



ANNUAL REPORT 2016







LONG LIVE HIS MAJESTY THE KING



THE BOARD OF DIRECTORS, MANAGEMENT, STAFF OF
SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED
AND SUBSIDIARIES



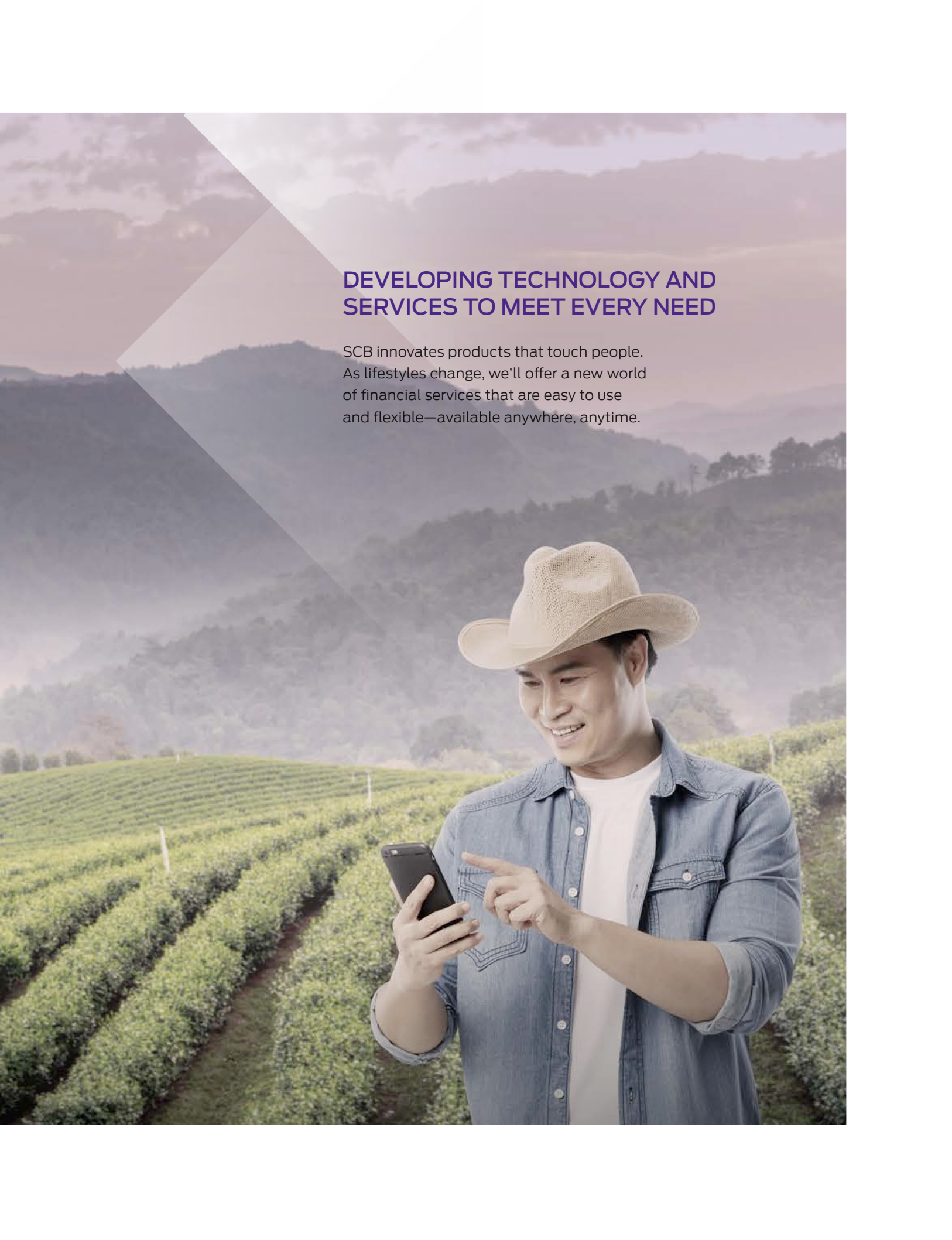


The sky also broke open and wept along
with many millions grieving the loss of the great King.
We, his humble subjects, deeply mourn.

Yet His Majesty's wisdom and legacy shine on,
lighting our path, guiding us onward.
His life of virtue has blessed us, and we hope to continue his vision
for the country in tribute to our great King.

The Board of Directors, Management, Staff of
Siam Commercial Bank Public Company Limited
and Subsidiaries

FINANCIAL INNOVATIONS
THAT MAKE LIFE EASIER

A man wearing a straw hat and a denim shirt is smiling while looking at a smartphone. He is standing in a tea plantation with rows of tea bushes in the foreground and misty mountains in the background. A large, semi-transparent purple geometric shape is overlaid on the left side of the image.

DEVELOPING TECHNOLOGY AND SERVICES TO MEET EVERY NEED

SCB innovates products that touch people. As lifestyles change, we'll offer a new world of financial services that are easy to use and flexible—available anywhere, anytime.

A man in a white shirt and purple apron is smiling and taking a photo of a woman with a camera. The woman is sitting and holding a tablet, looking at it. The background is a bright, modern interior with a shelf holding a potted plant. A large, semi-transparent purple triangle is overlaid on the left side of the image, containing the text.

WE STAND BY EACH
CUSTOMER'S SIDE,
**BUILDING TRUST
WITH EVERY STEP**



A GOOD UNDERSTANDING HELPS US GIVE GOOD ADVICE

Our people take care to get to know each customer, to develop a relationship of trust. And our technology helps relationships too. It lets us analyze how we serve clients, making sure we meet their needs.



JOINING SCB MEANS JOINING
A FAMILY THAT HELPS
**YOUR PROGRESS
AND HAPPINESS**



DISCOVER A WORLD OF CAREER OPPORTUNITIES

SCB is a big family of people joining hands to shape a better future and grow together. We offer opportunities to learn, to gain real satisfaction from work. And we all help each other. Our people can take pride in their own success and the success of SCB.

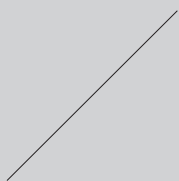
WE PLANT SEEDS
TO GROW
A BETTER WORLD





DOING BUSINESS WITH SUSTAINABILITY IN MIND

Ethics, good corporate governance and social responsibility are at the heart of how SCB works each and every day. Beyond business, we initiate projects and activities that do good for society. We especially support youth development and learning, to nurture the young generation that will help our nation flourish.



Our Vision:

THE MOST ADMIRABLE BANK

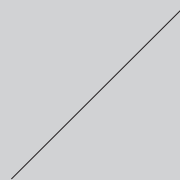


TABLE OF CONTENTS

1	MESSAGE FROM THE BOARD OF DIRECTORS	17
2	BOARD OF DIRECTORS AND SENIOR EXECUTIVE OFFICERS	
	• Board of Directors	20
	• Senior Executive Officers	28
	• Organizational Structure	34
3	BUSINESS OPERATIONS OF THE BANK	
	• Thailand's Economic Conditions in 2016 and Outlook for 2017	36
	• Industry and Competition Review	38
	• Business Operations of the Bank and its Subsidiaries	40
	• Awards	50
4	RISK MANAGEMENT AND RISK FACTORS	52
5	CORPORATE SOCIAL RESPONSIBILITY	
	• Sustainability Report at SCB	63
	• Report of the Corporate Social Responsibility Committee	64
6	CORPORATE GOVERNANCE	
	• Corporate Governance Report 2016	65
	• Report of the Nomination, Compensation and Corporate Governance Committee	96
7	FINANCIAL REPORTS	
	• Report of the Board of Directors' Responsibility for the Financial Statements	98
	• Audit Committee Report	99
	• Management Discussion and Analysis	102
	• Pillar III Disclosure	119
	• Comparative Key Financial Statistics	120
	• Independent Auditor's Report	122
	• Financial Statement and Notes	127
8	SUPPLEMENTARY INFORMATION	257

2016 FINANCIAL HIGHLIGHTS

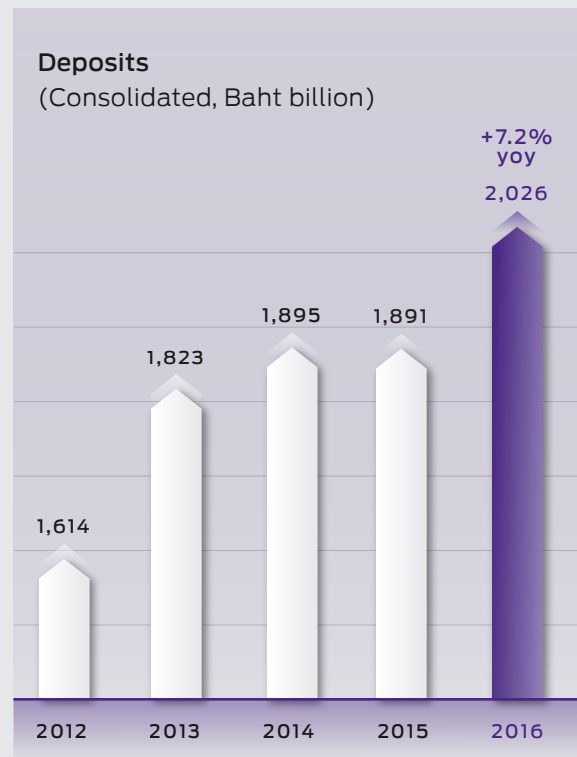
LOANS

The 5.8% yoy overall loan growth was mainly driven by corporate segment and housing loans.



DEPOSITS

The 7.2% yoy deposit growth came from an increase in all deposit types.



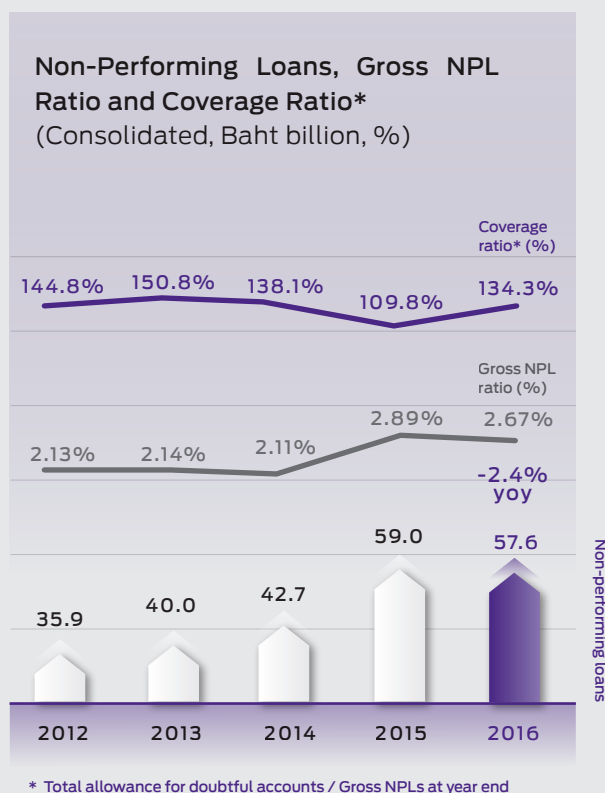
PROFITABILITY

Net profit increased slightly yoy in 2016, driven by higher net interest income (NII) and net fee income.



ASSET QUALITY

Non-performing loan ratio improved from last year, while coverage ratio* improved to 134.3%.





DR. VICHIT SURAPHONGCHAI
Chairman of the Executive
Committee

MR. ANAND PANYARACHUN
Chairman of the Board

MR. ARTHID NANTHAWITHAYA
President and Chief Executive Officer

MESSAGE FROM THE BOARD OF DIRECTORS

DEAR SHAREHOLDERS,

The passing of His Majesty King Bhumibol Adulyadej on October 13, 2016 brought the most profound loss to Thailand and all of its people. Throughout the seven decades of his reign, which was marked by Thailand's remarkable achievements and progress in every area, His Majesty King Bhumibol Adulyadej ruled with righteousness and was deeply beloved and revered by the Thai people, who regarded him as the heart of the nation. In remembrance of His Majesty King Bhumibol Adulyadej, the Bank arranged tribute ceremonies, which were observed by directors, executives and employees of SCB Group, including merit-making ceremonies marking the 7th, 15th, 50th and 100th days of his passing as well as the mass ordination of 90 SCB Group employees in honor of His Majesty King Bhumibol Adulyadej as a token of our deepest gratitude and reverence for his great benevolence. SCB executives and employees also took an oath to follow the path of virtue charted by His Majesty King Bhumibol Adulyadej for the sustainable development of the nation and to adhere to his royal guidance, given on February 21, 1957 at Suan Amporn on the occasion of the 50th anniversary of SCB's establishment, as excerpted here: ***"The financial business can prosper by treating its clients with honesty. The Siam Commercial Bank has evidently proved its quality in this respect and thus has been complimented by its clients, some of whom are civil servants, merchants and men of wealth. Every country needs a sound financial institution that works for the advantage of the country and the public and for the interest of itself in an effective manner."***

THE THAI ECONOMY IN 2016

Thailand's GDP growth was reported at 3.2% in 2016, a rate that exceeded expectations amid weak economic conditions. Ad-hoc stimulus spending packages and short-term fiscal policies were the main impetus for growth during the year, but the positive impact of these supporting factors was short-lived and did not generate substantial opportunities for business. Other spending remained slow, as household income was depressed by drought, low commodity prices and a stagnant labor market. Private investment and

exports remained weak amid the anemic state of recovery of the global economy. Although GDP growth was better than anticipated, there were also signs of economic slowing, such as declining growth in commercial and consumer loans, a deterioration of credit quality and dampened consumer and investor confidence.

In the second half of the year, the Thai economy showed clear signs of slowing, and uncertainty in global politics was highlighted by the U.K.'s Brexit referendum and the U.S. presidential election. The Federal Reserve's interest rate hikes triggered turbulence in the global money market, capital outflows and a rise in government bond yields. The Thai economy lost steam during the final months of 2016 amid gloomy domestic consumer sentiment and a temporary slowdown of the tourism sector, which has been a key economic driver, following the government's crackdown on zero-dollar tour groups from China, Thailand's leading source of tourists.

2016 FINANCIAL RESULTS

Despite the weak economic recovery, the Bank maintained high earnings similar to the previous year's level, a positive result from its strategy to be highly attentive to its customers, and thus retained its no. 1 position among Thai financial institutions in terms of market capitalization, which stood at Baht 518 billion as of December 30, 2016.

Consolidated net profit was reported at Baht 47.6 billion, a 0.9% increase from 2015. The Bank's profit increase was a result of higher net interest income and net fee income, whereas investment gains declined significantly. Asset quality improved, as the non-performing loan ratio stood at 2.67% at the end of December 2016, decreasing from the level of 2.89% recorded at the end of December 2015, and the coverage ratio for NPLs rose to 134.3% in 2016. The Bank maintained a solid capital base, as its total capital funds on a consolidated basis under Basel III were at a high of 17.7% of total risk-weighted assets at the end of 2016, representing common equity Tier 1 capital of 14.8%.

DEVELOPMENTS IN CORPORATE GOVERNANCE PRACTICES

Under the 2016 annual corporate governance assessment conducted by the Thai Institute of Directors (IOD) on Thai listed companies, the Bank won the highest rating of “5-star excellence,” a record that has continued without interruption since 2006. At the regional level, the Bank has been ranked among the top companies that received the highest rating in corporate governance under the ASEAN CG Scorecard assessment each year consecutively since the 2012 annual assessment round.

In 2016, the Bank further enhanced its corporate governance practices in all categories, such as the treatment of shareholders and stakeholders and the responsibilities of the Board. Highlights of these developments include the Bank's disclosure of its long-term objectives and goals, the disclosure of its creditor policies, the revision of the charters of the Board and Board committees, the expansion of the scope of matters reserved for the Board's approval, and the appointment of an independent director, who may not be the chairman of the Board, to lead the meeting of non-executive directors.

