

SCB
ไทยพาณิชย์



Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2018

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1. Executive Summary

Siam Commercial Bank and its subsidiaries announced net profit of Baht 7.1 billion in the fourth quarter of 2018 and Baht 40.1 billion for 2018 (audited), a 7.1% yoy decrease from a year ago. Total operating income increased 1.5% yoy to Baht 138.2 billion as net interest income (NII) rose 4.4% yoy. However, Non-NII declined 4.7% yoy mainly due to digital fee waiver, a slowdown in the insurance business, and lower fee income from international trade in the second half of 2018. Moreover, higher expenses associated with investment in the Transformation Program over the past three years had raised the Bank's cost-to-income ratio to 46.8%. The higher cost-to-income ratio is within the expected range of 45-47% and will steadily come down as the benefits from the Transformation Program kick in, starting from 2019.

With a view of macroeconomic uncertainty and heightened volatility expected in 2019, together with a future shift in the Bank's loan portfolio towards unsecured products and digital lending, the Bank will be more vigilant in conducting our business. As a result, in the fourth quarter of 2018, the Bank set aside prudential provisions of Baht 8.9 billion, which strengthened NPL coverage ratio to 147% compared to 137% a year ago. With potential macro-economic headwinds and the Bank's business directions, the credit cost is expected to be in the range of 115-135 bps in 2019, slightly above 115 bps in 2018. Non-performing loans (NPLs) stood at 2.85% at the end of December 2018 and the Bank's capital adequacy ratio remained strong at 17.1%.

The Bank had also made a significant progress on the implementation of the Transformation Program and expanded the digital customer base to more than 9 million users in 2018. Building on this momentum, the Bank will continue to capitalize on the Transformation Program by connecting new capabilities, enhancing strategic partnership, and building ecosystem/platforms with the goal of reaching 12 million digital users by the end of this year. In addition, to achieve a loan growth target of 5-7% in 2019, the Bank's areas of focus will be consumer and small business financing, such as credit card and personal loans, as well as wealth management while deriving its comparative advantage from digitization which has lowered cost to serve and increased productivity.

2. Thailand's Economic Outlook

The Thai economy recorded a strong growth of 4.1% in 2018. The economy went through two phases in 2018 whereby the first half 2018 saw a robust growth at 4.8% led by strong performance in the export and tourism sectors. Specifically, export value grew at 10.8% yoy while the number of foreign tourists grew at 12.5% yoy which, in turn, stimulated employment and investment recovery. However, the economy in the second half of the year took a hit from the US-China trade war which had significantly weakened export growth to 2.6% yoy. Moreover, a tourist boat accident in Phuket led to a continuous decline in the number of Chinese tourists, dragging the overall growth of foreign tourists down to mere 3.5% yoy in the second half.

Despite these negative external factors, Thai domestic market showed strong and consistent growth led by private consumption which grew 4.6% yoy in 2018. Strong consumption growth was driven mainly by durable goods consumption especially in passenger cars, which posted record growth of 15.4% yoy during the same period. A closer look at private consumption index reveals that consumption growth was uneven across segments with high growth in durable and semi-durable goods and low growth in non-durable goods. This pattern suggests that purchasing power for low-income households has been slow to increase partly because household income just started to recover from a sluggish economy in the previous year coupled with low agricultural prices and high household debt, especially among low income earners. As a result, there will be a lag before household income recovery translates into higher spending. Private investment continued to pick up, growing at 3.9% yoy in 2018 compared to 2.9% yoy in the previous year. This acceleration in private investment growth can be attributed to strong export growth, higher public spending on infrastructure which increased private investment in construction, and domestic demand recovery.

For 2019 economic outlook, SCB Economic Intelligence Center (SCB EIC) projects that the Thai economy will expand by 3.8%, slower than the previous year due mainly to global economic slowdown as well as the impact of US-China trade war. This view is consistent with IMF's downward revision of its global economic growth forecast in the latest World Economic Outlook due to intensified trade war, China's economic slowdown, tightening global financial conditions, and geopolitical risks, particularly political turmoil in several regions, which all contributed to slower export growth for Thailand. Nonetheless, the 2019 growth forecast is still higher than the average growth over the past five years (2013-2017) which is less than 3% per year. The main driver of Thailand's economic growth this year is domestic spending especially investment which is expected to accelerate due to rising production capacities in various industries, continued government spending in mega projects, and relocation of production bases into Thailand by foreign businesses

affected by the trade war. Household consumption is expected to increase at a moderate pace thanks to low unemployment, gradual income recovery, and government stimulus measures.

Challenges from both domestic and international fronts lie ahead in 2019. External factors that may impact the Thai economy are: 1) trade war that may intensify and hurt Thai export sector more than previously anticipated; 2) tightening global financial conditions which raise borrowing costs while reducing capital flow to emerging markets and increasing volatility; and 3) geopolitical risks and political uncertainty in key regions, e.g. Brexit, Italy's political crisis, and the US sanctions on Iran. Major domestic challenges are: 1) concentrated spending due to high household debt and slow household income recovery; 2) tighter domestic financial condition because of higher borrowing costs and macroprudential measures; and 3) structural change from technological advancement and changes in consumer behaviors, as well as intensified competition both domestically and internationally. These factors may affect households, workers, and businesses that fail to adapt even though the overall economy may be strong and stable.

For interest rate trend, the policy rate was raised in December 2018 to 1.75%. In 2019, **SCB EIC expects another rate hike** as part of gradual tightening by the Monetary Policy Committee (MPC) which will be data-dependent. However, the key challenge to the tightening process in 2019 will be low headline inflation. SCB EIC forecasts headline inflation in 2019 to be at 1% which is the lower bound of the policy target band. Thus, there is a fair chance that headline inflation this year may fall below the target which will present a challenge for the MPC to continue the tightening process.

3. Industry and Competition Review

In the past few years, Thai banks have had to face many rapid changes especially from technology disruption. Most banks have started to adapt and transition to the digital era while maintaining strong overall performance.

In 2018, aggregated net profit for the Thai banking industry* increased by 8.5% yoy despite the industry-wide adoption of digital transaction fee waiver. The net profit increase was mainly due to higher net interest income (NII) from loan growth, better NIM and lower provisions. Some banks also booked higher gain on investments and higher net gain on trading which helped offset foregone revenue from the digital transaction fee waiver.

Gross loans in the Thai commercial banking sector moved in lockstep with the domestic economy, recording 5.5% loan growth in 2018. Strong loan growth was most evident in retail and corporate segments. Deposits also increased by 3.8% yoy with the major source of growth coming from savings deposits.

The Thai commercial banking sector demonstrated a strong capital position with the total capital adequacy ratio (CAR) on a bank-only basis at 17.4% in 2018, which was higher than the minimum capital required under Basel III. Non-performing loans ratio of Thai commercial banks was stable at 3.2% in 2018 while coverage ratio improved yoy to 151% in 2018.

