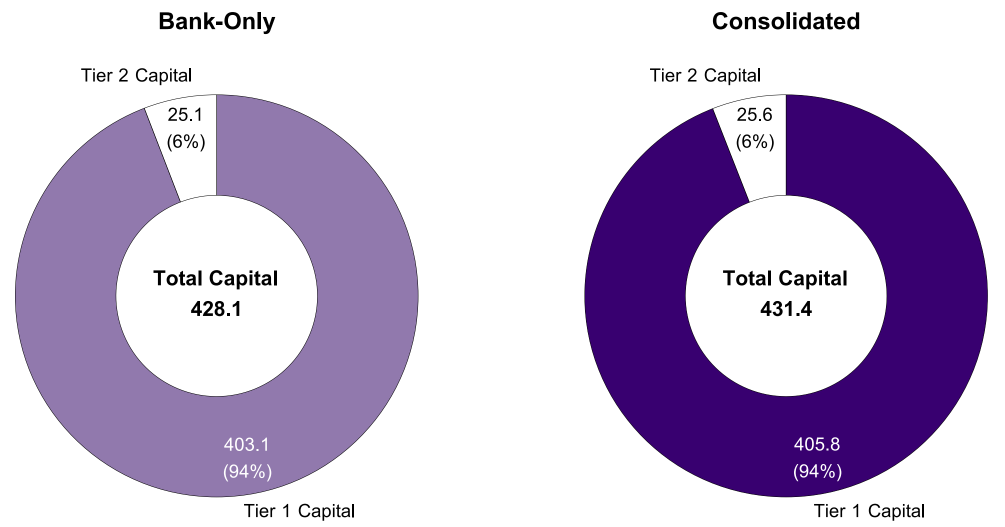


Figure 3: Capital Adequacy Ratios under the Standardized Approach (SA) of SCB and its Financial Group

(In % of RWAs)