OUTLOOK FOR 2017

The forecast for Thailand's GDP growth in 2017 is at around 3.3%, on the back of higher household purchasing power, the government's economic stimulus programs and public investment projects. Domestic private consumption will get a boost from commodity prices that are rising in tandem with oil prices, helping bolster the incomes of exporters and rural households involved in farming several major crops. The liquidity of Thai households will improve in 2017 because millions finished paying off the first-car loans last year and many will be entitled to higher deductions from

personal income taxes for the tax year of 2017. It is likely that the government will continue to deploy economic stimulus measures and that public spending will surge due to the launch and expansion of many infrastructure mega-projects. The 2017 budget for these projects is expected to double in size compared to the year before.

During 2017 the Thai economy will continue to face major external risks that have been ongoing since last year. These prolonged economic issues include the fragile state of global recovery, China's decelerating growth, financial sector strain in China and Europe and the risks associated with political turbulence abroad. Moreover, Thailand will experience challenges from a decline in the growth of Chinese tourists, which might constrain the nation's tourism sector in 2017.

Volatility in global financial markets will persist as a result of a transition in monetary policy. It is forecast that the Federal Open Market Committee (FOMC) will announce two or three hikes in its benchmark interest rate, thereby rising from 0.50%-0.75% at the end of 2016 to 1.25%-1.50% by the end of 2017. Contrarily, some major economies, including the European Union, Japan and China, will be entangled in domestic economic issues and will not be able to tighten their monetary policies in the same direction as the Federal Reserve. This divergence in monetary policy will lead to an uneven recovery in the global economy, with sporadic volatility in financial markets. However, as Thailand's economic stability remains sound, it is forecast that the Bank of Thailand will maintain its policy rate at around 1.5% throughout 2017 and that the Thai baht will depreciate to the region of Baht 37 per dollar at the end of 2017.

THE BANK'S STRATEGIES IN 2017

While 2017 will witness a moderate pickup in macro-economic activity, the year is likely to continue to be characterized by market volatility and political uncertainty throughout the world. In the financial services industry, fundamental shifts in customer behavior and the regulatory landscape, driven by digital technologies, are redefining the operating environment and business paradigm. To stay ahead of these changes and thrive in the new environment, the Bank has embarked on a transformation journey, setting its vision to be the most admired bank for all of its constituents by balancing its goals of being the most preferred partner of its customers, consistently creating satisfactory returns for its shareholders, offering fair pay and benefits to its employees, serving as a responsible corporate citizen to society, and being considered a prudent operator by regulators.

The Bank's transformation program is anchored around transformation of the four key foundations - people,

process, product and technology. This multi-year transformation program is designed to fundamentally alter the Bank's overall capabilities, which will allow SCB to sustainably differentiate and create value for customers. To continue to deliver core performance and sustain growth momentum, the Bank will focus on executing a customer-centric strategy in expanding the customer base across all segments; embracing digital technologies to enable a new customer experience; growing coverage and ecosystems; as well as continuing to enforce disciplined risk management, with a prudent level of reserves to cushion volatility.

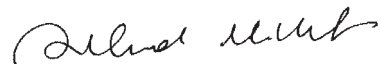
On behalf of the Board of Directors, we would like to thank all our shareholders, customers and business partners for their continuous support of the Bank. Also, we would like to express the Board's gratitude to the management and staff of the SCB Group for their passion and commitment in driving the Bank toward our renewed vision, to be **"The Most Admired Bank."**



MR. ANAND PANYARACHUN
Chairman of the Board



DR. VICHIT SURAPHONGCHAI
Chairman of the Executive
Committee



MR. ARTHID NANTHAWITHAYA
President and Chief Executive Officer

2

BOARD OF DIRECTORS

**MR. ANAND PANYARACHUN**

Chairman of the Board and Independent Director

Mr. Anand completed his Bachelor of Arts Degree (Honors) in law at Trinity College, University of Cambridge, U.K. and commenced his distinguished career at the Ministry of Foreign Affairs after graduation. Among the highlights of his career, he served as Ambassador to the United States, Permanent Representative to the United Nations, and Permanent Secretary of the Ministry of Foreign Affairs.

Mr. Anand is widely recognized for his pivotal role in the Kingdom's political development when he was called upon twice to serve as the Prime Minister of Thailand, and chaired the committee to draft the nation's new constitution in 1997. Mr. Anand has received honorary degrees from various Thai and foreign universities for his distinguished roles in many areas. He is also a 1997 recipient of the prestigious Ramon Magsaysay Award. He was appointed in 2013 by the Secretary-General of the United Nations to chair its High-Level Panel on Threats, Challenges and Change, established to review the U.N.'s role in a rapidly changing global political environment.

Mr. Anand also holds key positions in several organizations such as UNICEF Ambassador in Thailand, Honorary Chairman of Operation Smile Thailand, Chairman of the Advisory Council of Vidyasirimedhi Institute of Science and Technology, Member of the Advisory Council of Transparency International, and Advisor to the Board of the Anti-Corruption Organization of Thailand.

Mr. Anand brings an unparalleled perspective on the macro-level challenges facing the Bank and plays an important role in encouraging all members of the Board and the senior management team to further their roles guiding the Bank's strong growth and promoting good governance and corporate social responsibility within the Bank.

**DR. VICHIT SURAPHONGCHAI**

Director and Chairman of the Executive Committee

Dr. Vichit holds a Bachelor's Degree in engineering from Chulalongkorn University, a Master's Degree in engineering from the University of California, Berkeley, U.S., and an M.B.A. and a Ph.D. from the University of California, Los Angeles, U.S.

Dr. Vichit commenced his long and illustrious career in banking in 1977 at Bangkok Bank PCL. Later, he served the Royal Thai Government as the Minister of Transport and Communications from 1994-1995. He returned to the banking business in 1998 as the Chairman of Radanasin Bank PCL and thereafter, in December 1999, he joined SCB as Chairman of the Executive Committee and Director of the Bank.

Under his strategic vision, leadership and drive, Dr. Vichit has achieved a transformation of business operations within the SCB Group. By adopting a business model to provide full services as a universal bank, this transformation dramatically restored the competitiveness and profitability of the Bank, making it one of the most successful and admired banks in the country. Dr. Vichit anchored the Bank's transformation on the formation of a high-caliber executive management team and the establishment of a program to nurture development of its next generation of leaders.



DR. CHIRAYU ISARANGKUN NA AYUTHAYA

Director and Chairman of the Nomination, Compensation and Corporate Governance Committee

Dr. Chirayu holds a Bachelor's Degree in economics (Honors) from the London School of Economics, U.K., and a Ph.D. in economics from the Australian National University, Australia. Starting his career as an economist at the Department of Technical and Economic Cooperation, he went on to serve as Dean of the School of Development Economics at the National Institute of Development Administration (NIDA). During 1981-1986, he was appointed to the Cabinet of the Royal Thai Government, serving successively as Deputy Minister of Industry, Minister of Industry, and Minister Attached to the Prime Minister's Office. Since 1987, Dr. Chirayu has been Director General of the Crown Property Bureau. In 2016, he was appointed by royal command to also assume the prestigious position of Lord Chamberlain of the Bureau of the Royal Household.

Apart from his position as a Director of the Bank, Dr. Chirayu also serves at several other organizations, including as a Director of the Chaipattana Foundation, the Phra Dabos Foundation, and the Siriraj Foundation; and as Secretary General of the Sai Jai Thai Foundation as well as the Royal Project Foundation. He has also been appointed as Chairman of the Board of Directors of Siam Cement PCL and Deves Insurance PCL.

As a Director of the Bank, Dr. Chirayu plays an important role to promote, support, and reinforce the Bank's strong drive for good corporate governance and sustainable development.



KHUNYING JADA WATTANASIRITHAM

Independent Director, Chairperson of the Corporate Social Responsibility Committee, and Member of the Nomination, Compensation and Corporate Governance Committee

Khunying Jada holds Bachelor's and Master's Degrees in natural sciences and economics from the University of Cambridge, U.K., and a Master's Degree in economic development from Williams College, U.S. Khunying Jada commenced her career in banking at the Bank of Thailand before joining Siam Commercial Bank in 1975. She served as the Bank's President and CEO from 1999 to 2007.

At present, Khunying Jada also serves as Chairperson of SCB Life Assurance PCL, Chubb Samaggi Insurance PCL, and Siam Paragon Development Co., Ltd., and as Independent Director of Minor International PCL. She also serves on the councils and boards of several academic and non-profit organizations.



MR. PRASAN CHUAPHANICH

Independent Director and Chairman of the Audit Committee

Mr. Prasan obtained a Bachelor of Accounting degree (Second-Class Honors) from the Faculty of Commerce and Accountancy and a Diploma in Auditing, Chulalongkorn University. In addition, he received training at several distinguished institutions, such as the Executive Management Program at the Ivey School of Business, University of Western Ontario, Canada, and the Leading Professional Services Firms Course from Harvard Business School, U.S. Mr. Prasan has more than 35 years of experience in the accounting profession. His last position at PricewaterhouseCoopers Thailand was as its Executive Chairman.

Mr. Prasan currently serves as President of the Federation of Accounting Professions Under the Royal Patronage of His Majesty the King; Expert Member of the General Insurance Fund under the Ministry of Finance; Expert Member on Accounting of the Office of Insurance Commission (OIC); Director and Chairman of the Audit Committee of the Thai Institute of Directors Association (IOD); Member of Thailand's Private Sector Collective Action against Corruption Certification Committee (CAC Certification Committee); and Independent Director and Member of the Audit Committee of PTT Global Chemical PCL.

Mr. Prasan's wealth of experience and expertise in accounting, auditing and financial reporting adds very substantially to the credentials and capabilities of the Bank's Board of Directors and Audit Committee.



MOM RAJAWONGSE DISNADDA DISKUL

Director

M.R. Disnadda holds a Bachelor's Degree in business administration from Indiana University (Bloomington), U.S. He worked for the National Economic and Social Development Board until 1967, when His Majesty the King appointed him to serve as the Private Secretary to Her Royal Highness Somdej Phra Srinagarindra, the Princess Mother. M.R. Disnadda served in this position until Her Royal Highness passed away.

In 1988, M.R. Disnadda was appointed as Chairman and Director General of the Doi Tung Development Project in Chiang Rai Province, a royal initiative of H.R.H. the Princess Mother. In recognition of his achievements at Doi Tung, the Royal Thai Government requested him to share his experience with the Union of Myanmar, Afghanistan and Indonesia's Aceh Province.

M.R. Disnadda currently serves as Chairman of the Mae Fah Luang Foundation Under Royal Patronage; Director and Secretary General of the Royal Initiative Discovery Foundation; Chairman of the Rakkaew Foundation; Advisor to the Princess Mother's Medical Volunteer Foundation; Director of the King Rama IV Foundation; Vice Chairman of Thailand Sustainable Development Foundation; and Advisor to the Crown Property Bureau.

As Director, M.R. Disnadda benefits the Bank by providing unmatched experience in sustainable development issues.



DR. KULPATRA SIRODOM

Independent Director, Member of the Audit Committee, and Member of the Corporate Social Responsibility Committee

Dr. Kulpatra earned a B.B.A. (First-Class Honors) in finance from Thammasat University under a King Bhumibol Scholarship, an M.B.A. in finance from West Virginia University, U.S., and a Ph.D. in finance from the University of Pittsburgh, U.S.

Dr. Kulpatra held the position of Dean of the Faculty of Commerce and Accountancy, Thammasat University, during 2010-2013, and presently serves as a committee member for a number of organizations and private companies, including as Independent Director and Chairman of the Audit Committee of Thai President Foods PCL; Independent Director and the Member of the Audit Committee of President Bakery PCL; Independent Director and Chairman of the Audit Committee and the Corporate Governance Committee of Thai Wacoal PCL; and independent Director of Thailand Securities Depository Co., Ltd. and Thailand Clearing House Co., Ltd. In addition, she has been appointed as Advisor to the Federation of Accounting Professions; Expert Member on Risk Management of the Investment Risk Management Sub-Committee of the Social Security Fund; and Expert Member of the Private Investments in State Undertakings Policy Committee.

With her unparalleled expertise in accounting and finance, derivatives valuation and risk management, Dr. Kulpatra has greatly contributed to the Bank through her roles as Independent Director and Member of the Audit Committee.



MR. EKAMOL KIRIWAT

Independent Director and Member of the Audit Committee

Mr. Ekamol holds a Bachelor's Degree (Magna Cum Laude) in economics from Dartmouth College, U.S., and a Master's Degree in finance from the Harvard Graduate School of Business Administration, U.S.

Mr. Ekamol is an expert in money and capital markets. He was an executive at the Bank of Thailand, serving in various capacities, including as Director supervising the Financial Institution Application and Examination Department and the International Strategy Office, Assistant Governor and Deputy Governor. Mr. Ekamol also served as Secretary General of the Office of the Securities and Exchange Commission from 1992 to 1995. He was a Member of Parliament during 2001-2004. Currently, he is Independent Director of Property Perfect PCL.

With his expertise in money and capital markets supervision, including finance, Mr. Ekamol has had an important role in the Bank's financial management oversight, compliance and regulatory matters.



MR. KRIRK VANIKKUL

Independent Director and Member of
the Executive Committee

Mr. Krirk received an L.L.B. with second-class honors from Chulalongkorn University, a B.A. in Jurisprudence (Honors) from Oxford University, U.K., and a barrister-at-law from Middle Temple, London, and the Institute of Legal Education, Thai Bar Association.

Mr. Krirk has a strong legal background and has held various key positions in several organizations, including as Deputy Governor for Financial Institutions Stability, Bank of Thailand, and as Member of the Council of State, Office of the Council of State.

At present, Mr. Krirk also serves as Expert Director for the Office of Knowledge Management and Development (public organization), and Independent Director of Italian-Thai Development PCL and Osotspa Co., Ltd.



DR. THAWEESEK KOANANTAKOOL

Independent Director and Member of
the Executive Committee

Dr. Thaweesak attained a Bachelor's Degree and Ph.D. in electrical engineering from Imperial College, University of London, U.K.

He has held several key positions in the public sector, including as Associate Director of Thammasat University's Information Processing Institute for Education and Development, Executive Director of the National Electronics and Computer Technology Center (NECTEC), and President of the National Science and Technology Development Agency (NSTDA).

During his years in these key positions, Dr. Thaweesak made numerous achievements as a key figure in, for example, stewarding the Y2K problem resolution, drafting and advocating the national IT policy, formulating Thailand's first national ICT master plan (2002 - 2006), pushing IT laws, and assisting the Office of the Civil Service Commission in establishment of the Ministry of Information and Communication Technology.

In addition, Dr. Thaweesak is Vice Chairman of Internet Thailand PCL, Chairman of the Board of T-NET Co., Ltd., and Chairman of the Executive Committee of Trade Siam Co., Ltd.



MR. WEERAWONG CHITTMITTRAPAP

Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee

Mr. Weerawong earned a Bachelor of Laws degree from Chulalongkorn University and a Master of Laws degree from the University of Pennsylvania, U.S. He is a Thai barrister-at-law and the first Thai lawyer to be admitted to the New York State Bar Association, U.S.

Mr. Weerawong is widely recognized in Thailand for his legal expertise and has extensive experience in corporate governance matters. He was Chairman of Weerawong, Chinnavat & Peangpanor Ltd., and Independent Director of GMM Grammy PCL, Minor International PCL and Nok Airlines PCL.