Thai commercial banks are likely to maintain a high level of capital to accommodate future regulatory changes from both the new accounting standards (IFRS) and new Basel capital requirements as well as protecting themselves against heightened global economic uncertainty.

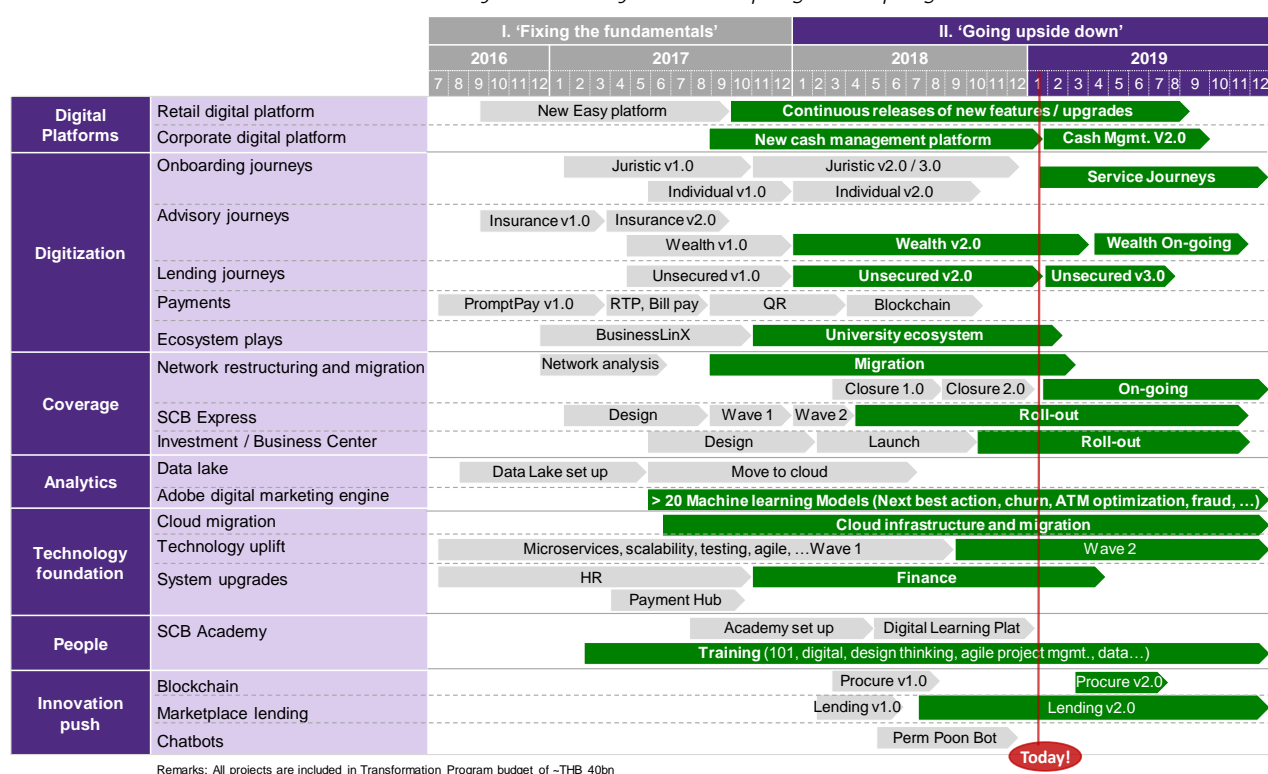
* Refer to 11 commercial banks listed on the Stock Exchange of Thailand.

4. Strategy and SCB Transformation Update

SCB Transformation Update

The Bank’s transformation journey has been underway since mid-2016 with the total investment of approximately Baht 40 billion. SCB Transformation aims to create distinctive value propositions by providing a digital lifestyle solution for retail customers through the new mobile banking platform “SCB EASY” and supporting corporate and SME clients to grow their business in the digital era. During the first two years of the program, the Bank directed its efforts towards "Fixing and Building" the foundations in various areas with the following progress:

Table 1- Overview of SCB Transformation program’s progress



- Digital platforms:** Since the launch of SCB EASY App in August 2017, new features have been continuously added to deliver financial services that truly meet customers’ needs in every moment (the “Moment Banking” concept) with the goal of strengthening customer engagement. SCB EASY App serves as a transactional, sales and lifestyle platform to enhance customer’s digital experience which currently allows customers to apply for loans and credit cards, make investment transactions, and purchase travel insurance. The SCB EASY App currently has more than 9 million users. The Bank also launched “SCB EASY PAY – Mae Manee Money Solution,” a QR code payment under the “Lifestyle Payment” concept with a merchant base crossing a one million milestone in less than a year, totaling 1.3 million merchants at the end of 2018. The

Bank has also developed “SCB Business Anywhere” as a new digital banking platform to deliver superior financial management experience for corporate clients with an initial focus on cash management services. This highly secure platform not only simplifies cash management but also offers convenient account management along with transfer and payment functions.

- **Digitization:** The Bank leverages technology to improve customer service and optimize internal operations. Highlights of key initiatives are as follows:
 - **Onboarding journey:** Digital onboarding has been implemented to streamline account opening process for both retail and corporate accounts. With advanced biometric technology for Electronic Know-Your-Customer (E-KYC) & Electronic signature, retail customers can open accounts by themselves. For corporate and SME customers, an innovative onboarding platform "StartBiz" has been recently launched to streamline account opening process which significantly cuts down both required documentation and servicing time.
 - **Advisory journey:** New technology has been adopted to enhance the Bank’s advisory capabilities for wealth, insurance, and corporate customers. The Bank uses digital devices and advanced analytics to identify customer needs, conduct analysis, and provide appropriate advice as well as to identify the right products and services.
 - **Lending journey:** The Bank’s digital lending platform has been integrated into SCB EASY App to give customers convenient, fast, and secure access to a wider range of loan products. Particularly, the Bank’s data analytics capability gives insights into individual customers and makes personalized offering possible. Currently, digital lending with straight through process is available for speedy loan, speedy cash and credit card products.
- **Coverage:** The Bank is committed to providing comprehensive nationwide coverage for the Thai society. The Bank offers products and services that address the needs of all customer segments through traditional branches, digital channels, and other service touchpoints such as Investment Center, Business Center, etc. As digital channels become increasingly popular, the Bank has developed an omni-channel service network to deliver seamless online and offline customer experience. The Bank analyzes customers’ channel usage behavior, channel density, potential business growth, pace of digital adoption, and other factors to continually optimize its channel mix.