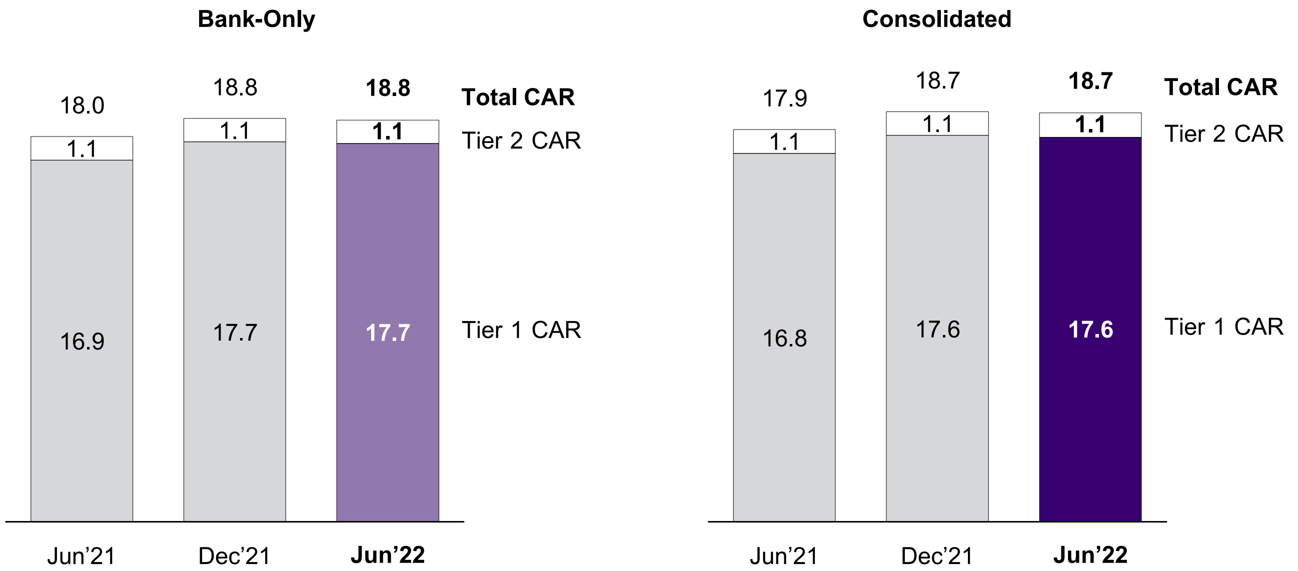


Table 2: Comprehensive Regulatory Capital and Capital Adequacy

Unit: Baht million, %

	Bank-Only			Consolidated		
	30 Jun 22	31 Dec 21	30 Jun 21	30 Jun 22	31 Dec 21	30 Jun 21
Tier 1 capital	**403,081**	**397,032**	**375,635**	**405,793**	**399,566**	**377,585**
Common Equity Tier 1 (CET1)	**403,081**	**397,032**	**375,635**	**404,829**	**399,566**	**377,585**
Paid-up common shares capital	33,992	33,992	33,992	33,671	33,992	33,992
Surplus (deficit) net worth	11,124	11,124	11,124	11,019	11,124	11,124
Legal reserve	7,000	7,000	7,000	6,934	7,000	7,000
Net profit after appropriation	354,281	345,471	332,891	357,113	347,169	334,589
Other reserves						
Other comprehensive income	18,692	20,131	13,008	20,251	21,458	13,782
Others owner changes items	-	-	-	0	0	-
Items of financial business group that operates commercial bank business, only non-controlling interests that can be included in Common Equity Tier 1 of the financial business group	-	-	-	1,648	-	-
Regulatory deduction to CET1 capital	(22,008)	(20,686)	(22,380)	(25,807)	(21,178)	(22,902)
Additional Tier 1	**-**	**-**	**-**	**964**	**-**	**-**
Items of financial business group only non-controlling interest and third parties that can be included in Additional Tier 1 of the financial business group	-	-	-	964	-	-
Tier 2 capital	**25,065**	**24,612**	**24,444**	**25,636**	**24,669**	**24,468**
Proceeds from issuing subordinated debt securities	-	-	-	-	-	-
General provision	25,065	24,612	24,444	25,064	24,669	24,468
Items of financial business group only non-controlling interest and third parties that can be included in Tier 2 capital of the financial business group	-	-	-	573	-	-
Total Regulatory Capital	**428,146**	**421,644**	**400,079**	**431,429**	**424,235**	**402,053**
Risk-weighted assets						
Credit risk	2,005,168	1,968,929	1,955,485	2,005,087	1,973,536	1,957,465
Market risk	49,955	45,854	48,595	72,341	61,929	61,448
Operational risk	227,690	223,569	220,355	233,847	229,977	226,154
Total Risk-Weighted Assets	**2,282,813**	**2,238,352**	**2,224,434**	**2,311,276**	**2,265,443**	**2,245,067**
Total capital/ Total risk-weighted assets	**18.76%**	**18.84%**	**17.99%**	**18.67%**	**18.73%**	**17.91%**
Total Tier 1 capital/ Total risk-weighted assets	**17.66%**	**17.74%**	**16.89%**	**17.56%**	**17.64%**	**16.82%**
Total CET1 capital/ Total risk-weighted assets	**17.66%**	**17.74%**	**16.89%**	**17.52%**	**17.64%**	**16.82%**
Minimum regulatory capital adequacy ratios:						
Minimum total capital/ Total risk-weighted assets	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Minimum Tier 1 capital/ Total risk-weighted assets	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Minimum CET1 capital/ Total risk-weighted assets	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Capital conservation buffer requirements	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Higher loss absorbency for D-SIBs [1/]	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Total minimum CAR including capital conservation buffer	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%