Mr. Weerawong presently serves as Independent Director and Chairman of the Nomination, Compensation and Corporate Governance Committee of SCB Life Assurance PCL; Independent Director and Chairman of the Audit Committee of Thai Airways PCL; Independent Director of Berli Jucker PCL and Bangkok Dusit Medical Services PCL; and Director of National Power Supply PCL and Big C Supercenter PCL.

With his legal expertise and extensive experience in corporate governance matters, Mr. Weerawong provides a valuable contribution to the Board on both areas.



DR. EKNITI NITITHANPRAPAS

Director and Member of the Nomination, Compensation and Corporate Governance Committee

Dr. Ekniti earned a B.A. degree in economics (Honors) from Thammasat University under a scholarship from the Thammasat Economics Association. He went on to receive an M.A. degree in economics from the University of Illinois at Urbana-Champaign, U.S., and a Ph.D. in economics from Claremont Graduate University, U.S., both under Royal Thai Government scholarships.

Formerly, he was Deputy Director-General of the Fiscal Policy Office; Spokesman of the Ministry of Finance; Chairman of the Executive Committee of Export-Import Bank of Thailand; Minister (Office of Economic & Financial Affairs), Royal Thai Embassy, United Kingdom and Europe; and senior advisor at World Bank in Washington, D.C. Dr. Ekniti is the author of several academic publications and books such as "Domino Effect: Ways for Thailand to Survive When the Global Economy Is Hanging by a Thread" and the article titled "The Asian Crises Reexamined" published in Asian Economic Papers of MIT Press Journals.

Dr. Ekniti also serves as Director General of the State Enterprise Policy Office, Ministry of Finance; Chairman of National Credit Bureau Co., Ltd.; and Director and Member of the Risk Management Committee of IRPC PCL.

Dr. Ekniti's strong economic background and distinguished professional experience in domestic and international settings are highly beneficial to the Bank's vigorous and sustainable growth.



MR. KAN TRAKULHOON

Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee

Mr. Kan received a Bachelor's Degree in engineering (electrical) with first-class honors from Chulalongkorn University, and Master's Degrees in engineering and management from the Georgia Institute of Technology, U.S. He also completed the Advanced Management Program (AMP) of Harvard University, U.S.

He possesses a wealth of professional experience as a top executive of leading organizations, including as President and Chief Executive Officer of Siam Cement PCL, Chairman of SCG Legal Counsel Limited and President of Cementsai Ceramics Co., Ltd. At present, Mr. Kan is Director and the Chairman of the Management Advisory Committee of Siam Cement PCL, and Chairman of the Board and Chairman of the Leadership and Compensation Committee of Advanced Info Service Public Company Limited.

His strong professional experience and expertise in leading large organizations, strategic planning, and corporate governance are greatly beneficial to the operations of the Bank.



MR. CHAKKRIT PARAPUNTAKUL

Director and Member of the Corporate Social Responsibility Committee

Mr. Chakkrit received a Bachelor of Accounting degree from Thammasat University and an M.B.A. from Angelo State University, Texas, U.S.

Mr. Chakkrit has broad work experience in the public sector and state-owned enterprises in a number of key positions including as Director General of the Public Debt Management Office; Deputy Permanent Secretary of the Ministry of Finance; and Director and Chairman of the Audit Committee and Member of the Internal Control and Risk Management Committee of Credit Guarantee and Investment Facility (CGIF), which was established by the Asian Development Bank (ADB). He also served on the boards of several private companies including as Chairman of ASEAN Potash Mining PCL and Director of PTT Exploration and Production PCL. Mr. Chakkrit currently serves as Director General of the Treasury Department, Ministry of Finance; Chairman of Dhanarak Asset Development Co., Ltd.; and Independent Director and Chairman of the Audit Committee of MPG Corporation PCL.

With his wealth of knowledge and experience in key positions at leading organizations in the public and private sectors, including service as a senior executive at state enterprises, Mr. Chakkrit always brings valuable perspective to the Board and provides strong support to the Bank's progress.



MRS. KANNIKAR CHALITAPORN

Director, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee

Mrs. Kannikar holds a Bachelor's Degree in business administration from the University of Colorado, U.S., and attended the Advanced Management Program at Harvard Business School, U.S. Prior to joining the Bank, she worked with Unilever Thailand for 32 years. During her years at Unilever, she played a critical role in dramatically improving its market share and profitability in Thailand through the application of modern marketing concepts.

Mrs. Kannikar was appointed as a Director of the Bank in 2002 and President in 2007-2015. She was the recipient of the prestigious "Financier of the Year" award from Money & Banking magazine, "The Asian Banker Achievement Award for Women in the Financial Services Industry" from The Asian Banker magazine, the "ASEAN Outstanding Women Entrepreneurs" award from the Vietnam Chamber of Commerce and Industry in 2008, the "Best CEO Award - SET 2009" from the Stock Exchange of Thailand, the "Best CEO for Analysts" award in 2009, and the "Best CEO in the Financial Sector" award in 2011 from the Securities Analysts Association of Thailand. In the latest regional accolade, she was named one of the most influential top executives and the most powerful women in Southeast Asia by Alpha Southeast Asia magazine in 2012. In addition, she received the "Marketing Hall of Fame 2016" distinction from the Marketing Association of Thailand.

Mrs. Kannikar currently serves as Vice Chairman and Chief Advisor to the Executive Committee of Osotspa Co., Ltd. and Advisor of Index Living Mall Co., Ltd.

Mrs. Kannikar brings a fresh, invigorating and consumer-focused perspective to the Bank's retail business, and is widely recognized as the architect behind the hugely successful transformation of the Bank



MR. ARTHID NANTHAWITHAYA

President and Chief Executive Officer, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee

Mr. Arthid holds a Bachelor's Degree in economics from Chulalongkorn University, an M.B.A. in finance from The Sasin Graduate Institute of Business Administration, and participated in an exchange program at the Wharton School, University of Pennsylvania, U.S.

Mr. Arthid commenced his career at Siam Commercial Bank's Treasury Department in 1994, moving on to Cargill Financial Services as Hedge Fund Manager in 1998. After that, he joined Standard Chartered Bank, where he rose to the position of Managing Director and Regional Head of Capital Markets, Southeast Asia. Mr. Arthid re-joined Siam Commercial Bank in 2008 as its Senior Executive Vice President within the Corporate Banking Group. He repositioned the Bank's wholesale franchise in this segment to the forefront of the market while leading exceptional growth of the investment banking and corporate finance businesses at the Bank.

Previously, Mr. Arthid served as Chairman of SCB Securities Ltd., Director and Chairman of the Investment Committee of SCB Life Assurance PCL., and Director of SHIN Corporation PCL and CAT Telecom PCL.

SENIOR EXECUTIVE OFFICERS

DR. VICHIT SURAPHONGCHAI

Chairman of the Executive Committee

MR. ARTHID NANTHAWITHAYA

President and Chief Executive Officer

For profiles of: Dr. Vichit Suraphongchai,
please refer to page 20

Mr. Arthid Nanthawithaya,
please refer to page 27



MRS. KITTIYA TODHANAKASEM

Senior Executive Vice President, Chief Financial Officer

Mrs. Kittiya Todhanakasem holds a Bachelor's Degree in Accounting with Honors from Thammasat University and an M.B.A. from the University of Illinois, Urbana-Champaign, U.S. She joined Siam Commercial Bank in April 2016 as Senior Executive Vice President and Chief Financial Officer.

She has over 30 years of experience in finance and Banking. She commenced her career in international banking at Kasikornbank PCL in 1982 and moved on to be Head of Financial Institutions at Bank of America, Bangkok in 1991. In 1995, she joined Submicron Technology PCL as Chief Financial Officer. During the Asian financial crisis in 1997, she was appointed to be Executive Vice President at Krungthai Bank PCL to head corporate debt restructuring and was later entrusted to lead various functions there including corporate banking, risk management, International banking, overseas branches and financial management. Her last position was as First Senior Executive Vice President, Chief Financial Officer.

She was also Chairman of Krungthai Card PCL, Chairman of the Board of Executive Directors at Krungthai Panich Insurance PCL, Chairman of KTB Advisory Co., Ltd. and Director at Krungthai-AXA Life Insurance PCL.



MR. COLIN RICHARD DINN

Senior Executive Vice President, Chief Technology Officer

Mr. Colin Dinn joined Siam Commercial Bank in April 2016 as Senior Executive Vice President and Chief Technology Officer (CTO).

His specific responsibility is managing the Group's Technology Function, creating a new capacity within the Bank to implement advanced digital capabilities for customers and staff while moving toward a data-centric organization. This requires the implementation of a two-speed organizational capability meeting the requirements of the core product systems and agility with digital platforms while also building out a strong technology foundation.

Before joining Siam Commercial Bank, Mr. Dinn was Group Executive for an Australian regional bank playing a number of critical delivery and strategy roles including: overall delivery responsibility for establishment of a new wholly owned subsidiary; development of a regional-based model addressing products, processes and technology; Head of Strategy and Architecture for APEA business; and Head of Enterprise Strategy for the Group. In these roles Mr. Dinn worked with the business and technical executives within the region and at Group level to identify capabilities needed to meet short-term business goals while developing the strategic goals of a super-regional organization.

Mr. Dinn's prior regional roles included Managing Director of a financial services technology multinational running its greater-China business and consulting services for the Asia-Pacific region; Head of Technology Strategy for a super-regional business; and key consulting roles in business and technology transformation. Mr. Dinn started his career working in Midland Bank, serving across a number of technology roles through to strategic technology management.



MR. ANUCHA LAOKWANSATIT, CFA

Senior Executive Vice President, Chief Risk Officer

Mr. Anucha Laokwansatit was appointed as Senior Executive Vice President and Chief Risk Officer of the Bank in June 2015. He was also appointed as a Board Director of SCB Life Assurance PCL. on June 25, 2015 and as Chairman of the Board of SCB Asset Management Ltd. on July 21, 2015. On February 11, 2016, he was appointed to the Board and to also serve as Chairman of the Investment Committee of Digital Venture Co., Ltd.

Prior to assuming his position with the Bank, he served as General Manager and Chief Investment Officer at AIA Thailand, from 1999 to 2015. From 1998 to 1999 he was Assistant Secretary General for the Financial Sector Restructuring Authority, and between 1991 and 1998 was Financial Advisor to the Executive Board at TPI Polene PCL; Executive Vice President at Thai Nitrate Co., Ltd; and Executive Vice President at Thai Caprolactam PCL.

From 1990 to 1991, he was Associate Director of Structured Finance at Chase Manhattan Asia Ltd, Hong Kong, and from 1983 to 1990 he was Vice President of Corporate Banking at Chase Manhattan Bank, Bangkok Branch. Mr. Anucha earned an M.B.A. with a concentration in finance and international business from the University of Chicago, U.S., and a Bachelor of Science degree, majoring in finance, from San Francisco State University, U.S.



MR. SARUNTHORN CHUTIMA

Senior Executive Vice President, Head of Special Business

Mr. Sarunthorn Chutima serves as Senior Executive Vice President, Head of Special Business, which is responsible for monitoring and preventing the formation of new non-performing loans (NPLs), managing the bulk of the Bank's portfolio of NPLs and non-performing assets (NPAs), and providing practical advice on restructuring debts. He has 32 years of experience in corporate lending.

He joined the Bank after graduating from Chulalongkorn University with a Bachelor's Degree in accounting and earning his M.B.A. from Ohio University, U.S. He managed project finance and became Manager of Corporate Department 4, where he was responsible for corporate lending to the energy and petrochemical sectors prior to his appointment to ITV Co., Ltd. in 1996 as that company's Managing Director and the Bank's representative. After completing his mission to divest the Bank's controlling stake in ITV, he returned to the Bank to resume his work with large corporate clients. He was promoted as Executive Vice President, Corporate Division 1 in 2003. Subsequently, he was promoted as First Executive Vice President, Special Situations Group in February 2009 in order to provide practical advice for restructuring debts and develop a proactive and systematic framework to protect against new NPL formation for customers adversely affected by changes in the economic environment. He was promoted to Senior Executive Vice President in December 2010.



DR. JENS LOTTNER

Senior Executive Vice President, Chief Transformation Officer

Dr. Jens Lottner was appointed as Senior Executive Vice President and Chief Transformation Officer of the Bank in June 2015. Dr. Lottner began his career with McKinsey & Company in 1992 in Germany, where he was elected Partner in 2000. He moved to Malaysia in 2001 and subsequently to Singapore in 2005, where he was a Senior Partner leading McKinsey's financial services practice in ASEAN until 2012. He simultaneously led its Asia Pacific Risk Management Practice and was a member of the Asia Pacific Management Committee.

Three years prior to joining the Bank, Dr. Lottner was Senior Partner and Managing Director of the Boston Consulting Group in Singapore, heading its financial services practice across ASEAN. Dr. Lottner holds a Doctorate in Economics from the Dresden University of Technology, Germany, and attained a Diploma in Economics from the University of Bonn, Germany.



MRS. WALLAYA KAEWRUNGRUANG

Senior Executive Vice President, Chief Legal and Control Officer and Company Secretary

Mrs. Wallaya Kaewrungruang is a veteran in the field of financial law. With over 32 years of experience in banking and financial law, she has a deep understanding of commercial bank operations to further develop and add value to SCB's legal functions. Before joining SCB, Mrs. Wallaya worked as a legal executive for firms in the banking and financial industry, including Krungthai Legal Services Co., Ltd., Bank of Asia PCL, Sukhumvit Asset Management Co., Ltd., and most recently as Senior Executive Vice President, Managing Director, Compliance and Legal Management Group for Krung Thai Bank PCL.

She holds LL.B. and LL.M. degrees in business law from Chulalongkorn University, and an LL.M. in international banking law from Boston University, U.S. She is also a Barrister-at-Law at the Institute of Legal Education, Thai Bar Association. She joined the Bank as Senior Executive Vice President in June 2014 and was appointed as the Company Secretary in July 2015 to support the Board with respect to statutory and supervisory requirements and good corporate governance.



MR. THANA THIENACHARIYA

Acting Chief Marketing Officer

Mr. Thana Thienachariya was appointed as acting Chief Marketing Officer of Siam Commercial Bank in December 2016. During 2016, he also held the position of chairman of the Executive Committee, Digital Ventures, which is a subsidiary of Siam Commercial Bank Group.

Prior to assuming his position with the Bank, he was a director of Singha Estate Public Company Limited, from 2013 through 2016. He was also a director of SF Corporation Public Company Limited during 2013-2016. From 2012 to 2013, he served as chief executive officer of the broadcast section of GMM Grammy Public Company Limited. In addition, he was chief commercial officer of Total Access Communication (DTAC) during 2010 and 2011.

Mr. Thana holds a Bachelor of Arts degree in economics (Second Honors) from Chulalongkorn University and an M.B.A. degree from Washington State University, U.S.



MR. WORAWAT SUVAGONDHA

First Executive Vice President, Chief People Officer

Mr. Worawat Suvagondha joined Siam Commercial Bank in September 2011 as Executive Vice President, Head of HR Strategy and Policy before being promoted to First Executive Vice President, Group Head, Human Resources Group in 2012. At present, Mr. Worawat serves as First Executive Vice President, Chief People Officer, responsible for driving people strategies and looking after the well-being of over 25,000 employees, which are key to the Bank's vision to become the most admired bank.

Mr. Suvagondha has over 16 years of management experience in investment banking and financial advisory services to both the public and private sectors. Prior to joining SCB, he was Managing Director, Investment Banking at Kasikorn Securities for six years and Founder and Managing Partner at Global Learning Solutions for three years. During his early career, Mr. Suvagondha worked at Lehman Brothers for eight years, based in the New York, Hong Kong and Bangkok offices, and at Phatra Thanakit for two years.