Table 2 – Summary of SCB coverage and network

	No. of locations/units	
	Dec-17	Dec-18
Branch, nationwide	1,153	1,019
(New branch format)		
Investment Center	4	14
Business Center	3	6
Service Center	1	1
SCB Express	15	65
Overseas branch	5	6
Affiliated Bank (Cambodian Commercial Bank)	4	4
Representative Office	2	2
Business Relation Center	55	54
International Trade Service Center	47	47
Foreign Exchange Service Center	102	72
Automated Teller Machines (ATM)	9,560	9,621
Cash Deposit Machines (CDM)	2,293	2,549

- **Analytics:** After upgrading its data storage system and building a data lake to improve data accessibility across the organization, the Bank turned its focus to getting the most out of existing data. In 2018, this effort extended to areas such as behavior-based risk analytics and marketing analytics to identify target customers and next best action for the customers, network and fraud analytics.
- **Technology:** The Bank developed new technology platforms, such as cloud infrastructure and microservices/API architecture, while continually upgrading core technology platforms across the organization, such as accounting system, human resource management platform, and payment hub.
- **People:** The Bank set up SCB Academy to enhance people capabilities and prepare them for changing roles. With an initial focus on executives, middle management and next generation talent, the Bank continues to provide training to develop new skills necessary for the digital age, such as design thinking, data analytics, digital-related skills, and agile project management.
- **Innovation push:** The Bank has consistently promoted innovation and disruptive capabilities both through subsidiaries as well as internal units. For example, Digital Ventures, a subsidiary of the Bank, has applied blockchain solutions to create a digital platform for procurement process

under the B2P (Blockchain solution for Procure-to-Pay) to be used by partners and supply chains of the Bank's corporate clients. Moreover, blockchain solutions will be used for retail customers to increase efficiency for cross-border remittance by reducing processing time from days to few minutes. In addition, SCB Abacus, another subsidiary of the Bank, has recently developed an end-to-end digital lending platform on e-marketplace to support SMEs using artificial intelligence and machine learning technology. Moreover, SCB Abacus together with SCB Asset Management recently launched "Perm Poon", the first mutual fund advisory chatbot in Thailand, to increase investment accessibility for customers.

In addition, the Bank has formed strategic partnership with business partners, such as leading universities in Thailand and global technology companies, to build ecosystems and platforms, and deliver new customer experiences. The Bank also worked on building new foundation and organizational culture to operate business in the digital world through both Digital Ventures and SCB Abacus whose mandates are to develop new capabilities and leverage leading technologies to facilitate the Bank's business.

SCB Strategic roadmap

The financial services industry continues to face constant challenges which have intensified over time. Rapid technology advancement has significantly changed the way the banking business is run and caused constant disruption which has become a new normal. Competitive landscape and revenue structure of the banking industry have also undergone a significant change. Revenue from the Bank's transactional fee has been in decline as a result of the digital transaction fee waiver announced in March 2018. Payment and transaction banking are being commoditized in exchange for customer engagement and data insights while lending and wealth management have become core businesses for the Bank's future revenue streams. In addition, the increasing popularity of digital channels makes cybersecurity and data privacy forefront issues for the Bank's priority.

The Bank is committed to achieving its vision of becoming "the Most Admired Bank". From 2019 onwards, the Bank will focus on realizing value of SCB Transformation program and the "Going Upside Down" strategy by using new digital and data capabilities to deliver distinctive customer experience and differentiated value proposition with an emphasis on customer centricity. At the same time, the Bank will continue to invest for the future and continually drive innovation and disruptive capabilities for exponential growth by pursuing a two-tracked operating model under the Bank's strategic direction as follows:

1. **Core business growth:** The Bank will continue to capitalize on the Transformation Program by connecting new capabilities, enhancing strategic partnership, and building ecosystem/platforms to deliver new customer's digital experience. At the same time, this will enable the Bank to capture new revenue streams while lower cost base with the following key strategic priorities:
 - **Growth from lending business:** The Bank targets 5-7% loan growth in 2019 and will focus on loan portfolio optimization while expanding unsecured lending (including consumer and small business financing), such as credit card and personal loan. The Bank will leverage digital and data capabilities to increase its lending services coverage and generate new revenue streams under appropriate risk level. To achieve this goal, the Bank focuses on building end-to-end digital lending infrastructure to make the credit approval process fast and convenient as well as strengthening customer engagement both pre and post- credit approval and capturing relevant customer data to design products and services that better address customer needs. The Bank also plans to work with strategic partners across industries and geographies to expand its business and services into new dimensions.
 - **Growth from wealth management business:** Although the wealth management business in Thailand has experienced consistent growth in the past few years, the market is still fraught with limitations on financial products and service capabilities. To capture this opportunity, the Bank has designed a segment-based strategy to comprehensively manage customer's wealth with seamless and personalized experience. The Bank has partnered with "Julius Baer", a leading Swiss private banking group, to provide world-class services to ultra-high-net-worth customers. This long-term strategic partnership allows the Bank to leverage Julius Baer's global expertise, services, and wealth management capabilities to create value to Thai ultra-high-net-worth customers as well as presenting an opportunity for the Bank to expand its private banking business globally. For the private and affluent segments, the Bank plans to use digital technology to enhance customer experience with convenient services and personalized solutions. The Bank also raises its internal capabilities in various aspects including wealth advisory capabilities, extensive services coverage, personalized product and service offerings with a wide range of alternatives both from SCB Group and the Bank's strategic partners through open architecture solution and platform.

One of the Bank's technology-related agenda is to reduce servicing costs by migrating customers to digital and automatic platforms with the goal of providing a comprehensive range of services that truly address customer needs. The Bank will continually reassess and improve its coverage and servicing channels in response to changing customer lifestyles by considering growth potential,

business size, transaction volume, the number of branches or alternative service channels in the same area.

The Bank will continue to leverage digital technology to improve internal processes and streamline customer service procedures. Moreover, advanced technologies, such as artificial intelligence, machine learning, and chatbot, will be used to create new customer experiences. The Bank also collaborates with strategic business partners across multiple industries globally to build ecosystems and platforms to deliver new services and value propositions. The Bank aims to build a “Lifestyle Ecosystem” encompassing lifestyle, travel, retail, and health & wellness to serve retail customers while creating a “Digital Commerce Ecosystem” to help SME customers grow their business in the digital age.

2. Disruptive business model for exponential growth: Another priority of the Bank is to invest for the future and foster digital innovations under a disruptive business model by partnering with leading companies and creating internal capabilities within the Bank or through its subsidiaries:

- **Digital Ventures**, a subsidiary within SCB Group, pursues a strategy of extending the boundary of key technologies, such as blockchain and artificial intelligence, which are playing an important role in the business world and financial services. Digital Ventures focuses on creating financial innovations through investment in the form of venture capital together with searching and learning from global tech companies and startups to integrate new technologies into the Bank’s products and services to enhance customer experience.
- **SCB Abacus**, a subsidiary within SCB Group, is the first advanced data analytics spin-off in the Thai and Southeast Asian financial industry. SCB Abacus specializes in applying advanced technologies including artificial intelligence to business analytics which will help enhance the Bank’s capabilities to better address business and customer needs.
- **SCB10X**, a newly set-up disruptive unit within the Bank, uses digital technology to create strategic products through a disruptive business model with the goal of delivering new customer experiences and value propositions. SCB10X operates under a new organizational culture similar to a startup that offers intellectual autonomy and freedom to experiment to create new innovations.