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

Table 3: Capital Requirements by Risk Type

Unit: Baht million

	Bank-Only			Consolidated		
	30 Jun 22	31 Dec 21	30 Jun 21	30 Jun 22	31 Dec 21	30 Jun 21
Credit risk - Standardized Approach						
Performing						
Governments, Central Banks, MDBs [1/] and PSEs [2/] treated as Sovereign	522	371	507	1,339	1,345	1,277
Banks and PSEs [2/] treated as banks	2,007	1,719	1,623	2,131	1,794	1,794
Corporates [3/] and PSEs [2/] treated as corporates	90,784	87,915	90,482	90,394	87,800	90,640
Retail	43,808	43,118	42,901	44,490	43,611	43,083
Retail mortgage loans	18,069	18,038	17,788	18,069	18,038	17,788
Other assets [4/]	12,122	12,818	9,624	10,864	11,766	8,496
Non-performing	3,127	3,379	3,292	3,146	3,396	3,307
First-to-default credit derivatives and securitization	-	-	-	-	-	-
Minimum capital requirements for credit risk	**170,439**	**167,359**	**166,216**	**170,432**	**167,751**	**166,385**
Market risk - Standardized Approach						
Interest rate risk	3,010	3,212	3,563	3,017	3,219	3,571
Equity position risk	-	-	-	182	115	17
Foreign exchange risk	1,236	686	568	2,951	1,929	1,635
Commodity risk	-	-	-	-	-	-
Minimum capital requirements for market risk	**4,246**	**3,898**	**4,131**	**6,149**	**5,264**	**5,223**
Operational risk - Standardized Approach						
Minimum capital requirements for operational risk	**19,354**	**19,003**	**18,730**	**19,877**	**19,548**	**19,223**
Total minimum capital requirements [5/]	**194,039**	**190,260**	**189,077**	**196,458**	**192,563**	**190,831**

1/ Multilateral development banks

2/ Public sector entities

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

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

5/ Minimum capital requirements are calculated based on the minimum regulatory capital adequacy ratio at 8.5%. If capital conservation buffer of 2.5% and D-SIB buffer of 1.0%, total capital requirements at end of June 2022 would have been Baht 273,938 million on a bank-only basis and Baht 277,353 million on a consolidated basis.

Table 4: Main Features of Regulatory Capital Instruments

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

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

Table 5: Reconciliation of Capital from Consolidated Financial Statements

Unit: Baht million

Capital related items as of 30 June 2022	Balance sheet as per the published financial statements[1/]	Balance sheet under the regulatory scope of consolidation [2/]	References
Assets			
Cash	43,483	43,483	
Interbank and money market items, net	566,281	566,281	
Financial asstes measured at FVTPL	64,937	64,937	
Derivative assets	73,495	73,495	
Investments, net	298,974	298,974	
Investments in subsidiaries, associates and joint venture, net	749	749	
Loans to customers and accrued interest receivables, net			
Loans to customers	2,360,037	2,360,037	
Accrued interest receivables and undue interest receivables	16,433	16,433	
Total loans to customers and accrued interest receivables and undue interest receivables	2,376,470	2,376,470	
Less Unamortised modification loss	(4,231)	(4,231)	
Less Allowance for expected credit loss	(151,615)	(151,615)	
Qualified as capital		(25,064)	R
Non-qualified as capital		(126,551)	
Total loans to customers and accrued interest receivables, net	2,220,624	2,220,624	
Properties for sale, net	20,928	20,928	
Investment properties, net	504	504	
Premises and equipment, net	45,577	45,577	
Goodwill and other intangible assets, net	17,975	17,975	
Goodwill	1,270	1,270	M
Other intangible assets	16,705	16,705	N
Deferred tax assets	5,710	5,710	O
Other assets, net	39,897	39,897	
Total assets	**3,399,134**	**3,399,134**	
Liabilities			
Deposits	2,523,316	2,523,316	
Interbank and money market items	157,268	157,268	
Liabilities payable on demand	13,239	13,239	
Financial liabilities measured at FVTPL	15	15	
Derivative liabilities	67,909	67,909	
Debt issued and borrowings	82,542	82,542	
Provisions	19,782	19,782	
Deferred tax liabilities	1,295	1,295	P
Other liabilities	80,394	80,394	
Total liabilities	**2,945,760**	**2,945,760**	

Table 5 (Cont.)