Mr. Suvagondha holds a Bachelor's Degree in business administration (finance and banking) from Chulalongkorn University and an M.B.A. from the Kellogg School of Management, Northwestern University, U.S.



DR. ARAK SUTIVONG

First Executive Vice President, Chief Strategy Officer

Dr. Arak Sutivong holds a Ph.D. in Electrical Engineering from Stanford University, U.S. and M.S. and B.S. degrees in electrical and computer engineering from Carnegie Mellon University, U.S. Dr. Arak was appointed as Chief Strategy Officer of the SCB Group, responsible for overall strategy and business development for the Bank, and a board member of SCB Digital Ventures in 2016.

Dr. Arak joined SCB in 2010 as First Senior Vice President, responsible for Wholesale Banking Group strategy and business development. He was appointed as Executive Vice President in 2011 and later as First Executive Vice President in 2013. Prior to joining SCB, Dr. Arak had over 10 years of experience with leading multi-national corporations. He was with McKinsey & Company in the Southeast Asia office, where he advised clients on strategy and corporate finance across multiple industries including telecommunications, technology, energy and government, and prior to that, with Qualcomm Inc., California, U.S., where he led wireless telecommunication R&D and co-authored over 50 U.S. patents.

First Executive Vice President*

Mrs. Apiphan	Charoenanusorn
Ms. Araya	Phuphanich
Mr. Christian	Roland
Dr. Ellen	Nora Ryan
Mr. Grish	Attagrish
Ms. Jamaree	Ketrakool
Mr. Kamalkant	Agarwal
Mr. Kiradit	Arromdee
Mr. Krieng	Wongnongtaey
Mr. Narong	Srichukrin
Ms. Phanporn	Kongyingyong
Mrs. Pikun	Srimahunt
Mrs. Pimolpa	Suntichok
Mr. Pipat	Assamongkol
Ms. Pitiporn	Phanaphat
Mr. Pongsit	Chaichutpornasuk
Mr. Sarut	Ruttanaporn
Dr. Sutapa	Amornvivat
Mr. Suthipat	Serirat
Mr. Vipon	Vorasowharid**
Mr. Vishrut	Jain
Ms. Vorada	Thangsurbkul
Mr. Wasin	Saiyawan

Executive Vice President*

Mrs. Anisa	Choocharn	Mr. Rungsi	Vongkitbuncha
Mr. Aphisak	Kiewkarnkha	Mrs. Sakara	Asvaraksh
Mr. Arapat	Sangkharat	Mr. Sakda	Dumnakkaew
Mr. Arpat	Vijitakula	Ms. Salisa	Hanpanich
Mr. Artapong	Porndhiti	Ms. Saranya	Vajakul
ML. Chiradej	Chakrabandhu	Mr. Seksan	Pornpairin
Mr. Chiravuthi	Bunyasiri	Mrs. Siribunchong	Uthayophas
Mr. Ekkapol	Apinun	Ms. Siripen	Olankijcharoen
Mr. Jerapong	Injorhor	Ms. Siriporn	Chuencharoenwong
Mr. Kaitchai	Pullsuppasit	Mr. Sirote	Vichayabhai
Mr. Kampol	Jantavibool	Mr. Siva	Rkrishnan
Mr. Kanin	Rangkla	Mr. Somkiat	Kuvichitsuwan
Mrs. Kanognate	Charoensedtasin	Mr. Somsakul	Vinichbutr
Ms. Kanokwan	Jaisri	Ms. Soramon	Inkatanuvatana
Ms. Kluaymai	Devahastin	Mr. Srihanath	Lamsam
Mr. Kramol	Pulkes	Ms. Suporn	Sunthornrohit
Ms. Lalitphat	Toranavikrai	Mr. Suwan	Chaichanayotinvaracha
Mr. Manop	Sangiambut	Mr. Tanik	Tarawisid
Mrs. Metinee	Jongsaliswang	Mr. Teerapol	Rattakul
Ms. Nartruedi	Punyaratabandhu	Ms. Teerin	Ratanapinyowong
Mr. Nopadol	Mungonchai	Mr. Thana	Kungbunpot
Mr. Noppadon	Boonmapajorn	Mr. Thanawatn	Kittisuwan
Mr. Paiboon	Tangkanokpairaj	Mr. Trirat	Suwanprateeb
Ms. Pakachat	Taychaburapanone	Ms. Veena	Lernimitr
Mr. Parnu	Chotiprasidhi	Ms. Vipasiri	Chantanumat
Ms. Piyaahpa	Charoenvej	Mrs. Virasana	Boonyasai
Mr. Pornthep	Panyarachun	Mr. Vitoon	Pornsakulvanich
Mr. Prakrit	Lohaprasert	Dr. Woraphon	Watunyuta
Mr. Rungsan	Ongsaranakom		

* As of January 1, 2017

** Mr. Vipon Vorasowharid has resigned from the Bank with effect from March 1, 2017.

ORGANIZATION STRUCTURE

GOVERNANCE STRUCTURE AS OF JANUARY 1, 2017

BOARD OF DIRECTORS

BOARD COMMITTEES

Executive Committee
(Chairperson: Dr. Vichit Suraphongchai)

Audit Committee
(Chairperson: Mr. Prasan Chuaphanich)

**Nomination, Compensation
and Corporate Governance Committee**
(Chairperson: Dr. Chirayu Isarangkun Na Ayuthaya)

**Corporate Social
Responsibility Committee**
(Chairperson: Khunying Jada Wattanasiritham)

MANAGEMENT COMMITTEES

**Assets and Liabilities
Management Committee**
(Chairperson: Dr. Vichit Suraphongchai)

Risk Management Committee
(Chairperson: Mr. Arthid Nanthawithaya)

**Equity Investment
Management Committee**
(Chairperson: Mr. Arthid Nanthawithaya)

Management Committee
(Chairperson: Mr. Arthid Nanthawithaya)

MAJOR SCB GROUP COMPANIES

SCB
Securities



100% OF OWNERSHIP

SCB
Asset Management



100% OF OWNERSHIP

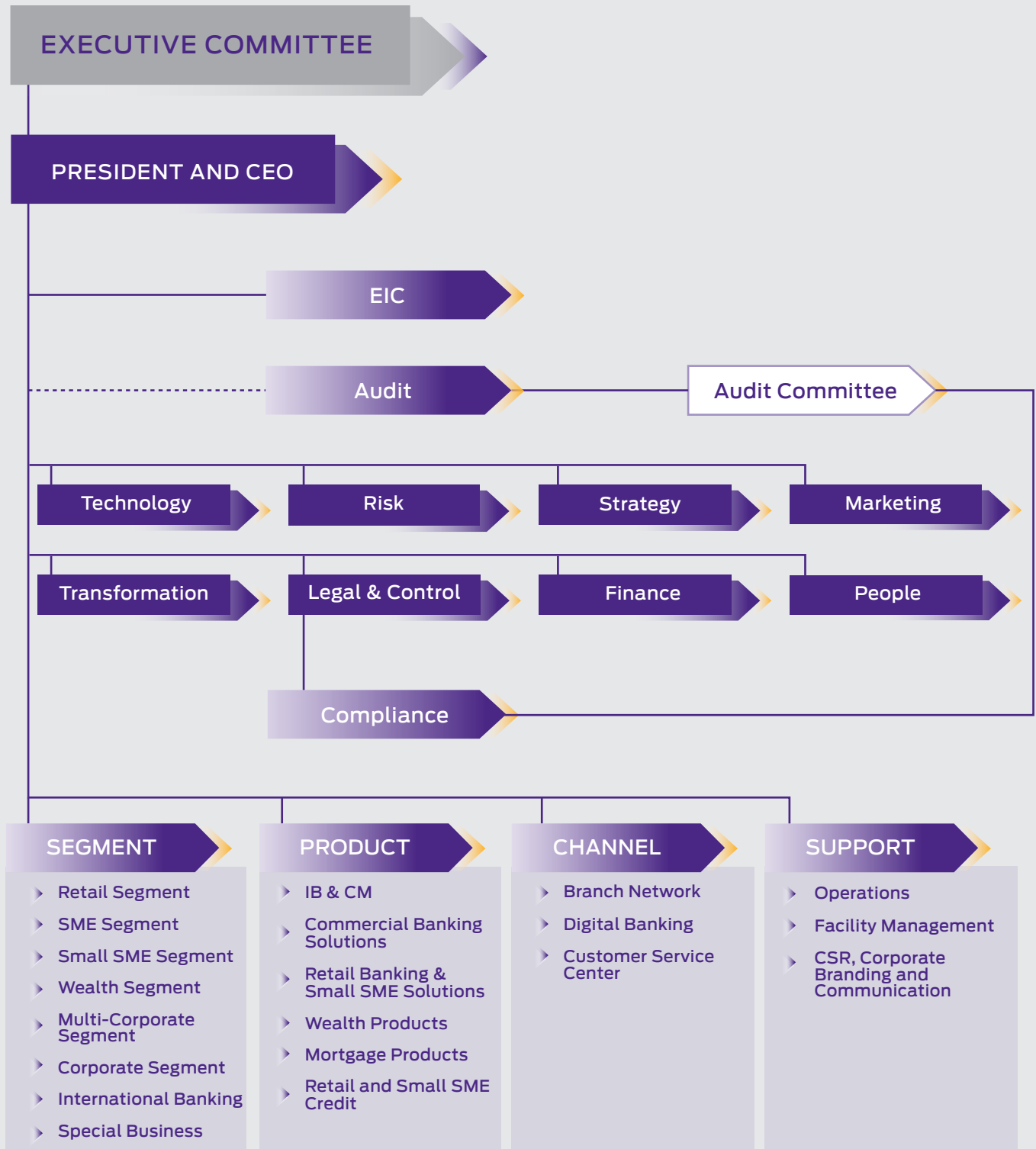
SCB
Life Assurance



99.17% OF OWNERSHIP

MANAGEMENT STRUCTURE

AS OF JANUARY 1, 2017



3

BUSINESS OPERATIONS OF THE BANK THAILAND'S ECONOMIC CONDITIONS IN 2016 AND OUTLOOK FOR 2017



The Thai economy is forecast to continue its recovery this year. As commodity prices rise in tandem with strengthening oil prices, the incomes of exporters and rural households will grow, which will result in higher consumer spending.

EIC | Economic Intelligence Center

EIC is the Bank's 'think-tank,' providing business executives with insights for effective decision making. EIC also offers advisory services to help our clients make well-informed choices and grow their business competitively and successfully.



The Thai economy expanded by

3.2%



In 2017, the Bank forecasts Thailand's GDP will grow by

3.3%

The Bank of Thailand will hold its policy rate at

1.5%

The Thai economy expanded by 3.2 percent year-on-year in 2016, exceeding expectations. Yet conditions for businesses remained lackluster. Growth was supported by temporary factors such as the acceleration of public budget disbursements and various short-term economic stimulus measures by the government. These were transient boosts that did not generate lasting new opportunities for industry. Unfortunately, domestic consumption encountered several growth constraints. Household income remained under pressure from the effects of drought, falling commodity prices and a sluggish labor market. Private investment and exports floundered due to the slow pace of global economic recovery. These subdued conditions slowed business activity, even though GDP growth was higher than expected. In particular, demand for credit - including loans both to businesses and to consumers - decelerated, and loan quality deteriorated. Consumer confidence and investor confidence both remained weak.

Risks facing the Thai economy became more apparent during the second half of 2016. Adding to uncertainty were unexpected shifts in the international political landscape, including the U.K.'s Brexit referendum and the U.S. presidential election victory of Donald Trump, who campaigned on policies against free trade. These changes, along with the U.S. Federal Reserve's policy interest rate hike, increased volatility in global financial markets. The pace of capital outflows from Thailand accelerated, driving up long-term bond yields. Late in the year, the Thai economy encountered some downward pressure on consumption. The government's crackdown on zero-dollar tours suddenly reduced arrivals of Chinese tourists. These visitors had previously been the main driver of growth for Thailand's tourism industry, which has been a key engine of the overall economy's expansion in recent years.

The Bank forecasts Thailand's GDP will grow by 3.3 percent in 2017. The nation's economy will get a boost from a recovery in household purchasing power and from ongoing government spending. Rising commodity prices

will help support the incomes of exporters as well as rural households that farm several key types of crops. Some households will also benefit from an increase in income tax deductions and from finally paying off car loans initiated during the first-car tax rebate program five years ago. Government spending will surge as numerous infrastructure mega-projects get underway. The economy will also benefit from continuing government efforts to employ stimulus measures. On the other hand, external risks to growth will remain elevated in 2017 due to several international economic and political challenges that were prominent in 2016. These include the fragile state of global recovery, financial sector instability in Europe and China, and fallout from Brexit, whose formal negotiation will start this year. Moreover, new U.S. economic policies under President Donald Trump could negatively affect international trade and investment, limiting the recovery of Thailand's export sector and manufacturing industries. Slower growth in arrivals of Chinese travellers, as a result of the government's crackdown on zero-dollar tours, could continue to drag on the Thai tourism sector this year.

Global financial markets will remain volatile in 2017 due to monetary policy shifts in the major economies. The ongoing worldwide divergence in monetary policy will become more apparent, as the Fed continues to gradually lift its policy interest rate toward the normal range in line with the currently brighter outlook for U.S. economic growth and inflation. In contrast, other major economies, including Europe, Japan and China, still face domestic economic challenges that will prevent them from tightening monetary policy. This divergence will lead to an uneven recovery in the global economy, with sporadic volatility in financial markets. In this environment, Thailand and other emerging economies might experience higher capital outflows that push up long-term bond yields. However, the Thai economy will remain stable and sound. SCB expects that the Bank of Thailand will hold its policy rate at 1.5 percent throughout 2017 and that the baht will depreciate to Baht 37 per U.S. dollar by the end of the year.

INDUSTRY AND COMPETITION REVIEW

Both the Thai economy and the profitability of Thai commercial banks remained under pressure in 2016. The global economic recovery was fragile and was shaken by unexpected political change and uncertainty regarding the direction of economic and financial policies in the major

advanced economies. Nevertheless, Thailand's commercial banks achieved moderate growth in terms of assets, loans and deposits. Capital buffers and loan loss provisions remained high, providing a comfortable cushion against risks that might arise from deteriorating credit quality.

Comparison of SCB's Performance with the Thai Commercial Banking Sector* as at December 31, 2016

Unit: Baht billion

Financial statement (consolidated)	Thai commercial banking sector *		Change % yoy	SCB 2016	SCB's market share %
	2016	2015			
Assets	16,078	15,544	3.4	2,913	18.1
Gross loans	10,964	10,686	2.6	1,939	17.7
Deposits	10,953	10,753	1.9	2,026	18.5
Net profit	200	193	3.7	48	23.8

* The Thai commercial banking sector is here defined as the 11 commercial banks listed on the Stock Exchange of Thailand.

In 2016, the Thai commercial banking sector's aggregate net profit was Baht 200.1 billion, a 3.7% increase from Baht 193.0 billion in the preceding year.

Net interest income (NII) remained the main source of the sector's income, and the proportion of NII to total income stood at 65% in 2016, up from 63% in the prior year. In absolute terms, NII increased by 7.7% yoy to Baht 480.4 billion, mainly as a result of the huge decline in interest expenses, which fell by 15.4% yoy, as well as loan growth of 2.6% yoy.

Non-interest income fell by 2.4% yoy to Baht 257.5 billion, mainly due to the lower gain on investments and lower net insurance premiums, while net fee and service income expanded by 4.0% yoy. Thus, the proportion of non-interest income to total income fell to 35%, down from 37% in the prior year.

Non-interest expenses increased by 3.6% yoy to Baht 321.6 billion, mainly due to higher personnel-related expenses,

higher other expenses and higher premises and equipment expenses. Because operating expenses growth was lower than revenue growth, the sector's cost-to-income ratio fell slightly to 43.6%, down from 43.7% in the prior year.