The combined strength of Digital Ventures, SCB Abacus, and SCB10X will help reshape the Bank into “the Future Bank” with a sustainable solution to the constant and rapid changes in customer needs.

Apart from the above strategies, the Bank is committed to strengthening people and culture foundation while adhering to proper risk management practices which are critical to the success of the “Going Upside Down” strategy. For people and culture, the Bank focuses on agility by

emphasizing working in teams with diverse expertise, having a flat hierarchy so decisions can be made quickly, creating a customer-centric mindset, embracing the spirit of experimentation and learning from failure which are key to build an innovative organization. Moreover, the Bank has set up SCB Academy to develop people capabilities and prepare them for shifting roles in the digital age. For risk management, the Bank is committed to ensuring appropriate risk management at all levels, such as credit risk, operational risk, and cyber security risk. The Bank also places high emphasis on supervision and corporate governance within the organization to ensure that management practices adhere to fair market conduct which constitutes one of consumers' basic rights.

5. Sustainability at SCB

The Bank continues to operate its business with full commitments to social and environmental responsibility. Starting in the fourth quarter of 2018, the Bank has focused on developing financial products to promote financial inclusion for both individuals and businesses at all strata of society by incorporating artificial intelligence and machine learning technologies in data analytics to obtain insights on customer needs and develop products suitable for each customer segment. These technologies are also the cornerstone of the Bank's new digital lending platforms which provide personalized offerings to customers, e.g. "Mae Manee Sri Online" for SMEs and "Purposeful Lending," an education and medical loan product for retail customers. Moreover, the Bank launched the "Basic Banking Account" for state welfare card holders and senior citizens to support the national policy aimed at inclusivity and equality of basic banking services. The basic banking account is a savings account with no minimum balance requirement, no card issuing fee and no annual fee for account maintenance.

The Bank also applies advanced technologies to make financial knowledge accessible by developing "Kebhom", the first AI-powered money saving App in Thailand featuring target-based savings tips and advice. "Peukhom" is another interactive expense tracker chatbot available on Facebook messenger which allows users to record daily expenses, set monthly budget, and obtain expense summary charts by spending category.

In the fourth quarter of 2018, the Bank has been selected as a member of the Thailand Sustainability Investment Index (THSI) and received Outstanding Sustainability Awards from the Stock Exchange of Thailand for companies with market capitalization over Baht 100 billion. Furthermore, the Bank has been included in globally renowned sustainability indices such as the 2018 FTSE4Good Emerging Index by FTSE Russell, and has consistently performed well on environmental, social and governance (ESG) ratings, e.g. rated AA¹ in the banking category from the MSCI ESG ratings for the third consecutive year. All this recognition reflects the Bank's commitments to social and environmental sustainability as an integral part of its operations.

¹ MSCI ESG ratings is based on a 7-tier scale: AAA, AA, A, BBB, BB, B and CCC from highest to lowest.

6. Awards and Achievement

(Awards granted during the fourth quarter of 2018)

THE BANKER

- Bank of the Year in Thailand 2018

GLOBAL BANKING AND FINANCE REVIEW (U.K.)

- Best Investment Bank Thailand 2018

THE ASSET (H.K.)

- Best domestic bank
- Best domestic corporate and institutional adviser
- Best equity adviser
- Best domestic bond adviser
- Best IPO - Gulf Energy Development Public Company US\$702 million IPO
- Best follow-on offering - Digital Telecommunications Infrastructure Fund US\$1.7 billion rights offering and primary placement
- Best corporate bond - Thai Beverage Baht 70 billion multi-tranche senior unsecured debentures
- Best corporate bond - EDL-Generation Public Company Baht 13.66 billion bond offering
- Best Bond, Laos
- Best Retail Mobile Banking Experience (Thailand)
- Most Innovative Data Analytics Project (Thailand)

ASIAMONEY (H.K.)

- Tech Provision Rankings (as voted by corporates) in Thailand

THE STOCK EXCHANGE OF THAILAND

- Outstanding Sustainability Award 2018 (for companies with market capitalization over Baht 100 billion)
- Selected as member of Thailand Sustainability Investment Index (THSI)
- Best Deal of the Year Award - Gulf Energy Development Public Company

THAILAND MANAGEMENT ASSOCIATION

- Financial Management Excellence Award
- Product / Service Excellence Award
- Innovation Excellence Award
- Marketing Excellence Award

7. Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2018

Siam Commercial Bank PCL reported (audited) consolidated **net profit** of Baht 40,068 million for 2018, a 7.1% yoy decrease from Baht 43,152 million in 2017. Lower net profit was primarily due to higher operating expenses from new technology investments and customer acquisition initiatives under the Transformation Program and lower non-interest income from a decline in both net fee income and net insurance premium. **Total operating income** increased by 1.5% yoy mainly due to net interest income growth of 4.4% yoy driven by higher loan volume and relatively stable net interest margin.

On a **quarterly basis**, net profit decreased by 23.0% yoy to Baht 7,084 million in 4Q18, largely due to higher provisions coupled with lower net fee income from digital transaction fee waiver. A higher level of provisions reflects the Bank's prudential provisioning against macroeconomic uncertainties and at the same time the Bank is shifting its loan portfolio towards unsecured products and digital lending. Nonetheless, net interest income increased by 4.7% yoy from loan growth of 5.2% yoy.

On a **quarter-on-quarter** basis, net profit decreased by 32.6% qoq to Baht 7,084 million in 4Q18 because of higher provisions as mentioned earlier.