Unit: Baht million

Capital related items as of 30 June 2022	Balance sheet as per the published financial statements[1/]	Balance sheet under the regulatory scope of consolidation [2/]	References
Owner's Equity			
Share capital			
Issued and paid-up share capital			
Preferred shares	-	-	A
Common shares	33,671	33,671	B
Premium on share capital			
Premium on preferred shares	-	-	C
Premium on common shares	11,019	11,019	D
Other reserves			
Surplus on revaluation of land and premises	21,802	21,802	
Qualified as capital		20,428	G[3/]
Non-qualified as capital		1,374	
Revaluation surplus (deficit) of investments classified at FVTOCI	525	525	H
Foreign currency translation differences	(702)	(702)	I
Others owner changes items	0	0	J
Reserves for share-based payment	2	2	
Retained earning			
Appropriated retained earning			
Legal reserve	6,934	6,934	E
Unappropriated retained earning	373,791	373,791	
Net profit after appropriation to capital		357,113	F[4/]
Net profit unappropriated to capital		20,095	
Others		(3,417)	L
Total owners of the company	447,042	447,042	
Non-controlling interest	6,332	6,332	
Qualified as Common Equity Tier 1	-	1,648	K
Qualified as Additional Tier 1	-	964	Q
Qualified as Tier 2 capital	-	573	S
Non-qualified as capital	-	3,148	
Total shareholders' equity	**453,374**	**453,374**	
Total liabilities and shareholders' equity	**3,399,134**	**3,399,134**	

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

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

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

4/ Second-half net profit after appropriation based on shareholders' resolutions or first-half net profit after appropriate based on the Bank's rules.

Table 5 (Cont.)

Unit: Baht million

Capital related items as of 30 June 2022	Regulatory capital reported by financial group	References based on balance sheet under the consolidated supervision
Tier 1 capital		
Common Equity Tier 1 (CET1) capital		
Paid-up common shares after deducting treasury shares	33,671	**A + B**
Surplus (deficit) net worth	11,019	**C + D**
Legal reserve	6,934	**E**
Net profit after appropriation	357,113	**F**
Other comprehensive income		
Revaluation surplus on land and building appraisal	20,428	**G**
Gain (loss) on investments designated at FVTOCI	525	**H**
Gain (loss) from converting foreign currency operation to the Bank	(702)	**I**
Others owner changes items	0	**J**
Items of financial business group that operates commercial bank business, only non-controlling interests that can be included in Common Equity Tier 1 of the financial business group	1,648	**K**
Total CET1 capital before regulatory adjustments and deduction	430,636	
Regulatory adjustments on CET1	-	
Regulatory deductions on CET1		
Net loss	3,417	**L**
Goodwill	1,270	**M**
Other intangible assets	16,705	**N**
Deferred tax assets	4,415	**O - P**
Total regulatory deduction on CET1	25,807	
Total CET1 capital	**404,829**	
Additional Tier 1 capital		
Items of financial business group only non-controlling interest and third parties that can be included in Additional Tier 1 of the financial business group	964	**Q**
Total Additional Tier 1	**964**	
Total Tier 1 capital	**405,793**	
Tier 2 capital		
General provision	25,064	**R**
Items of financial business group only non-controlling interest and third parties that can be included in Tier 2 capital of the financial business group	573	**S**
Total Tier 2 capital before regulatory adjustments and deduction	25,636	
Regulatory adjustment and deduction on Tier 2 capital	-	
Total Tier 2 capital	**25,636**	
Total regulatory capital	**431,429**	