Gross loans rose by 2.6% to Baht 10,964 billion. Loan growth slowed year-on-year because the economy remained sluggish. Meanwhile, deposits in the Thai commercial banking sector grew by 1.9% yoy to Baht 10,935 billion. Competition for deposits was relatively low in 2016 due to lower demand for loans. To illustrate, the growth in deposits was due mainly to the restructuring of deposits that resulted from an expansion of the deposit base in savings and current accounts and the gradual maturation of high-cost deposits. Amid low interest rates, it is essential that banks manage the cost of deposits effectively.

As at December 31, 2016, the Thai commercial banking sector's gross NPLs on a consolidated basis stood at Baht 383.5 billion, up from Baht 343.7 billion in 2015. In percentage terms, the NPL ratio increased to 3.1%, up from 2.9% in

the preceding year. However, the NPL coverage ratio of the banking sector improved to 137%, up from 129% in 2015, as a result of higher provisions in 2016 as well as the reclassification of the NPLs of one large corporate customer in the manufacturing industry.

All Thai commercial banks have adopted Basel III since January 1, 2013. Furthermore, in 2016, the Bank of Thailand (BOT) required commercial banks to hold an additional capital conservation buffer in order to absorb losses under stressed conditions according to Basel III. As a consequence, the minimum regulatory capital requirement ratio was adjusted to “not less” than 9.125%. As at December 31, 2016, the Thai commercial banking sector’s total capital adequacy on a bank-only basis remained at 17.3%, above the current minimum regulatory requirement under Basel III.

Thai commercial banks still maintain a high level of capital adequacy in order to meet future regulatory changes, which will arise from the implementation of international accounting standards (IFRS) and Basel, and to prepare for new threats from non-bank competitors, particularly from new digital entrants into the banking space.

In 2017 and beyond, Thai commercial banks are likely to strengthen their income-generating capabilities and focus on digital banking to serve the rapid changes in customer lifestyles and needs. In particular, they will focus on fintech, the technology-driven financial service innovations that are considered likely to have a huge impact on the banking sector. Moreover, Thai banks will face challenging global and domestic factors, including volatility in economic and political conditions.

BUSINESS OPERATIONS OF THE BANK AND ITS SUBSIDIARIES



In 2016, the Bank embarked on a transformation journey,
setting its vision to be “The Most Admired Bank”

In line with its strategies, the Bank was able to retain its No.1 position in terms of net profit and market capitalization.



The Bank's consolidated net profit was Baht **47.6** billion



Total loans grew by **5.8%**

Business Overview

Background

Siam Commercial Bank (SCB) was established by Royal Charter as Thailand's first indigenous bank on January 30, 1906. Since its inception, the Thai Royal Family, and later the Crown Property Bureau, has been the Bank's major shareholder. Over the past 111 years, SCB has had a pivotal role in shaping the Thai financial services landscape through many economic cycles and periods of political strife. With the strong support of its major shareholder, it has managed to emerge from these changes as a bigger, better and stronger Bank and today has the highest market capitalization in the financial sector.

Following the Asian financial crisis in 1997, SCB undertook a major recapitalization by joining the Ministry of Finance's Tier 1 Capital Support Scheme (the August 14, 1998 Measure), which resulted in the Ministry of Finance becoming, along with the Crown Property Group, one of the two largest shareholders of the Bank in May 1999. In 2003, the Ministry of Finance established the Vayupak Fund 1 and transferred a substantial part of its stake to the Fund on December 1, 2003. As of December 30, 2016, Vayupak Fund 1 held 23.12% of SCB shares, while the Crown Property Bureau held 22.98% and the Ministry of Finance held 0.09%.

SCB Today

As a leading universal banking group in Thailand, SCB provides a wide array of financial products and services to meet the needs of a broad range of customers. Befitting its status as a universal bank, SCB has a large footprint across the financial services landscape in Thailand covering all customer and product segments.

In addition to its core deposit- and credit-related transactional services, the Bank provides a comprehensive range of products and services tailored to meet specific customer needs. Retail services include home loans, personal credit, car hire purchase, credit cards, ATM cards, debit cards, currency exchange facilities and overseas remittances as well as investment and bancassurance products. For corporate and business customers, the Bank offers cash management-related services, lending products, international trade financing, treasury products, debt and capital market products, corporate advisory, investment banking and other related financial services. The services provided by the Bank's major subsidiaries and associates cover both corporate and retail clients and include securities trading, asset management and life insurance.

Major Developments in 2016

In 2016, the Bank embarked on a transformation journey, setting its vision to be **“The Most Admired Bank”** for all its constituents. Namely, the Bank aspires to become its customers' most preferred partner, while generating a sustainable return to its shareholders. In addition, the Bank strives to be known by its staff as a caring employer, by society as a responsible corporate citizen and by regulators as a prudent operator.

The transformation program is designed to enhance the Bank's long-term competitiveness amid the industry's structural shifts, which are driven by digital technology; changes in customer behavior; a changing regulatory landscape; and intensifying competition. This multi-year program will fundamentally alter the Bank's business model and overall capabilities, allowing it to sustainably differentiate and create value for customers.

Moreover, the Bank revised its organizational structure in 2016 to promote customer centricity, collaboration across functional units, as well as empowerment and decision-making agility. As a result, SCB's organizational structure now consists of 14 function-oriented groups including Segment, Product, Channel, Support, Technology, Risk, Strategy, Marketing, Transformation, Legal and Control, Finance, People, Audit, and Economic Intelligence Center (EIC). The key changes can be highlighted as follows:

- 1** Regarding customer centricity, the Bank has structured into eight customer segments including Retail, Wealth, Small SME, SME, Corporate, Multi-Corporate, International Banking, and Special Business. The newly established Small SME segment will focus on serving business owners / entrepreneurs as well as small non-individual clients.
- 2** The Bank has introduced sales and service separation at branches, whereby Retail and Wealth under the Segment group will be responsible for sales, while Branch Network under Channels will take care of customer service.
- 3** Under the Product group, Retail Banking Solutions and Commercial Banking Solutions will be responsible for identifying customers' needs and developing product solutions to address those needs for individual and non-individual customers respectively.
- 4** The new Transformation group is established to help drive the Bank's multi-year transformation and ensure dedicated resources to drive change across the organization.

In addition, the Bank has three major subsidiaries: SCB Securities Co., Ltd.; SCB Asset Management Co., Ltd; and SCB Life Assurance PCL. Each of these companies provides a range of financial services to meet the specific needs of its customers.

Percent of revenue for customer segments (Consolidated)	2016	2015	2014
Multi Corporate & Corporate Segment*	21%	20%	21%
SME Segment *, **	16%	14%	15%
Retail & Wealth Segment *	59%	57%	57%
Others***	4%	9%	7%

* Results of major subsidiaries have been allocated to each segment as appropriate.

** Including Small SME segment.

*** Including Group Treasury, equity investments and subsidiaries and affiliates whose revenue is not included in the customer segments.

Performance in 2016

2016 was a challenging year for SCB, yet amid a fragile global economic recovery, the Bank performed better than the previous year. In line with its strategies, the Bank was able to maintain its No. 1 position in terms of net profit and market capitalization.

In 2016, the Bank's consolidated net profit rose slightly by 0.9% yoy to Baht 47.6 billion, mainly due to higher net interest income and net fee and service income even though investment gains declined significantly.

Total loans grew by 5.8% yoy, in line with Bank's target of 4-6% loan growth, mainly from corporate loans and mortgage loans. The ratio of NPLs to total loans improved to 2.67% in 2016, down from 2.89% in 2015, while the NPL coverage ratio rose to 134.3%. Moreover, total capital adequacy under Basel III remained strong, at 17.7% of total risk-weighted assets and common equity Tier I at 14.8%.

The Bank maintained its leadership in a broad range of products and services across customer segments, as well as a leading position in terms of network reach throughout the country. At the end of 2016, the Bank had 1,170 branches, 9,745 ATMs and 109 foreign exchange kiosks. In addition, in line with the government's aim to promote electronic payments through the national e-payment master plan, the Bank committed significant investment to developing digital capabilities, which was reflected in the rapid growth in 2016 in its registered user base of mobile and internet banking services as well as its PromptPay registered user base.

As a business in the services industry, the Bank believes in the critical importance of nurturing a high level of employee engagement, together with a high level of customer engagement. The Bank contracts third-party experts to measure these engagement levels using proven methodologies. The survey results show that SCB's robust engagement model has helped attain industry-high levels of customer and employee engagement, providing the Bank a unique competitive edge today and the best assurance of sustainable profitability in the years ahead.

Strategy Long-term strategies

The financial services industry is undergoing a paradigm shift, owing to rapid changes in customers' expectations, the regulatory landscape and competition from new digital entrants. These shifts have profound implications for existing businesses, prompting the Bank to rethink its business model for the future.

To stay ahead of these changes and thrive in the new environment, the Bank has embarked on a transformation journey to further strengthen its leadership position in the industry and progress toward its vision of becoming **"The Most Admired Bank"** for all its stakeholders.

The Bank's transformation program is anchored around transformation of four key foundations, which can be summarized as follows:

- 1 People:** Put greater emphasis on capability-building and workforce management (e.g., rotation and redeployment) to bridge today's gap while preparing for the digital age as well as enhance overall well-being to take care of our employees.
- 2 Process:** Redesign and digitize the existing processes to be more customer-centric and leverage digital technologies (e.g., big data analytics to better understand customers' needs, e-KYC for digital onboarding) to enhance customer experience and promote operational efficiency.
- 3 Product:** Build advanced product capabilities with an agile development process and open architecture to shorten time to market, differentiate from competitors and maximize value creation for customers.
- 4 Technology:** Develop best-in-class digital technology infrastructure as key enabler to allow new capabilities, e.g., new mobile banking platform, new payment engine.

This multi-year program is designed to fundamentally alter the Bank's overall capabilities, which will allow SCB to sustainably differentiate and create value for customers. Given the importance of this ambitious program, the Bank will be committed to allocating a significant portion of its investment plan in the next two or three years to uplift these key foundations.

Plan for 2017

In parallel to the transformation program, the Bank will stay committed to driving execution of its business strategy to deliver core performance and sustain current growth momentum. Across all customer segments, the Bank will focus on executing its customer-centric strategy in expanding its customer base; embracing digital technologies to enable a new customer experience; growing its coverage and ecosystem; as well as continuing to enforce a disciplined control culture and

risk management, with a prudent level of reserves to cushion volatility. In addition, the Bank is committed to provide full support to advancing Thailand's economic agenda (e.g., infrastructure investment projects, national e-payment master plan) and looks forward to further expanding its strategic partnership while capturing any inorganic growth opportunities that might arise.

Key Performance Targets Announced for 2017

The Bank expects to deliver competitive results, reflecting the sustainability of its performance and resilience of its strategies.

The key performance targets for 2017 are as follows:

Loan growth of (compared to 5.8% in 2016)	4-6%
Net interest margin (NIM) of (compared to 3.3% in 2016)	3.1-3.3%
Non-interest income growth of (compared to -3.9% in 2016 which excluding large gains on the sale of equity investments in 2015)	3-4%
Cost-to-income ratio of (compared to 38.7% in 2016)	40-43%
NPL ratio below (compared to 2.7% in 2016)	3.0%
Coverage ratio of (compared to 134.3% in 2016)	130%

Multi-Corporate/Corporate Segment



THE INNOVATORS IN
CORPORATE FINANCE
AWARD FOR THE AUTOMATED
CASH MANAGEMENT SOLUTION
FROM GLOBAL FINANCE

In 2017, the Bank will continue focus on diversifying its Multi-Corporate/Corporate portfolio - both new to bank and existing customers – all along the value chain, with a key focus on recurring income and lower cost of deposits. On top of innovative structured deal solutions, which have been its key strength, the Bank plans to uplift its transaction banking capabilities and differentiate through a distinctive end-to-end, technology-enabled customer experience from onboarding to customer service provision.

The key strategic initiatives for 2017 are to:



Capture landmark deals and government infrastructure projects.



Leverage the Bank's strength in large corporates to win new business and acquire new customers along the clients' value chain.

SME Segment



The sluggish economy in 2016 has put severe pressure on SMEs. As a consequence, the Bank will continue to stay close to its SME clients to support their recovery while proactively managing its asset quality and NPLs. In addition, in line with its long-term plan to significantly grow its SME franchise, the Bank will focus on becoming the main operating bank of its existing SME customers while expanding its SME customer base by leveraging its retail network to better serve SMEs and enhancing its financial solutions through analytics capabilities.

The key strategic initiatives for 2017 are to:

-  Cross-sell through existing lending relationships to capture flow business, increase recurring fee income and ultimately win main operating account.
-  Industrialize the sales process and onboarding process with enhanced analytics capabilities.
-  Adopt retail-like acquisition model to support mass acquisition of small SMEs.

Retail/Wealth Segment



To better serve customers, the Bank plans to enhance the distribution channels (especially its internet and mobile banking platform), uplift service standards and customer experience as well as broaden product offerings to address the emerging needs of all clients.

The key strategic initiatives for 2017 are to:



Build integrated wealth-advisory platform (e.g., wealth, securities, insurance, asset management, etc.).



Accelerate digital adoption and improve onboarding.



Enhance customer coverage/touchpoints, nurture targeted ecosystems and develop engagement platform that incentivizes everyday banking behaviors.

SCB Securities Co., Ltd. (SCBS)

Established in 1995, SCB Securities Co., Ltd. (SCBS) is the brokerage and equity capital market arm of the Bank. The company operates a securities business and offers financial products and services to institutional and retail investors. It is a 100%-owned subsidiary of SCB. With its head office at SCB Park Plaza and its nine branches as well as an online channel (www.scbsonline.com), SCBS has won the trust of investors and has become established as one of Thailand's leading securities companies.

In 2016, the market's average daily trading value (excluding proprietary trading) was at Baht 47 billion, increasing by 17% from Baht 40 billion in 2015, largely contributed by foreign and institutional clients. At the same time, the industry's average equity trading commission rate declined due to more intense competition in the industry and a higher proportion of online trading.

Amid higher competition and the growth in market share of institution-based brokers, SCBS earned a market share of 3.64%, decreasing from 4.01% in 2015. SCBS's rank among 36 brokers moved down by three notches to #11.

SCBS continually improved services to clients. These included our innovative Easy Stock online account opening, which is a paperless service that can be completed within just 15 minutes; a no-minimum-commission campaign; and our Stock Advisor smart application for mobile devices. In 2016, SCBS won the Best Prime Broker in Thailand award from The Asset magazine (H.K.) for the second consecutive year, and Best Domestic Equity House in Thailand award from Asiamoney magazine (U.K.), showing that our service quality is at the highest standard.

SCB Asset Management Co., Ltd.(SCBAM)

The Bank offers mutual funds, provident funds and private funds products through its wholly owned subsidiary SCB Asset Management Co., Ltd. (SCBAM). SCBAM remained the No.1 asset manager in the Thai market with Baht 1,307 billion of assets under management (AUM), including resolving financial institution problem funds and country funds, as of December 30, 2016, representing growth of 12.4% from December 31, 2015. On account of its solid investment performance and the distribution

capability provided through more than 1,170 bank branches, SCBAM had an 18.5% share of the total market in mutual funds, with AUM of Baht 862 billion, growing by 7.7% from December 31, 2015. SCBAM's private funds business had AUM of Baht 325 billion at the end of 2016, a 32.7% growth yoy. As of December 30, 2016, SCBAM also manages a portfolio of property funds (Type I) and infrastructure funds with total AUM of Baht 141 billion.