Net Profit and Total Comprehensive Income

Consolidated	2018	2017	% yoy	4Q18	% qoq	% yoy
Unit: Baht million						
Net interest income	96,369	92,310	4.4%	24,798	1.7%	4.7%
Non-interest income	41,855	43,903	-4.7%	8,983	-13.1%	-15.8%
Total operating income	138,225	136,212	1.5%	33,781	-2.7%	-1.7%
Operating expenses	64,639	57,650	12.1%	16,129	-2.3%	4.7%
Operating profit	73,586	78,562	-6.3%	17,652	-3.1%	-6.8%
Impairment loss on loans and debt securities	24,023	25,067	-4.2%	8,871	72.8%	18.4%
Income tax	9,468	10,291	-8.0%	1,704	-33.8%	-24.0%
Non-controlling interests	28	53	-47.8%	(6)	NM	NM
Net profit (attributable to shareholders of the Bank)	40,068	43,152	-7.1%	7,084	-32.6%	-23.0%
Other comprehensive (loss) income	(4,809)	4,919	NM	220	10.7%	NM
Total comprehensive income	35,259	48,071	-26.7%	7,304	-31.8%	-19.4%
ROAE	10.8%	12.4%		7.5%		
ROAA	1.3%	1.5%		0.9%		

NM denotes "not meaningful"

Share Information

Unit: Baht	2018	2017	% yoy	4Q18	% qoq	% yoy
EPS	11.79	12.69	-7.1%	2.08	-32.6%	-23.0%
BVPS	111.80	106.93	4.6%	111.80	2.0%	4.6%
Closing price	133.50	150.00	-11.0%	133.50	-10.4%	-11.0%
Shares outstanding* (Million shares)	3,399	3,399	0.0%	3,399	0.0%	0.0%
Market capitalization (Baht billion)	453.8	509.9	-11.0%	453.8	-10.4%	-11.0%

* The Bank's share includes common shares and preferred shares

Income Statement for the fourth quarter and year ended December 31, 2018 (Consolidated basis)

Net interest income

Consolidated Unit: Baht million	2018	2017	% yoy	4Q18	% qoq	% yoy
Interest income	129,127	125,113	3.2%	33,331	2.4%	5.3%
Loans	98,035	95,788	2.3%	25,113	1.3%	3.9%
Interbank and money markets	5,456	5,028	8.5%	1,594	26.3%	27.8%
Financial leases	12,003	11,024	8.9%	3,125	2.0%	10.6%
Investments	13,495	13,185	2.3%	3,468	3.3%	2.4%
Others	138	88	56.5%	30	-46.0%	36.4%
Interest expenses	32,758	32,804	-0.1%	8,533	4.7%	7.0%
Deposits	18,301	19,006	-3.7%	4,781	5.6%	3.5%
Interbank and money markets	1,534	1,218	25.9%	373	-0.5%	4.4%
Borrowings	3,012	3,092	-2.6%	859	6.6%	49.2%
Contribution to the Deposit Protection Agency & FIDF	9,735	9,419	3.4%	2,474	2.8%	3.6%
Others	176	69	154.6%	46	28.9%	55.2%
Net interest income	96,369	92,310	4.4%	24,798	1.7%	4.7%

- **Net interest income** in 2018 increased by 4.4% yoy to Baht 96,369 million given loan growth of 5.2% yoy and relatively stable net interest margin from effective deposit cost management.
- On a **quarterly basis**, net interest income increased by 4.7% yoy to Baht 24,798 million in 4Q18, largely driven by loan growth of 5.2% yoy and higher interest income from interbank and money markets.
- On a **quarter-on-quarter** basis, net interest income increased by 1.7% qoq as a result of higher interest income from loans as well as interbank and money markets.

Yield and cost of funding

Consolidated	2018	2017	4Q18	3Q18	2Q18	1Q18	4Q17
Unit: Percentage							
Net interest margin	3.21%	3.23%	3.26%	3.26%	3.21%	3.18%	3.28%
Yield on earning assets	4.30%	4.38%	4.38%	4.34%	4.31%	4.26%	4.39%
Yield on loans	5.27%	5.38%	5.32%	5.30%	5.25%	5.19%	5.36%
Yield on interbank and money market	1.57%	1.75%	1.58%	1.30%	1.53%	1.57%	1.58%
Yield on investment	2.37%	2.27%	2.68%	2.66%	2.43%	2.42%	2.43%
Cost of funds*	1.40%	1.45%	1.44%	1.40%	1.40%	1.39%	1.41%
Cost of deposits**	1.31%	1.38%	1.35%	1.30%	1.31%	1.31%	1.36%

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

* Cost of funds = Interest expenses (including the contribution to DPA & FIDF) / Average interest-bearing liabilities.

** Cost of deposits includes the contribution to the Deposit Protection Agency and FIDF fee.

SCB Interest Rates	Apr 29, 15	May 21, 15	Jul 20, 15	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16	May 16, 17
Lending rate (%)									
MLR	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275	6.025
MOR	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12	6.87
MRR	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62	7.37
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	0.90-0.95	0.90	0.90	0.90-1.60	0.90	0.90	0.90	0.90	0.90
6-month deposits	1.15-1.20	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
12-month deposits	1.50	1.50	1.50	1.30	1.30	1.30	1.30	1.40	1.40
Policy rate (%)									
	Nov 30, 11	Jan 25, 12	Oct 17, 12	May 29, 13	Nov 27, 13	Mar 12, 14	Mar 11, 15	Apr 29, 15	Dec 19, 18
Policy rate (%)	3.25	3.00	2.75	2.50	2.25	2.00	1.75	1.50	1.75

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

Non-interest income

Consolidated	2018	2017	% yoy	4Q18	% qoq	% yoy
Unit: Baht million						
Net fee and service income	28,456	30,324	-6.2%	6,700	2.6%	-16.4%
Fee and service income	37,016	36,855	0.4%	9,025	2.6%	-7.4%
Fee and service expenses	8,560	6,531	31.1%	2,324	2.6%	33.6%
Net insurance premiums	682	2,866	-76.2%	(273)	NM	NM
Net earned insurance premiums	50,592	49,232	2.8%	11,343	3.1%	18.0%
Net insurance claims	49,910	46,366	7.6%	11,616	5.3%	20.5%
Net fee and insurance premium	29,138	33,189	-12.2%	6,428	-1.1%	-19.5%
Net gain on trading	7,945	7,090	12.1%	1,462	-33.6%	-17.6%
Share of profit (loss) from investment in associate	47	(9)	NM	(120)	NM	NM
Dividend income	1,211	1,032	17.3%	126	-56.2%	-22.1%
Other income	584	990	-41.0%	156	86.9%	26.9%
Non-interest income excluding net gain on investments	38,925	42,292	-8.0%	8,052	-12.8%	-19.8%
Net gain on investments	2,930	1,611	81.9%	931	-14.8%	49.5%
Total non-interest income	41,855	43,903	-4.7%	8,983	-13.1%	-15.8%

NM denotes "not meaningful"

- **Non-interest income** decreased by 4.7% yoy to Baht 41,855 million in 2018 despite higher net gain on investments and higher net gain on trading. This decline was due to lower net insurance premium and lower net fee income from the digital transaction fee waiver and declining mutual fund fees.
- **Net insurance premium fell** in 2018 because of (1) lower new sales in 2018, (2) a decline in renewal premiums following slow insurance sales in the past few years, and (3) higher surrenders given a weak economy and maturation of policies sold in prior years which raised net insurance claims. Net insurance premium is expected to remain weak as these conditions continue to prevail in the near term. To counter this trend and increase sales volume, the Bank plans to shift product mix toward health protection and unit-linked products and expand client coverage by leveraging both traditional branch-based model and digital channels. Digitization/technology at SCB Life will also be uplifted to be aligned with that of SCB.
- On a **quarterly basis**, non-interest income decreased by 15.8% yoy to Baht 8,983 million in 4Q18 due to lower net fee income from the digital transaction fee waiver and declining mutual fund fees, lower net gain on trading from market volatility, and lower net insurance premium.
- On a **quarter-on-quarter** basis, non-interest income decreased by 13.1% qoq mainly due to lower net gain on trading and lower net insurance premium as mentioned earlier while net fee income increased qoq from corporate finance fees.