Table 6: Capital Position During Transitional Period

Unit: Baht million

	Bank-only		Consolidated	
	Capital amount as of 30 June 2022	Net value of items with transitional phase subject to Basel III	Capital amount as of 30 June 2022	Net value of items with transitional phase subject to Basel III
Tier 1 capital				
Common Equity Tier 1 (CET1) capital				
Paid-up common shares capital	33,992		33,671	
Surplus (deficit) net worth	11,124		11,019	
Legal reserve	7,000		6,934	
Net profit after appropriation	354,281		357,113	
Other comprehensive income				
Revaluation surplus on land and buidling appraisal	19,532		20,428	
Gain (loss) on investments designated at FVTOCI	527		525	
Gain (loss) from converting foreign currency operation to the Bank	(1,367)		(702)	
Gain (loss) from fair valued cash flow hedge reserve	-		-	
Others owner changes items	-		0	
Items of financial business group that operates commercial bank business, only non-controlling interests that can be included in Common Equity Tier 1 of the financial business group	-		1,648	
CET1 capital before regulatory adjustments and deduction	425,089	-	430,636	-
Regulatory adjustments on CET1	-		-	
Regulatory deduction on CET1				
Net loss	-		(3,417)	
Goodwill	(1,270)		(1,270)	
Other intangible assets	(15,512)		(16,705)	
Deferred tax assets	(5,226)		(4,415)	
Total regulatory deduction on CET1	(22,008)	-	(25,807)	-
Total CET1 capital	**403,081**	**-**	**404,829**	**-**
Additional Tier 1 capital				
Items of financial business group only non-controlling interest and third parties that can be included in Additional Tier 1 of the financial business group	-		964	
Total Additional Tier 1	**-**	**-**	**964**	**-**
Total Tier 1 capital	**403,081**	**-**	**405,793**	**-**
Tier 2 capital				
Proceeds from issuing subordinated debt	-	-	-	-
General provision	25,065		25,064	
Items of financial business group only non-controlling interest and third parties that can be included in Tier 2 capital of the financial business group	-		573	
Tier 2 capital before regulatory adjustments and deduction	25,065	-	25,636	-
Regulatory adjustments and deduction on Tier 2 capital	-		-	
Total Tier 2 capital	**25,065**	**-**	**25,636**	**-**
Total regulatory capital	**428,146**	**-**	**431,429**	**-**

5. LIQUIDITY COVERAGE RATIO (LCR)

The 2008 financial crisis demonstrated that inadequate liquidity can inflict tremendous damages to financial and real sectors. In response, the Basel Committee on Banking Supervision (BCBS) introduced new liquidity standards under Basel III, namely Liquidity Coverage Ratio (LCR) and Net Stable Fund Ratio (NSFR), to promote strong liquidity positions among commercial banks both short-term and long-term. In Thailand, LCR standards in line with the BCBS's guidelines have been imposed by the BOT since January 1, 2016.

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

The LCR components:

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

I. High-quality liquid assets (HQLA)

HQLA under the LCR requirement must have the following characteristics:

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

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

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

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

II. Total net cash outflows

Total net cash outflows are defined as total expected cash outflows less total expected cash inflows in a specified stress scenario for the subsequent 30 calendar days. In this computation, total expected cash inflows are capped at 75% of total expected cash outflows.

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

Total expected cash outflows are the sum of outstanding balances of various categories of liabilities and off-balance sheet commitments multiplied by their expected run-off or drawdown rates over the next 30 days under severe liquidity stress scenario. Cash outflows can be categorized into 5 types as follows:

- Retail deposits and borrowings
- Unsecured wholesale funding
- Secured funding
- Contractual obligations
- Non-contractual obligations

Total expected cash inflows are the sum of outstanding balances of various categories of contractual receivables multiplied by their expected flow-in rates over the next 30 days under severe liquidity stress scenario. In this computation, total cash inflows are capped at 75% of total expected cash outflows. Cash inflows can be categorized into 3 types as follows:

- Secured lending
- Fully performing loans
- Contractual obligations

III. The BOT's minimum requirement

A commercial bank must maintain its LCR above 100%.

LCR report

This LCR disclosure presents information on a bank-only basis and all data are simple averages of month-end observations of the previous quarter in Baht. Specifically, the Bank's average LCR, HQLA, and total net cash outflows for the 2nd quarter of 2022 are simple averages of month-end LCR, HQLA, and total net cash outflows in April, May and June 2022 (3 months).