SCB Life Assurance PCL (SCB Life)

SCB Life is a 99%-owned subsidiary of the Bank. SCB Life's primary business is life insurance underwriting, focusing mainly on non-participating individual life, credit life and health insurance products. These products are distributed primarily through the Bank's branches and SCB Life agency offices.

SCB Life reported total gross premiums of Baht 52.7 billion for the financial year 2016, a 0.5% decline from the previous year. The decline was attributable to a strategic

decision by the Company to stop the sale of certain tactical savings products given the prevailing low interest rates amid a volatile local and global investment environment. As at the end of 2016, SCB Life was ranked 5th out of 24 life insurance companies (unchanged from the previous year) with a 7.1% market share in terms of new business premiums (where first year premium equals 100% plus 10% of single premiums), down from a 10.2% market share in the previous year.

62 AWARDS FOR SUCCESS

FORBES GLOBAL 2000

BEST BANK IN THAILAND AWARDS FROM THREE INSTITUTIONS

- Global Finance, U.S. (11th consecutive year)
- The Asset, H.K. (9th consecutive year)
- Finance Asia, H.K., in 20th Year Anniversary Awards
- **Ranked first among Thai commercial banks in “Forbes Global 2000” by Forbes, U.S.**
- One of Thailand’s Top Corporate Brands by Chulalongkorn University’s Faculty of Commerce and Accountancy (7th consecutive year)

AWARDS FOR EXCELLENCE IN FINANCIAL PERFORMANCE AND MANAGEMENT

- Asia’s Best CFO from Corporate Governance Asia, H.K. (5th consecutive year)
- Best Corporate Investor Relations from Corporate Governance Asia, H.K. (7th consecutive year)

AWARDS WON BY BUSINESS UNITS CORPORATE SEGMENT

FROM GLOBAL FINANCE (U.S.)

- Best Foreign Exchange Provider (9th consecutive year)
- The Innovators in Corporate Finance for the Automated Cash Management Solution

FROM EUROMONEY (U.K.)

- Thailand’s Best Bank Overall for Real Estate Services 2016 (2nd consecutive year)
- Thailand’s Best Bank M&A Advisory for Real Estate Services
- Best Cash Management

FROM THE ASSET (H.K.)

- Best Domestic Custodian (10th year)
- Best Bond House (7th year)
- Best Equity House (3rd year)
- Best Trade Finance Bank (2nd year)
- Best Energy and Renewable Energy Deal
- Best Local Currency Bond
- Best Acquisition Financing
- Best in Treasury and Working Capital-Risk Management
- Best Risk Management Solution
- Best Corporate and Institutional Bank Domestic

FROM FINANCEASIA (H.K.)

- Best Investment Bank (3rd consecutive year)
- Best ECM House
- Best DCM House
- Best Domestic Bond House

From IFR (H.K.)

- Bond House of the Year (4th consecutive year)

FROM ASIAMONEY (H.K.)

- Best Country Deal
- Best Local Cash Management Bank for S-M-L Corporates (11th year)
- Best Local Currency Cash Management Banks as Voted by Financial Institutions

FROM ALPHA SEA (H.K.)

- Best Equity House (3rd consecutive year)
- Best ECM Bank in Southeast Asia

FROM ASIA RISK (H.K.)

- House of the Year (3rd year)

FROM ASIA PACIFIC LOAN MARKET ASSOCIATION (H.K.)

- Syndicate Loan House of the Year



FROM THAI BOND MARKET ASSOCIATION

- Best Bond House
- Top Underwriter (7th consecutive year)
- Deal of the Year

SME SEGMENT

- Best SME Bank from Alpha SEA, H.K. (5th consecutive year)
- SME Bank of the Year from Asian Banking and Finance, Singapore (5th consecutive year)
- Thailand's Most Admired Brand from BrandAge

RETAIL SEGMENT

- Best Private Wealth Management by The Asset, H.K. (5th consecutive year)
- Best Private Bank by Global Finance, U.S.
- No. 1 in Thailand for Net-Worth-Specific Services, Super Affluent Clients by Euromoney, U.K.
- No. 1 in Thailand for Investment Banking Capabilities by Euromoney, U.K.
- Best Private Bank by Asian Private Banker, Singapore
- Trailblazer of the Year Award by Retail Banker International, Singapore
- 'Highly Commended' in Best New Innovation Launch Award (for SCB's Tap2Pay service) by Retail Banker International, Singapore

OTHER AWARDS

- Best in Social Media in World's Best Consumer Digital Banks in Asia-Pacific by Global Finance, U.S. (2nd year)
- Digital Marketing by IBM Marketing Innovation Awards, Singapore

- Best Engagement in Social Media by Thailand Zocial Award (3rd year)
- Best CSR by Corporate Governance Asia, H.K. (2nd year)
- Bronze Medal Winner for Best Customer Service by a Large In-House Center in APAC from Contact Center World, Canada
- Runner Up for Large In-House Contact Center in APAC from Contact Center World, Canada
- Thailand Company of the Year - Top 15 in Charlton EastColes Corporate Performance Awards, Singapore
- 300 Best Public Companies of the Year by Money & Banking
- The Most Powerful Brand by Chulalongkorn University's Faculty of Commerce and Accountancy (3rd consecutive year)
- Sustainability Report Award 2016, Outstanding Category, from CSR Club of Thai Listed Companies Association

SUBSIDIARIES

- Best Prime Broker, Thailand by The Asset, H.K. (2nd consecutive year)
- Best Domestic Equity House by Asiamoney, H.K.
- Asset Management Company of the Year, Thailand by The Asset, H.K. (3rd year)
- Best Asset & Fund Manager by Alpha SEA, H.K. (2nd year)
- Best Asset Management Award by The Stock Exchange of Thailand and Money & Banking Magazine (3rd consecutive year)

4

RISK MANAGEMENT AND RISK FACTORS

Risk Management

SCB's many consecutive years of strong performance imply the mandate to sustain and build further upon this track record. This in turn requires a stance of ongoing prudence and responsiveness, especially because the Bank's presence continues to grow in terms of assets, customers and staff. As its operations increase in complexity and size, and stakeholders raise their expectations, the Bank must take all these into account. The environment in which the Bank operates is also increasingly complex and subject to fluctuation and change. With all this in mind, SCB emphasizes vigilance in risk management as a key responsibility and top priority.

The Bank has put in place a robust risk management framework that centers on four major parts described below. This framework is supervised by a transparent and sturdy governance structure that has five distinct components, also detailed below. For the purpose of effectiveness in risk management, the Bank has classified its key risk factors into seven categories, each of which has corresponding risk management procedures, as discussed at the end of this section.

By continually strengthening the format and performance of the Bank's risk management framework and governance, SCB will stay well apprised of current and emerging economic conditions, whether favorable or otherwise, and remain appropriately responsive.

An overview of the Bank's risk management system, risk management governance structure and key risk factors follows.

Risk Management System

SCB's risk management system has four major parts:

1. Risk identification

The risk management system identifies seven types of risk in the Bank's overall operations including transactions and activities with customers and counterparties. These types are strategic risk, credit risk, market risk, interest rate risk in the banking book, liquidity

risk, operational risk and reputation risk. These seven risk types are discussed in detail below under the heading "Key Risk Factors for Banking Operations."

2. Risk measurement

To measure each risk, the Bank applies a variety of quantitative and qualitative methods based on internal ratings-based approaches and/or other appropriate internal models:

- **For credit risk**, the measures include risk rating to gauge the probability of default; credit scoring, such as application scores; and behavioral scores to assess the risk profiles of retail clients as well as risk models to estimate loss given default (LGD) and exposure at default (EAD). For derivative products, the Bank relies upon the potential future exposure (PFE) methodology to measure credit risk exposure.
- **For market risk**, the measurements include both statistical tools, such as value at risk (VaR), and non-statistical methods, including risk-factor sensitivity analysis, position measures and stress testing for trading book exposures.
- **For interest rate risk in the banking book (IRRBB)**, the Bank measures the risk of interest rate fluctuations by measuring the impact on net interest income and economic value of equity (EVE) under assumptions of interest rate fluctuation in normal and stress situations.
- **For liquidity risk**, the measures cover balance-sheet structure, cash flows of assets and liabilities, and off-balance-sheet items. The liquidity risk measurement framework includes liquidity ratio, maximum cumulative outflow (MCO) and also the recently introduced liquidity coverage ratio (LCR).
- **For operational risk measurement**, the Bank uses risk and control self-assessments as well as loss incident data to determine risk and the effectiveness of the control environment underlying its operations, applying both measures within each business unit. Moreover, as part of its risk mitigation process, the Bank has established a business continuity plan (BCP) to ensure continuity of key activities during any crisis

event that might interrupt business. The Bank's operational risk management approach requires a review of the risk profiles of all new products and material changes to existing products. It also has oversight of the Bank's insurance management framework to reduce the impact from potential operational risk events.

- **For strategic risk and reputational risk**, the Bank forms assessments relying primarily upon qualitatively set risk factors and indicators.

To implement risk management that is more forward-looking, the Bank utilizes an increasing number of stress-testing approaches, in particular for market risk, credit risk and liquidity risk.

3. Risk monitoring and control

The Bank controls risk by establishing key risk indicators and risk limits for the exposure faced by the Bank at different levels: organization-wide, customer, product, transaction and others. The Bank has a variety of internal control mechanisms in place to manage, contain or eliminate risks in accordance with the Bank's policies and procedures.

4. Risk reporting

Risks are reported to relevant business units and executive management so that they can be managed appropriately and promptly. The Bank has developed risk reporting to cover risk at different levels: product, business-unit and bank-wide.

Governance Structure

The risk management system is complemented by a risk management governance structure that comprises 10 elements, as follows:

1. Policies

The Board of Directors has the responsibility to review and approve the Bank's major risk management policies, e.g., the Risk Management Policy of the SCB Financial Group; the Intra-SCB Financial Group Transaction Policy; Credit Policy Guide; Internal Capital Adequacy Assessment Process Policy (ICAAP Policy); Stress Testing Policy; Market Risk Policy; Trading Book Policy; Interest Rate Risk in the Banking Book Management Policy; Liquidity Risk Management Policy; Operational

Risk Policy; and Business Continuity Management Policy.

Beyond these, the Board of Directors approves two other key related guidelines: Strategic Risk Management Guidelines; and Reputation Risk Management Guidelines.

2. Authority

The Board of Directors has the authority and responsibility for approving the delegation of its authority to management and other committees. The authority includes credit approvals and decisions to underwrite different types of risks based on the underlying risk level (risk-based authority).

3. Committees with significant roles in risk management

3.1 The Board of Directors has assigned three committees to deal with risk management matters as follows:

3.1.1 The Executive Committee is responsible for, among other matters, reviewing risk management policies and recommending them to the Board of Directors for approval or approving certain policies where delegated/authorized by the Board of Directors. In addition, the Executive Committee is authorized to approve loans and investments and to administer related functions as pre-determined by the Board of Directors.

3.1.2 The Audit Committee comprises independent members of the Board who are responsible for reviewing the adequacy of the Bank's risk management policies, internal control, and the effectiveness of implementation of the Bank's and SCB Financial Group's risk management systems.

3.1.3 The Risk Management Committee is responsible for: reviewing risk management policies and recommending them to the Executive Committee and the Board of Directors for approval; determining risk management strategies consistent with guidance by the Board of Directors; and managing overall risks of the Bank.

3.2 The Bank has several other committees to manage specific areas of risk:

3.2.1 The Assets and Liabilities Management

Committee is responsible for managing market risk, interest rate risk and liquidity risk.

3.2.2 The Equity Investment Management Committee

is responsible for managing risk arising from the Bank's equity investment portfolio.

3.2.3 The Credit Committee, Retail Credit

Committee and Special Assets Committee are authorized to approve lending according to the level of approval authority that is specified for each committee. The Executive Committee has authority to approve loan amounts that are higher than amounts within the approval authority of these three committees. However, if a loan is granted to a Bank-related business, a major shareholder, or a party related to a member of the Board of Directors, the credit approval authority rests with the Board of Directors.

3.2.4 The Underwriting Risk Committee is

responsible for considering, reviewing and approving the limit for security underwriting from a market risk perspective, while also making recommendations for consideration by the Executive Committee or the Board of Directors in cases where an underwriting risk limit is beyond its approval authority or for any high-risk transaction.

3.2.5 Other committees, such as the Investment Committee.

4. Risk Governance

4.1 Credit risk governance

The Bank has long emphasized the establishment of a sound system of checks and balances in its credit organization. The credit origination functions and the credit approval functions are clearly segregated to enhance internal control. The credit approval authority is determined in accordance with risk level or expected loss, which will depend on credit line, borrower risk rating and severity class. For non-retail credit, the Bank assigns approval authority to both credit committees and individuals. For the approval of retail credit lending facilities, the Bank manages and controls the assessment of retail

credit lending using underwriting criteria that are approved by the Executive Committee or the Retail Credit Committee. Additionally, the Bank assesses and measures retail credit portfolio risks through portfolio segmentation analysis by both product and customer segment.

4.2 Market risk governance

The Bank has determined market risk tolerance limits for its trading portfolios. Limits for each book are approved by the Executive Committee and the Board of Directors. The main market risks taken by the Bank are interest rate risk and foreign exchange risk. The Committee uses a number of risk monitoring and assessment tools to set limits on the trading risk exposures, including statistical measures, value at risk (VaR), risk sensitivity measures (basis point value), position measures and stress testing. In addition, trading portfolio performance is monitored and controlled by using management action triggers (MAT).

4.3 Interest rate risk in the banking book (IRRBB) governance

The Bank sets risk thresholds for IRRBB by measuring impact to net interest income and economic value of equity (EVE) from interest rate fluctuations under normal and stress situations. To monitor IRRBB, the Bank produces a repricing gap report to analyze and estimate the risk. This analysis, the risk estimates and risk management strategies are then reported to the Assets and Liabilities Management Committee (ALCO), which takes further action, if necessary.

4.4 Liquidity risk governance

The Bank has controls and liquidity risk management in place to ensure that it maintains adequate sources of liquidity in order to have sufficient future cash flows to cover its activities under both normal and stress conditions by using cash flow forecasts and liquidity gap projections. These cash flows and liquidity gap forecasts are then used to monitor and control the Bank's overall liquidity risk. The Bank's policy is to maintain the liquidity ratio (liquid assets, as a percentage of total deposits including bills of exchange) at an appropriate level, and to

monitor net cash outflows under several time buckets to ensure that the Bank will be able to meet its liquidity needs on a timely basis.

4.5 Operational risk governance

The Bank has adopted three lines of defense as a core principle of the risk management framework in managing uncertainty and preventing risks. The first line of defense is each the front-line business unit, which is responsible for ensuring that the risk control environment is properly established as part of day-to-day operations. The second line of defense is formed by the oversight functions (e.g., Risk Management Function, Compliance Functions), which facilitate and monitor the effectiveness of risk management practices as well as noncompliance with applicable laws and regulations.

The Bank's third line of defense comprises the independent assurance providers (e.g., internal audit and other independent assurance providers), who provide independent review and objective assurance on the effectiveness of the internal control system.

Additionally, the Risk Management Function presents an operational risk agenda at business-level committees and provides risk management information systems dashboards and key risk indicators to management across key functions on a regular basis.

For risk management of the SCB Financial Group, the Bank as the core company has the responsibility to govern risk management for subsidiary companies.

The Bank's subsidiaries are responsible for establishing risk and internal control policies and practices to ensure effective risk management at a level that is compatible with the Bank and consistent with the consolidated supervision policy of the Bank of Thailand. The Board of Directors has approved an overall Risk Management Policy for the SCB Financial Group mandating that, where appropriate, each of the Bank's subsidiaries shall:

formulate a risk management policy; implement an appropriate organizational structure; set risk tolerance limits; establish risk management methods; and prepare risk reports in accordance with the risk management guidelines of the Bank. Each subsidiary is required to implement this policy framework, the level and complexity of which depends on the nature of its business.