Net fee income breakdown

Consolidated	2018	2017	% yoy	4Q18	% qoq	% yoy
Unit: Baht million						
Net Fee and Service Income	28,456	30,324	-6.2%	6,700	2.6%	-16.4%
Bank cards	8,116	7,917	2.5%	2,112	2.3%	4.1%
GMTS*	5,122	5,296	-3.3%	1,182	11.4%	-7.4%
Bancassurance fee	2,749	2,438	12.7%	623	-1.0%	-11.1%
Mutual fund	6,228	6,924	-10.1%	1,357	-6.7%	-24.3%
Loan related fee	2,781	2,926	-4.9%	674	4.0%	-18.6%
Others**	3,460	4,823	-28.3%	752	12.1%	-45.6%

* GMTS stands for Global Markets and Transaction Services, which includes cash management, trade finance, corporate finance and corporate trust.

** Others include brokerage fee, fund transfer and remittance.

Operating expenses

Consolidated	2018	2017	% yoy	4Q18	% qoq	% yoy
Unit: Baht million						
Employee expenses	29,347	27,488	6.8%	7,290	-0.1%	7.9%
Premises and equipment expenses	13,264	11,554	14.8%	3,549	6.4%	16.1%
Taxes and duties	4,489	4,417	1.6%	1,153	4.3%	-0.6%
Directors' remuneration	100	99	1.4%	26	-2.5%	0.9%
Other expenses	17,439	14,092	23.8%	4,111	-13.2%	-6.8%
Total operating expenses	64,639	57,650	12.1%	16,129	-2.3%	4.7%
Cost to income ratio	46.8%	42.3%		47.7%		

- **Operating expenses** increased by 12.1% yoy to Baht 64,639 million in 2018 primarily from new technology investments and customer acquisition initiatives under the Transformation Program. Other expenses were higher as marketing expenses rose to support new customer acquisition, marketing campaigns, and new product launch. Employee expenses went up as a result of annual salary adjustments. An increase in premises and equipment expenses reflected higher depreciation from the Bank's investment program as well as higher software rental.
- On a **quarterly basis**, non-interest expenses increased by 4.7% yoy to Baht 16,129 million in 4Q18 due to higher staff costs from annual salary adjustments as well as higher premises and equipment expenses which reflected higher depreciation from the Bank's investment program and higher software rental.
- On a **quarter-on-quarter** basis, operating expenses fell 2.3% qoq as other expenses declined with lower marketing expenses.

With modest top-line growth amid this high investment cycle, cost-to-income ratio reached 46.8% in 2018 which was within the revised target of 45-47% in 2018.

Impairment loss on loans and debt securities

Consolidated	2018	2017	% yoy	4Q18	% qoq	% yoy
Unit: Baht million						
Impairment loss on loans and debt securities	24,023	25,067	-4.2%	8,871	72.8%	18.4%
Credit cost (bps)	115	126		167		
Coverage ratio	146.7%	137.3%		146.7%		

- In 2018, **impairment loss on loans and debt securities** was set at Baht 24,023 million or 115 bps of total loans. This included additional prudent provisions of around Baht 4 billion booked in 4Q18 to safeguard against external uncertainties and at the same time the Bank is shifting its loan portfolio towards unsecured products and digital lending. With a higher level of provisions, coverage ratio improved to 146.7% in 2018 from 137.3% in 2017.

Balance sheet as of December 31, 2018 (Consolidated basis)

As of December 31, 2018, the Bank's total assets stood at Baht 3,187 billion, an increase of 5.4% yoy. Details on the consolidated balance sheets are provided in the following sections:

Loans

By Segment (Consolidated)	Dec 31, 18	Dec 31, 17	% yoy	Sep 30, 18	% qoq
Unit: Baht million		(Restated)			
Corporate*	830,586	782,523	6.1%	812,301	2.3%
SME*	341,305	342,411	-0.3%	344,388	-0.9%
Retail	968,670	909,798	6.5%	947,075	2.3%
Housing loans**	644,508	630,079	2.3%	643,551	0.1%
Auto loans	203,075	179,933	12.9%	195,722	3.8%
Other loans	121,087	99,786	21.3%	107,802	12.3%
Total loans	2,140,561	2,034,732	5.2%	2,103,764	1.7%

* In 2Q18, some SME customers experienced sales turnover growth and were reclassified as Corporate loans. Data for December 31, 2017 are restated figures.

** Including all home mortgage loans, some of which are from segments other than retail. This is different from the sectorial loans listed on Addition Financial Information section.

As of December 31, 2018, loans (net of deferred revenue) grew both yoy and qoq mainly driven by corporate and retail segments.

- The 5.2% yoy loan growth was slightly lower than the Bank's loan growth target of 6-8% for 2018.
- Details on changes in loan volume by customer segments are as follows:
 - **Corporate** loans grew by 6.1% yoy and 2.3% qoq mainly from working capital loans.
 - **SME** loans declined by 0.3% yoy and 0.9% qoq.
 - **Retail** loans expanded by 6.5% yoy and 2.3% qoq.
 - **Housing loans** increased by 2.3% yoy but was relatively flat qoq. Housing loans grew at a slower pace than the overall market as the Bank has adjusted its loan portfolio to achieve the optimal risk-return.
 - **Auto loans** rose 12.9% yoy and 3.8% qoq, largely driven by higher car sales.
 - **Other loans** (mostly personal loans and credit card receivables) surged 21.3% yoy and 12.3% qoq, following the Bank's strategy to grow high margin loans.

Deposits

Consolidated	Dec 31, 18	Dec 31, 17	% yoy	Sep 30, 18	% qoq
Unit: Baht million					
Demand	68,139	78,274	-12.9%	72,314	-5.8%
Savings	1,418,782	1,281,892	10.7%	1,378,995	2.9%
Fixed	672,710	732,291	-8.1%	672,159	0.1%
Less than 6 months	133,341	164,034	-18.7%	129,248	3.2%
6 months and up to 1 year	194,939	176,335	10.6%	188,350	3.5%
Over 1 year	344,430	391,922	-12.1%	354,561	-2.9%
Total deposits	2,159,631	2,092,457	3.2%	2,123,468	1.7%
CASA - Current & Savings Accounts (%)	68.9%	65.0%		68.3%	
Gross loans to deposits ratio	99.1%	97.2%		99.1%	
Liquidity ratio (Bank-only)	25.0%	26.9%		25.4%	

As of December 31, 2018, total **deposits** rose 3.2% yoy from higher savings deposits, while current and fixed deposits declined. The yoy decrease in fixed deposits was due mainly to the end of the 15-month fixed deposit campaign in 3Q18. On a quarter-on-quarter basis, deposits grew largely from saving deposits. As a result, the Bank's CASA proportion further increased to 68.9% at the end of 2018.