Liquidity Coverage Ratio (LCR)

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

The Bank's average LCR for the 2nd quarter of 2022 was 210%. This level exceeded both the Bank's limit and the BOT's minimum requirement at 100%, showing the Bank's ample liquidity.

High-Quality Liquid Assets (HQLA)

The average HQLA for the 2nd quarter of 2022 was Baht 852,163 million, of which 98.8% were level 1 assets mainly consisting of government and BOT bonds/bills. It is the Bank's policy to hold high quality liquid assets as cushion against severe liquidity stress scenarios. These assets must be unencumbered by legal, regulatory, or operational restrictions and highly convertible into cash during a crisis.

Total net cash outflows (Net COF)

The average net cash outflows over the next 30 days for the 2nd quarter of 2022 was Baht 405,966 million. Most of the estimated cash outflows were from withdrawal of retail and wholesale deposits using the BOT's run-off rates while most of the estimated cash inflows were from repayment of normal loans using the BOT's inflow rates.

Risk Assessment and Control

The Bank manages and controls liquidity risk to ensure adequate liquidity and sufficient future cash flows to cover its activities under both normal and stress situations. Specifically, the Bank uses cash flows report or liquidity gap report to monitor and control its overall liquidity risk. The Bank's policy is to maintain Liquidity Coverage Ratio

(LCR), Net Stable Funding Ratio (NSFR) and the liquidity ratio (liquid assets as a percentage of total deposits) at an appropriate level and to monitor net cash outflows over different time horizons to ensure that the Bank will be able to meet its liquidity needs on a timely basis.

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

The Bank has a policy to maintain its daily liquidity ratio of at least 20%, measured as total liquid assets to total deposits. At the end of June 2022, the Bank's liquid assets represented 32.6% of total deposits.

Table 7: Liquidity Coverage Ratio (LCR)

Unit: Baht million

Bank-only	**Q2/2022 (Average)** [1/]	**Q2/2021 (Average)** [1/]
(1) Total HQLA	852,163	757,481
(2) Total net cash outflows	405,966	396,454
(3) LCR (%) [2/]	**210**	**191**
Minimum requirement by the BOT (%)	*100*	*100*

Table 8: LCR data for comparison [3/]

Unit: Percentage

Bank-only	**2022 (Average)** [1/]	**2021 (Average)** [1/]
1st Quarter	203	191
2nd Quarter	210	191

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

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

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

Appendix

Details of companies within SCB^{X} Financial Group (Solo and Full Consolidation)

Solo Consolidation Group

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

Non-Solo Consolidation Group

Company	Business Type
SCB X PCL	Holding company
SCB Asset Management Co., Ltd.	Asset management
SCB Securities Co., Ltd.	Securities
SCB Protect Co., Ltd.	Insurance broker
SCB-Julius Baer Securities Co., Ltd.	Securities
SCB-Julius Baer (Singapore) Pte. Ltd.	Securities
SCB Training Centre Co., Ltd.	Training center
SCB Plus Co., Ltd.	Collection
Mahisorn Co., Ltd.	Property management
SCB Tech X Co.,Ltd.	Specialised technology services provider
SCB 10X Co.,Ltd.	Venture capital, venture builder and strategic investments
SCB Abacus Co., Ltd.	Data analytics and digital lending
Digital Ventures Co., Ltd.	Financial technology
Token X Co.,Ltd.	Initial Coin Offering Portal
Purple Ventures Co., Ltd.	E-Commerce and digital services
Monix Co.,Ltd.	Digital lending
Alpha X Co., Ltd.	Hire purchase, leasing, and refinancing business
AISCB Co., Ltd.	Digital lending
Card X Co., Ltd.	Credit card and unsecured personal
Card X Asset Management Co., Ltd.	Asset management from purchase and transfer of non-performing loan
Auto X Co., Ltd.	Personal loan

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

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

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

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