Any company that is wholly owned or substantially owned by the Bank may operate in the same way as the Bank's business units, and it can use the Bank's shared services/resources or provide services to the Bank at commercially reasonable terms and conditions that are acceptable to both sides.

5. Chief Risk Office

The Chief Risk Office reports to the president and is responsible for determining the framework for risk management and recommending risk management policies, as well as monitoring and reporting on major types of risk. The Chief Risk Office has the responsibility to upgrade the risk management policies and practices within the Bank to be at par with international standards, and to ensure that the Bank and its subsidiaries have a comprehensive and cohesive risk management framework. Moreover, other relevant units are responsible for specific risks; for example, the Group Treasury Function is responsible for liquidity risk and interest rate risk in the banking book (IRRBB).

Key Risk Factors for Banking Operations

Thailand's economic growth during 2016 was supported by the government's short-term economic stimulus measures. Exports remained sluggish, and the private sector delayed investment plans. External risks rose during the second half of the year, amid unexpected political change in the U.S. and Europe. Growth in Thailand's tourist arrivals came under downward pressure in the second half of the year.

The Bank forecasts that Thailand's GDP will grow by 3.3 percent year-on-year in 2017, supported by higher household purchasing power and increased government spending. Growth in private consumption will boost the economy. Rising commodity prices will help support the incomes of exporters as well as rural households involved in farming many key crops. Some households will benefit from an

increase in income tax deductions. Many will enjoy higher spending power after paying off car loans initiated during the first-car tax rebate program five years ago. Government spending will surge as numerous infrastructure mega-projects get underway. The budget for public investment projects in 2017 is expected to double in size from the prior year. The economy will also benefit from the government's use of provisional stimulus measures.

Domestic risks hinge on the pace of government budget disbursement for infrastructure projects. These public projects will be crucial in strengthening confidence of the private sector to invest. As for consumers, household debt remains at a high level and is concentrated among low-income families, posing a risk to household spending. The economy might also continue to be impacted by the government's crackdown on zero-dollar tours, which has slowed the previously fast rise in arrivals from China, a major engine of growth for Thai tourism.

External risks to growth will be significantly higher in 2017 than the year before. Changes in the political landscape in the European Union and a shift in the direction of various U.S. policies under President Donald Trump will create short-term financial volatility, potentially affecting global trade and investment in the medium- to long-term. China's economic slowdown and mounting corporate debts are also another set of issues that need to be closely monitored, since Thailand's direct and indirect reliance on the Chinese economy has become high. Furthermore, monetary policy is diverging among the world's major economies, which could add volatility to asset prices and cross-border capital flows. Specifically, the U.S. Federal Reserve is on track to increase its policy interest rate, whereas other major economies, including Europe, Japan and China, still face domestic economic challenges that will prevent them from tightening their monetary policies. This divergence will lead to unevenness in the global economic recovery, with sporadic volatility in the financial markets. The Fed's rate hike will increase corporate borrowing costs via bond issuance and will weaken the Thai baht.

In managing risks from economic uncertainties, SCB will examine loan quality at the borrower level on a regular basis. This is to ensure adequate allowance for doubtful accounts and to establish a process to monitor loan distribution within the lending portfolio in preparation for potential

economic crises. The Bank also implements a stress test to determine adequacy of capital as a part of ICAAP enforced by the Bank of Thailand.

1. Credit Risk

1.1 Concentration risk

Concentration risk relates to any single exposure or group of exposures in an entity or business sector having potential to produce large losses for the Bank in the event of problems in that entity or sector.

The Bank manages credit concentration risk by determining proper ratios for potential losses in each customer group for control and monitoring as follows:

- Lending, investment, contingent liabilities or lending-like transactions with any major borrower and related parties or project must not exceed, without regulatory approval, 25% of capital of full Consolidation companies.
- The sum of lending, investment, contingent liabilities or lending-like transactions with all major borrowers and related parties, of which total debts exceeding 10% of the Bank's total capital, must not exceed three times the Bank's total capital.

Additionally, the Bank requires that lending is not concentrated in a particular industry. This is determined from industry trends, the business opportunity, probability of loss and probability of default. The Bank has applied statistical tools to determine industry limits, such as the Herfindahl-Hirschman Index (HHI), which is an index adopted for measuring industry concentration.

1.2 Counterparty credit risk

Counterparty credit risk is the risk associated with default by counterparties related primarily to derivatives contracts. The Bank's domestic counterparties are customers that need to square their positions and minimize their risk exposure, and that have entered into derivative contracts with the Bank, such as interest-rate swaps, currency swaps, equity instruments and forward rate agreements. To maintain the Bank's market risk exposure within the designated limits, the Bank may hedge its risk exposure in part or whole (back-

to-back) by entering into off-setting agreements with foreign banks active in the OTC derivatives markets. This creates counterparty credit risk exposure to these banks.

The Bank specifies a policy line credit limit for each counterparty, which is submitted for approval in the same manner as those of credit customers. In order to set the maximum acceptable policy limit for each counterparty, the Bank takes into consideration the counterparty's credit ratings and the Bank's own Tier 1 capital, while also establishing sovereign risk limits for each country. In monitoring the risk, the Bank closely monitors the credit status of counterparties in terms of aggregate exposure, credit default swap (CDS) spread, change of credit rating, and the changes in market capitalization of its counterparties. This information is reported to senior management on a daily basis for use in making decisions or for making any adjustments, in order to maintain the Bank's risk within acceptable levels, both in normal situations and during times of elevated risk.

To mitigate the credit exposure to its main foreign bank counterparties, the Bank has entered into ISDA credit support annexes (CSA) with a majority of these counterparties. These require placement of collateral in the form of cash or highly liquid securities in the event that the fair market value of any contract deviates beyond an agreed threshold.

1.3. Country risk

The Bank monitors its exposure to both direct and indirect country risks arising from its business operations in order to identify, in a timely fashion, any potential large losses that may arise due to adverse conditions occurring in other jurisdictions or hostile actions of sovereign entities. The Bank manages country risk by determining a limit policy and country limit for each country, based on a sovereign scorecard and external credit ratings.

1.4. Non-performing loan (NPL) risk (bank basis)

NPLs arise when a debtor fails to repay debts

according to an agreed schedule. The Bank stands to lose not only interest income, but sometimes also the principal balance, whether wholly or in part, and as a result this risk could affect the Bank's profitability and capital adequacy.

At the end of 2016, Bank-only NPLs stood at Baht 56,544 million, or 2.6%, down in absolute terms and in terms of percent of total credit from Baht 57,197 million, or 2.8%, in 2015. (Further explanation on NPLs provided in the MD&A section.) These NPLs can be classified into four categories: restructured debts 69.0%, debts pending completion of restructuring negotiations 7.7%, debts pending the outcome of legal proceedings 11.2%, and debts pending legal execution 12.0%.

The Bank manages its NPL risk by setting aside adequate loan loss provisions for expected losses. At the end of 2016, the Bank had total loan loss provisions of Baht 76,628 million, covering 135.5% of NPLs.

1.5. Off-balance-sheet risk

In adherence to generally accepted accounting standards, some of the Bank's obligations with customers and counterparties are classified as off-balance-sheet items together with the underlying credit risk and market price risk that would arise in the event of contractual failures caused by customers, counterparties or the Bank.

At the end of 2016, the Bank's obligations arising from aval and guarantees, liabilities under unmatured import bills, and letters of credit amounted to Baht 63,502 million, up by 51.2% from the year before.

In managing off-balance-sheet exposure, the Bank treats such obligations as a form of credit risk, and business units are required to follow the normal credit approval process in addition to assessing the cumulative exposure against the risk tolerance limit set for each customer, counterparty and country. Furthermore, the Bank assesses the fair value of derivatives by using the mark-to-market method.

Also, the Bank hedges its derivatives risk exposure to market price volatility by setting limits using a variety of risk indicators, such as VaR, risk sensitivities including option greeks, loss action triggers and stress testing.

1.6. Risk from impairment in value of real property collateral

Because most collateral placed with the Bank is in the form of real estate, a sluggish property market, in which property prices might decline, would negatively affect this collateral. As a result, the Bank could suffer higher losses from its NPLs. The Bank has therefore developed a Collateral and Non-Performing Assets Appraisal Policy as part of the Credit Risk Management Policy to ensure that collateral and NPA values reflect fair market value, especially for establishing loan loss provision, capital calculation and debt restructuring.

The Bank has managed impairment risk through the Collateral and Non-Performing Assets Appraisal Policy. Collateral is reassessed every five years for credit lines higher than Baht 20 million. For non-performing loans (NPLs), the collateral value is reassessed every three years; however, if the collateral value affects a decision-making process such as restructuring a loan, the collateral price must reflect fair market value and be reassessed within one year. For non-performing assets, collateral is re-appraised every year.

In terms of the choice of appraiser, the Bank is allowed by the BOT to use its internal appraiser for loans of any size. To ensure transparency, and prevent conflicts of interest, the Bank's pricing appraisal process is independent from the credit approval function. Also the Bank assigns the internal appraiser to monitor property price movements in the market on a regular basis. In the event that there is any reason to believe that a market price is likely to change by more than 20% within a period of one year, the internal appraiser must report this trend to the Bank immediately to ensure that the Bank will take action to review the collateral value.

2. Market Risk and Interest Rate Risk in the Banking Book (IRRBB)

2.1 Foreign exchange risk

Fluctuation in exchange rates affects the value of the Bank's foreign currency-denominated assets and liabilities. The Bank's transactions exposed to foreign exchange risk include proprietary trading transactions and customer transactions for money transfers as well as payments related to international trade and foreign investment. These transactions may result in a change of the Bank's foreign currency position to a net creditor or a net debtor at any point in time. If the Thai baht appreciates against other currencies at a time when the Bank is a net creditor, the Bank would suffer a foreign exchange loss, whereas depreciation of the Thai baht would enable the Bank to reap the benefit of foreign exchange gains. On the other hand, if the Bank were in a net-debtor position, the appreciation of the Thai baht would generate a foreign exchange gain for the Bank; and conversely, the depreciation of Thai baht would create foreign exchange losses.

It is the Bank's practice to hedge against foreign exchange risk by setting risk limits on foreign exchange risk exposure. These limits are determined by the use of statistical methods, such as VaR, as well as monetary limits, such as net open position, open position by currency, management action triggers, etc.

As of December 30, 2016, the Bank's foreign currency position was as a net creditor of USD 210.81 million (USD equivalent), and VaR was Baht 84.93 million.

2.2. Interest rate risk

The fluctuation of interest rates affects the Bank's interest income and expenses, and economic value of equity. Interest rate risks can be classified into four categories:

- **Repricing risk** is the risk that arises from timing differences or mismatches in maturity, and interest rate changes relating to the Bank's assets and liabilities, caused primarily by shifts in major interest rates. For example, assuming all other factors are constant, if the Bank's assets

can be repriced faster than liabilities (positive gap), interest margins increase when interest rates rise. On the other hand, if the Bank's ability to reprice assets is slower than liabilities (negative gap), then interest margins narrow when interest rates rise.

- **Yield curve risk** is the risk that changes in market interest rates may have different effects on yields or prices on similar instruments with different maturities.
- **Basis risk** occurs when the Bank's assets and liabilities are based on different benchmark interest rates, e.g., fixed-deposit rates, interbank lending rates, THBFIX interest rates, etc. Therefore, any change in benchmark interest rates will affect interest rates tied with assets and liabilities differently.
- **Options risk** arises from implicit and explicit options in the Bank's assets and liabilities and off-balance-sheet items. The exercise of options might affect the Bank's revenues and costs. For example, the option on three-month or six-month deposits that allows a depositor to withdraw funds before the due date will, if exercised early, cause the Bank to bear sooner-than-expected costs.

In managing its interest rate risk, the Bank sets risk tolerance limits for both the trading book and banking book. For trading book exposures, there are limits on VaR, sensitivities to yield curve and basis shifts (basis point value), and stress testing. For banking book exposures, limits are determined based on percentage of income and capital.

As of December 30, 2016, VaR of interest rate risk exposure in the trading book was Baht 72.81 million. For the banking book, a 1% increase of interest rates for a period of one year would decrease net interest income by Baht 434 million, and would decrease economic value by Baht 8,085 million.

3. Liquidity risk

Liquidity risk is a critical risk area, which arises from a mismatch of maturity of the Bank's assets and liabilities. A commercial bank typically raises a substantial portion of its funds from short-term instruments, e.g., short-term

fixed deposits and demand deposits such as savings accounts and current accounts. At the same time, a bank uses funding from these sources to extend loans that generally have longer tenure than the deposits.

To manage the underlying liquidity risk, SCB maintains adequate liquidity at all times, to ensure that the Bank is in a position to meet all its obligations, to repay depositors and to fulfill commitments to lend without having to liquidate assets or raise funds on unfavorable terms. Further, the Bank also monitors and performs in-depth liquidity gap analysis for both normal and stress scenarios to ensure that the assets and liabilities structure is positioned well within the acceptable risk tolerance level.

The Bank has a policy to maintain its daily liquidity ratio at 20% or higher, measured as total liquid assets to total deposits. At the end of December 2016, the Bank had liquid assets at 28.8% of total deposits, thus assuring the Bank of ample liquidity under both normal situations and crisis scenarios.

4. Strategic risk

Strategic risk refers to the risk of a current and/or prospective impact on the Bank's earnings, capital, or survival arising from factors such as changes in the environment the Bank operates in, adverse strategic decisions, improper implementation of major strategies, or lack of responsiveness to industry, economic and technological changes.

The Board of Directors has adopted strategic risk management guidelines as a framework to provide a formalized and structured approach in managing strategic risk. Strategic risk is managed throughout the strategy setting process itself and through the assessment of strategic risk. The strategy process - including strategic planning, alignment and change management, implementation and monitoring, and performance evaluation and feedback - is designed so as to ensure the sufficiency of information taken into consideration in formulating and implementing strategy. The risk assessment, which is a part of the Bank's risk materiality assessment framework, is performed to monitor potential strategic risk occurring from both external and internal factors.

The Corporate Strategy and Business Development Function is currently the strategy process owner responsible for supporting the Board and senior management to formulate and review strategy as well as to recommend prompt action (if required). Also, the Corporate Strategy and Business Development Function is responsible for strategic risk assessment on a regular basis.

5. Operational risk

According to the Basel Committee of the Bank of International Settlements (Basel II), operational risk refers to “the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events,” including legal risk, and reputation impact arising from operational risk, but not including strategic risk. (For reputation risk please refer to item 6 below). Risk factors can arise from both internal and external environments, such as changes to key personnel, organizational structure, processes, systems or products; force majeure; riot; etc.

The Bank realizes that operational risk is a key risk arising from its business operations and therefore emphasizes effective operational risk management, while aiming to continually improve this crucial process over time.

Business and support units within the Bank are responsible for managing their operational risk by applying the methodologies and approaches that the Bank has implemented. The respective units perform risk and control self-assessments (RCSA); identify key risks; evaluate the effectiveness of controls; and establish action plans in order to reduce or prevent these risks and ensure that their operational risks are at an acceptable level and also appropriate for their business profiles. The RCSAs are revisited on a regular basis in order to identify new emerging risks or any deterioration in control conditions. The results are presented to business unit committees and relevant senior committees for agreement and setting of action plans to mitigate or eliminate the risk where the exposure is deemed unacceptable.

To ensure that critical businesses and service to customers are not materially disrupted during a crisis or unexpected circumstances, the Bank continued to improve its crisis management and business continuity capabilities throughout 2016.