Statutory Capital

Pursuant to Basel III guidelines, the Bank of Thailand (BOT) requires all Thai commercial banks to hold a capital conservation buffer from January 1, 2016 onward. This additional capital requirement is to be phased in gradually to the Common Equity Tier 1 capital requirement at the rate of 0.625% p.a. until reaching the 2.5% target in 2019.

Furthermore, the Bank has recently been classified by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which are required to maintain higher minimum Common Equity Tier 1 capital to provide additional stability and resilience. This 1% Higher Loss Absorbency requirement applied to D-SIBs will be phased in starting at 0.5% in 2019 and increasing to 1.0% in 2020.

The minimum regulatory capital requirements which include the capital conservation buffer and the D-SIBs buffer (Higher Loss Absorbency) are shown in the table below.

Minimum regulatory capital requirement (%)	2016	2017	2018	2019	2020
Common Equity Tier 1	4.50%	4.50%	4.50%	4.50%	4.50%
Tier 1 capital	6.00%	6.00%	6.00%	6.00%	6.00%
Total capital	8.50%	8.50%	8.50%	8.50%	8.50%
<u>Additional buffers</u>					
Capital Conservation Buffer	0.625%	1.25%	1.875%	2.50%	2.50%
D-SIB Buffer	-	-	-	0.50%	1.00%
Common Equity Tier 1	5.125%	5.75%	6.375%	7.50%	8.00%
Tier 1 capital	6.625%	7.25%	7.875%	9.00%	9.50%
Total capital	9.125%	9.75%	10.375%	11.50%	12.00%

Both current and upcoming regulatory changes have been incorporated into the Bank's long-term capital management plan well in advance. The Bank believes that its strong capital position, which is currently above the minimum regulatory requirement, together with high loan loss provisions will enable the Bank to withstand any adverse shocks, be it Bank-specific or economy-wide. Also, its strong capital position will facilitate the Bank to pursue any future growth opportunities.

The table below shows the Bank's total capital ratios under Basel III at the end of December 2018.

Unit: Baht million, %	Consolidated			Bank-only		
	Dec 31, 18	Sep 30, 18	Dec 31, 17	Dec 31, 18	Sep 30, 18	Dec 31, 17
Statutory Capital						
Common Equity Tier 1/ Tier 1*	326,679	331,484	321,939	305,183	309,000	299,978
Tier 2 capital	43,793	43,417	42,564	42,953	42,587	41,754
Total capital	370,472	374,901	364,503	348,136	351,587	341,732
Risk-weighted assets	2,166,374	2,133,655	2,055,938	2,091,071	2,058,640	1,984,315
Capital Adequacy Ratio	17.1%	17.6%	17.7%	16.6%	17.1%	17.2%
Common Equity Tier 1/ Tier 1*	15.1%	15.6%	15.6%	14.6%	15.0%	15.1%
Tier 2 capital	2.0%	2.0%	2.1%	2.0%	2.1%	2.1%

* CET1 under the Basel III framework was adopted in Thailand from January 1, 2013.

Asset Quality

At the end of December 2018, gross NPLs on a consolidated basis increased slightly yoy to 2.85%. The yoy increase in NPLs was mainly from the qualitative loan classification of one corporate customer in the mining industry in 3Q18 and a relapse of one corporate customer in the auto parts industry in 4Q18. However, SME loans' asset quality improved both yoy and qoq.

Unit: Baht million, %	Dec 31, 18	Sep 30, 18	Jun 30, 18	Mar 31, 18	Dec 31, 17
Consolidated					
Non-Performing Loans (Gross NPLs)	70,389	69,762	67,391	65,840	65,560
Gross NPL ratio	2.85%	2.80%	2.81%	2.77%	2.83%
Non-Performing Loans (Net NPLs)	35,699	37,075	36,281	35,929	35,592
Net NPL ratio	1.47%	1.51%	1.53%	1.53%	1.56%
<u>Gross NPL ratio by segment/product</u>					
Corporate	2.16%	1.90%	1.70%	1.77%	1.80%
SME	7.97%	8.51%	8.25%	8.24%	8.08%
Retail	2.60%	2.64%	2.67%	2.55%	2.62%
Housing loans	3.13%	3.17%	3.21%	3.01%	3.08%
Auto loans	1.80%	1.71%	1.67%	1.69%	1.82%
Allowance for doubtful accounts and debt restructuring*	103,273	99,438	96,697	93,443	89,990
Total allowance to NPLs (Coverage ratio)	146.7%	142.5%	143.5%	141.9%	137.3%
Credit cost (bps) - quarterly	167	98	96	98	149
Bank-only					
Non-Performing Loans (Gross NPLs)	69,383	68,756	66,374	64,817	64,537
Non-Performing Loans (Net NPLs)	35,406	36,780	35,982	35,626	35,289
Gross NPL ratio	2.84%	2.78%	2.80%	2.75%	2.81%
Net NPL ratio	1.47%	1.51%	1.53%	1.53%	1.56%

* Excluding interbank and money market items.

Consolidated Unit: Baht million	Dec 31, 18		Sep 30, 18		Dec 31, 17	
	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts
Normal	2,019,500	20,661	1,987,388	20,250	1,920,725	19,964
Special mention	53,968	3,500	50,378	3,424	51,721	3,225
Substandard	23,034	12,831	17,324	9,120	17,161	7,961
Doubtful	13,246	4,318	13,743	4,338	13,429	4,163
Doubtful loss	34,147	17,902	38,730	19,600	35,024	18,206
Total	2,143,895	59,212	2,107,563	56,732	2,038,060	53,519
Allowance established in excess of BOT regulations		40,193		38,521		32,180
Total allowance		99,405		95,253		85,699

Special mention loans increased 7.1% qoq mainly from qualitative loan classification of some corporate and SME customers.

New NPLs by Segment and by Product

	2018				2017				2016				2018	2017
	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16		
Total loans	0.48%	0.49%	0.44%	0.41%	0.49%	0.38%	0.45%	0.41%	0.52%	0.50%	0.40%	0.41%	1.80%	1.71%
Corporate*	0.14%	0.25%	0.02%	0.06%	0.09%	0.01%	0.03%	0.03%	0.18%	0.28%	0.00%	0.05%	0.46%	0.17%
SME*	0.68%	0.73%	0.68%	0.79%	0.67%	0.58%	1.08%	0.63%	1.08%	0.70%	0.60%	0.86%	2.90%	2.77%
Housing loans**	0.85%	0.81%	0.93%	0.70%	0.96%	0.70%	0.70%	0.76%	0.61%	0.68%	0.65%	0.51%	3.26%	3.07%
Auto loans***	0.67%	0.57%	0.51%	0.43%	0.54%	0.50%	0.50%	0.41%	0.50%	0.40%	0.43%	0.41%	2.10%	1.91%
New NPLs (Baht billion)	11.8	12.2	10.6	9.7	11.4	8.8	10.4	9.1	11.2	10.8	8.2	8.6	44.3	39.6

* In 2Q18, some SME customers experienced sales turnover growth and were reclassified as Corporate customers. Data as of 1Q17, 2Q17, 3Q17, 4Q17, and 1Q18 are restated figures.

** Most of new NPLs in housing loans were highly concentrated among customers who are self-employed with high levels of leverage and high loan-to-value ratios. The Bank has tightened its underwriting standards for these segments since early 2014.

*** Exclude the cases in which cars had been repossessed before the end of the month on the month that loans were classified as NPL.

In 2018, overall new NPL formation trended up slightly from the previous year but remained within the expected range. An increase in new NPLs for corporate was mainly from qualitative loan classification of one corporate customer in the mining industry in 3Q18. New NPL formation for SME increased percentage-wise because of SME loan contraction but declined yoy in absolute term. New NPL formation for mortgages was concentrated among old vintages and the self-employed segment. As the Bank's underwriting standards have been tightened in the past few years, new NPL from housing loans is expected to show sign of improvement.

In 4Q18, new NPL formation declined slightly qoq as a result of qualitative classification of one corporate customer in the mining industry in 3Q18 (for which full provisions have been made). Despite several external uncertainties, the Bank expects NPL ratio for 2019 to be below 3%.

Sources and Uses of Funds

As of December 31, 2018, deposits accounted for 67.8% of SCB's funding base. Other major sources of funds were: 11.9% from shareholders' equity, 8.7% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 4.5% from interbank borrowings, and 3.4% from debt issuance. As of December 31, 2018, the funds were deployed as follows: 67.2% for loans, 17.8% for investments in securities, 11.9% for interbank and money markets lending, and 1.5% held in cash.

Additional Financial Information

	(Baht million, %)				
Consolidated	Dec 31, 18	Dec 31, 17	% yoy	Sep 30, 18	% qoq
Loans by Sector	2,140,561	2,034,732	5.2%	2,103,764	1.7%
Agricultural and mining	19,798	19,554	1.2%	20,046	-1.2%
Manufacturing and commercial	610,341	612,733	-0.4%	606,070	0.7%
Real estate and construction	166,640	149,123	11.7%	167,146	-0.3%
Utilities and services	376,276	346,294	8.7%	365,692	2.9%
Housing loans*	552,772	542,564	1.9%	554,316	-0.3%
Other loans	414,734	364,464	13.8%	390,494	6.2%
Investment**	568,901	570,371	-0.3%	468,267	21.5%
Trading securities and securities measured at fair value through P/L	13,415	16,193	-17.2%	17,435	-23.1%
Available-for-sale securities	432,663	432,064	0.1%	326,665	32.4%
Held-to-maturity securities	120,645	120,671	0.0%	122,133	-1.2%
General investments	2,131	1,443	47.7%	1,866	14.2%
Investment in associate	47	0	NM	167	-71.7%
Debt securities in issue and borrowings	107,561	78,538	37.0%	94,707	13.6%
Bonds	86,694	54,542	58.9%	72,110	20.2%
Subordinated bonds	20,000	20,000	0.0%	20,000	0.0%
Structured notes	607	3,815	-84.1%	2,322	-73.9%
Others	260	181	43.4%	275	-5.5%
NPL breakdown by status (Bank-only)					
Restructured and being serviced	75.1%	66.2%	8.9%	70.9%	4.2%
Under negotiation for restructuring	2.9%	5.8%	-2.9%	4.0%	-1.1%
In litigation	8.4%	15.0%	-6.6%	12.6%	-4.2%
In foreclosure process	13.6%	13.0%	0.6%	12.5%	1.1%
Troubled debt restructured loans	33,493	35,723	-6.2%	33,853	-1.1%
Restructured loans which are classified as NPL	10,257	8,595	19.3%	7,131	43.8%
Restructured loans which are not classified as NPL	23,236	27,128	-14.3%	26,722	-13.0%
	4Q18	3Q18	4Q17	2018	2017
Yield on loans	5.32%	5.30%	5.36%	5.27%	5.38%
Corporate	4.18%	4.20%	4.16%	4.16%	4.15%
SME	6.00%	5.96%	6.15%	5.93%	6.13%
Retail	6.22%	6.21%	6.31%	6.16%	6.34%
Housing loans	4.95%	4.98%	5.20%	4.99%	5.25%
Auto loans	6.28%	6.33%	6.39%	6.29%	6.36%
Auto loans portfolio					
New car	56.3%	56.4%	56.3%	56.3%	56.3%
Used car	27.3%	27.1%	26.7%	27.3%	26.7%
My car, My cash	16.3%	16.5%	16.9%	16.3%	16.9%
NPL reduction methodology					
Repayments, auctions, foreclosures and account closed	39.0%	56.5%	37.4%	52.4%	39.1%
Debt restructuring	5.0%	7.7%	7.4%	7.0%	5.8%
NPL sales***	44.2%	22.4%	26.8%	28.3%	28.9%
Write off	11.8%	13.3%	28.4%	12.3%	26.1%

* 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 December 31, 2018, September 30, 2018, and December 31, 2017, was Baht 645 billion, Baht 644 billion, and Baht 630 billion, respectively.

** 83.9% were investments in government and state-enterprise securities. The Bank held a high proportion of government securities to fulfill its goal of maintaining, at a bank-only level, a liquidity ratio (liquid assets/deposits) of at least 20%.

*** The Bank sold NPLs of Baht 9.2 billion in 4Q18, Baht 3.3 billion in 3Q18, Baht 2.7 billion in 4Q17, Baht 17.4 billion for 2018 and Baht 11.7 billion in 2017.

Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	December 31, 2018
Moody's Investors Service	
Outlook	Stable
Bank deposits	Baa1/P-2
Senior unsecured MTN	(P) Baa1
Other short term	(P) P-2
S&P Global Ratings	
Counterparty Credit Rating	BBB+/A-2
Outlook	Stable
Senior Unsecured (Long Term)	BBB+
Senior Unsecured (Short Term)	A-2
Fitch Ratings	
<u>Foreign Currency</u>	
Long Term Issuer Default Rating	BBB+
Short Term Issuer Default Rating	F2
Outlook	Stable
Senior Unsecured	BBB+
Viability Rating	bbb+
<u>National</u>	
Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable
Subordinated Debenture	AA(th)