Risk pertaining to changes in statutory policies, laws, rules and regulations is part of operational risk.

It is the Bank’s responsibility to comply with statutory rules and regulations issued by various authorities, e.g., the Bank of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand, Anti-Money Laundering Office and other relevant authorities.

The Bank has established a Compliance Function, responsible for providing advice, recommendations and opinions on various issues, coordinating with the relevant functions within the Bank, and set up the control and monitoring program, in order to ensure that the Bank and its subsidiaries in the SCB Financial Group are in compliance with applicable statutory laws, rules and regulations as well as the Bank’s internal policies and procedures. The Compliance Function reports significant compliance issues to the Bank’s management and to relevant committees so as to manage compliance risk effectively.

6. Reputation risk

Reputation risk can arise from adverse public perception of the Bank. Given its nature, it is difficult to identify or assess this type of risk because it is influenced by changing political, economic and social conditions, including specific public expectations regarding the Bank.

To manage this reputation risk, the Bank relies upon the participation of the Board of Directors and senior management in order to obtain different opinions for assessing the risk to its reputation and establishing safeguards.

The Board of Directors has established procedures for the Bank in dealing with businesses or issues that might have any significant potential to become subject to public criticism requiring, in the first instance, that if the

Bank and its subsidiaries engage in any such business or issues, the management concerned must seek approval from the chairman of the Executive Committee or the president before initiating or participating in any such transaction. This referral is in order to determine the appropriateness of the Bank's involvement. The matter is then reported to the chairman of the Board, the chairman of the Audit Committee, and the chairman of the Nomination, Compensation and Corporate Governance Committee. In the second stage, the Executive Committee has the authority to approve the transaction with the consent of the chairman of the Board, the chairman of the Audit Committee, and the chairman of the Nomination, Compensation and Corporate Governance Committee.

The CSR and Corporate Communication Division, which includes the Public Relations Unit, is responsible for coordinating with business and non-business units within the Bank to identify and monitor reputation risk factors including:

1. Transactions that might affect the Bank's reputation.
2. Incidents of regulatory non-compliance.
3. Customer complaints.
4. Adverse impact from employee-related issues.
5. Negative media coverage.
6. Financial standing and integrity of the Bank.

CSR and Corporate Communication Division is responsible for conducting an assessment of overall reputation risk and reports the findings to the Bank's Risk Management Committee and Executive Committee.

Capital Adequacy

Following the global financial crisis of 2008, the Basel Committee on Banking Supervision developed a new set of regulatory guidelines for strengthening the resilience of the banking sector, better known as Basel III, announced in December 2010. The new guidelines aimed to strengthen the capital position of banks worldwide, and set a new standard of liquidity risk management framework for banks. The Bank of Thailand (BOT) adopted this framework with minor local adjustments in order to ensure that Thai commercial banks meet stringent international standards.

The BOT has required Thai commercial banks to hold a capital conservation buffer according to Basel III since January 1, 2016. This additional capital requirement is being gradually added to the common equity Tier 1 capital requirement at the rate of 0.625% p.a. until it reaches a 2.5% target in 2019. As a result, minimum regulatory capital requirement ratios under Basel III for 2016 were increased to 'not less than 5.125%' for common equity Tier 1 (CET1), 'not less than 6.625%' for total Tier 1 and 'not less than 9.125%' for total capital. Banks that cannot meet this minimum requirement may be subject to earnings-distribution restrictions, e.g., on dividend payouts, discretionary bonus payments, share buybacks, etc.

From January 1, 2013, SCB adopted the Basel III guidelines on a bank-only basis, and on the same date adopted the guidelines for the consolidated basis ahead of the corresponding BOT deadline. The Bank continues to apply the standardized approach as a guideline for maintaining regulatory capital adequacy for credit risk, market risk in the trading book and operational risk. Also, the Bank continues to manage, monitor and report its capital adequacy position through the internal capital adequacy assessment process (ICAAP), which includes developing estimates for future capital requirements and stress testing. The Bank defines its proposed target capital ratios in the ICAAP report to reflect the Bank's capital targets vis-à-vis its overall risk appetite. The Bank submits the ICAAP report to the BOT on an annual basis by the end of March. Furthermore, in order to encourage market discipline, the BOT requires commercial banks to disclose key information on capital structure and adequacy, risk exposure as well as risk assessment and management, on a semi-annual basis. This information appears on the Bank's website under 'Pillar III Disclosure.'

At the end of December 2016, under the Basel III framework, the Bank had total capital of Baht 337 billion (17.4% of risk-weighted assets), of which Baht 280 billion is classified as CET1/Tier 1 capital (14.5% of risk-weighted assets) and Baht 57 billion (2.9% of risk-weighted assets) is classified as Tier 2 capital. For SCB Financial Group, the total capital stood at Baht 352 billion (17.7% of risk-weighted assets), of which Baht 295 billion is classified as CET1/Tier 1 capital (14.8% of risk-weighted assets), and Baht 58 billion (2.9% of risk-weighted assets) is classified as Tier 2 capital.

Furthermore, if the Bank's 2H16 net profit were to be incorporated in determining capital adequacy, CET1/ Tier 1 capital would stand at 15.6% on a bank-only basis and 15.9% on a consolidated basis.

The Bank believes that its strong capital position, which is currently well above the minimum regulatory requirement, together with higher loan loss provisions, will enable the Bank to withstand the impact of adverse shocks on the Bank or on the Thai economy. Moreover, its solid capital position will also enable the Bank to pursue any future growth opportunities.

Risks to Shareholders

Risks to shareholders might arise in the event that shareholders would not receive the expected return from their investments. Returns to shareholders can be in the form of both dividend income and capital gains. Dividend income is the direct result of the Bank's operating performance. When the Bank reports healthy net profit in a financial year, shareholders should expect to receive dividend income as stated in the Bank's policy on dividends in the range of 30-50% of the Bank's consolidated net profit. In terms of capital gains, the sole underlying factor is the price performance of SCB shares, which in turn reflects multiple variables such as the Bank's performance and outlook, domestic and global economic conditions and outlook, domestic political stability, foreign fund inflows and outflows-most of which are beyond the Bank's control.

The Bank's performance is the only variable within the Bank's control, and in recent years this has been in line with, or well above, market expectation. At the start of each year, the Bank provides broad guidance on its financial targets. Thus, the risk to shareholders is that the Bank may not be able to meet the said financial targets in a particular year, which might affect both the dividend and the share price. However, this risk is mitigated by the fact that SCB has a clear business strategy with appropriate short- to medium-term strategic thrusts, along with clear annual financial targets. In addition, the Bank has delivered the highest net profit among Thai financial institutions, in a very competitive environment. While past performance does not guarantee future results, it does demonstrate the competitive positioning of the Bank, the effectiveness with which it formulates and executes strategies, and the quality of its management team. As a result, the Bank expects to be better shielded from the adverse impact, if any, from external factors, as compared to many other banks in the industry.

The Bank's two major shareholders account for a sizable proportion of total shares outstanding, and this poses a potential risk should these major shareholders unwind large positions onto the stock market. This might adversely impact the Bank's share price. Nevertheless, the Bank expects the impact from this potential risk factor to be relatively short, given that the Bank's shares make up one of the highest market capitalizations on the stock exchange, which in turn makes it one of the most liquid stocks, with some of the highest trading volumes on the exchange. Also, the said two major shareholders have held these shares for a long time and have never expressed or indicated any interest whatsoever in diluting or divesting their holdings.

5

CORPORATE SOCIAL RESPONSIBILITY SUSTAINABILITY REPORT AT SCB

Siam Commercial Bank, as the first Thai bank, is grateful for His Majesty's dedication to sustainable development throughout his reign, which laid down the foundation for growth and prosperity in all dimensions of economy, society, and the environment. Cognizant of the role in fostering the country's economic growth and stability, the Bank is inspired to apply His Majesty's philosophy of Sufficiency Economy in shaping its policy and business principle. Key components of the philosophy which include reasonableness, moderation and risk management as well as application of knowledge and integrity help strengthen the Bank's self-immunity. It has been done in conjunction with social and environmental responsibility on the basis of good corporate governance in order to contribute to the sustainable development of the society and the nation.

In 2016, the Bank's business faced many challenges ranging from **a slowdown and high volatility in the global economy**, which was an unavoidable drag on exports and the overall Thai economy, to **the fast pace of advancement in financial technology, or "FinTech"**. FinTech innovation has caused changes in consumer behavior and is expected to revolutionise financial transactions in the near future. In addition, **the government has a policy to transform Thailand into a digital society with an innovation-driven economy under the model "Thailand 4.0"** to prepare for the fast-changing world.

In facing these challenges, the Bank believes that **a business that can grow sustainably is not the type that focuses solely on performance. It has to be a business that can quickly adapt to the changing business environment while considering the principles of balance and fairness in delivering a sustainable value to various stakeholders. This will bring praise as well as support for sustainable growth consistent with the Bank's new vision to strive toward being "the Most Admired Bank."**

With this intent, the Bank overhauled its strategies and business models last year under the **"SCB Transformation"** to strengthen four key elements of the Bank's foundation: People, Process, Product, and Technology. The goal of this project is to enhance the Bank's capability to differentiate and provide long-term values to customers. The Bank will focus on customer-centric strategies and leverage technology to deliver better experiences to the customers as well as to enhance efficiency, particularly by offering more customised products and services to meet customers' needs. The Bank also changes our business model at the branch by separating of "sale" from "service" function to provide a better experience for SCB's customers. Moreover, the Bank will expand its network of business partnerships to create new business models on a platform that could connect to the Bank's business partners and to provide financial solutions to a variety of businesses along the value chain. In addition to these initiatives, the Bank will also follow a disciplined approach on risk management and maintain its financial strength to prepare for potential market volatility. (Please refer to Sustainability Report for more detail)

Report of the Corporate Social Responsibility Committee

SCB's Corporate Social Responsibility (CSR) Committee comprises five SCB directors and has primary responsibility in setting direction and evaluating performance regarding support for the development of society. This support is in line with the Bank's commitment to practice social responsibility as stated in the CSR Committee's Charter and SCB's Corporate Governance Policy. The Committee's duties are to:

1. Set policy and frameworks in managing the Bank's CSR activities.
2. Set policy for the SCB Foundation.
3. Evaluate and allocate resources and budgets for CSR projects and activities for both the Bank and the SCB Foundation.

For 2016, the CSR Committee set guidelines as follows:

1. Support for youth development and promotion of learning.
2. Support for developing and maintaining networks of volunteers.
3. Support for improvement of quality of life and the environment.

During the year, the CSR Committee held nine meetings. In highlights of its efforts, the Committee:

1. Supported activities under a project to celebrate the 70th anniversary of the coronation of His Majesty King Bhumibol Adulyadej. The activities included:
 - A documentary film commemorating the benevolence of Thailand's kings in furthering the nation's economic progress. Beginning with the friendship and commerce between the British Empire and the Kingdom of Siam as took place under the Bowring Treaty during the reign of King Rama IV, the documentary explores this economic history up to the Sufficiency Economy Philosophy of His Majesty King Bhumibol Adulyadej. The documentary enables young generations and the public to learn about Thailand's economic development over time and the benevolent economic role of the Kingdom's monarchs.
 - The National Identity Foundation's 'Pride of Thailand' project, which will curate 999,999 stories about the boundless pride of the Thai people. For SCB's part, the Bank presented a story about its origins as the "The Book Club," a turning point in Thailand's economic history.

Supported activities under a project celebrating the 84th birthday anniversary of Her Majesty Queen Sirikit. These activities included:

- Khon Kaen University's project to tackle the problem of liver fluke infection, which causes bile duct cancer.
 - The Thai Red Cross Society's project to provide free surgery to repair cleft lips, cleft palates and other deformities.
2. Amended the CSR Committee's Charter to require that the CSR Committee hold meetings at least once a quarter.
 3. Approved support for a self sufficiency-based forestation and human development project to save water resources and alleviate floods in Nan Province, in cooperation with the Mae Fah Luang Foundation Under Royal Patronage.
 4. Supported the Bank's participation in CONNEXT ED, a leadership program for sustainable development of education co-founded by 12 private-sector corporations. Thirty volunteers from the Bank were selected to join the program as school partners to work with 50 'Pracharat' schools, which promote civic-minded education.
 5. Provided occupational support for those with disabilities in accordance with the Persons with Disabilities Empowerment Act, Section 35, instead of contributions to a related fund. This occupational support is managed by the Bank's Human Resources Function in cooperation with the Social Innovation Foundation, the Don't Drive Drunk Foundation, and the Redemptorist Foundation for Persons with Disabilities. It benefits 214 individuals with disabilities, and can be scaled up via SCB's CSR activities involving volunteerism by employees.
 6. Considered and approved a support project for the Vidyasirimedhi Institute, which focuses on developing post-graduate research in Thailand aimed at helping Thailand become a global research leader. The project will help drive the country forward and produce various benefits, in line with the Bank's operations, through joint efforts to establish an Institute of Information Science and Technology and design its curriculum.
 7. Followed up the progress of projects by SCB and the SCB Foundation and provided recommendations to ensure that they adhere to the approved action plans and budgets.



(Khunying Jada Wattanasiritham)
Chairperson of the CSR Committee

6

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT 2016

The Board of Directors is deeply cognizant of the critical importance of corporate governance (CG) in the pursuit of sustainable growth, creation of long-term shareholder value and securing the trust of all stakeholders, including shareholders, customers, employees, partners and the community. The Board believes that good corporate governance will help nurture the steady growth of our capital market and increase value for shareholders over the long term. As a result, the Board consistently adheres to good corporate governance based on principles and practices that are generally accepted in Thailand and internationally. Adherence to these practices has contributed to the Bank's success over the past decade and won recognition from several organizations. For instance, SCB achieved the top level ("Excellent") in the 2016 CG assessment results announced by the Thai Institute of Directors Association (IOD). The Bank attained scores within the top range of 99 - 100 (for the twelve consecutive year from 2005-2016) in the Thai Investors Association's assessment of shareholders' meetings from 2009-2016. Partly as a result of these two scores, SCB became one of the few companies in Thailand to receive the highest rating in corporate governance for four consecutive years, during 2012-2015, under the ASEAN CG Scorecard assessment process.

Corporate Governance Policy

The Board has assigned the Nomination, Compensation and Corporate Governance Committee to formulate the Corporate Governance Policy and monitor compliance therewith. The Committee also reviews and revises the Policy to ensure that it is appropriate and in line with the guidelines issued by supervisory authorities, as well as with internationally accepted standards for corporate governance. The Bank's Corporate Governance Policy encompasses the following core elements:

- 1) The Policy requires that the Bank must have established a clear vision, mission and code of conduct governing practices of the directors, managers and employees of the Bank. The Board has reviewed and approved the Bank's vision to serve as "The Most Admired Bank", to be realized by 2020.

- 2) The Policy formalizes, among other matters, the structure of the Board and Board committees, inclusive of roles and responsibilities, composition and tenure of members; the Board's meeting procedures; nomination and appointment of members of the Board; orientation for the Board's new members; the holding of positions in other companies by the directors and senior executives; the separation of position and roles among the chairman of the Board, the chairman of the Executive Committee and the senior executives; remuneration of directors and persons with management authority; assessment of performance of the Board, Board committees and persons with management authority; succession planning; and the roles and functions of the company secretary.
- 3) The policy enumerates the rights and treatment of all stakeholders in terms of arrangement of shareholders' meetings, dividend payments and transparency through disclosure of information.
- 4) The Policy restricts the use of confidential and non-public information by directors and employees and specifies rules governing connected transactions, conflicts of interest, and conflict-of-interest reporting of directors and persons with management authority.

The Corporate Governance Policy is publicly disclosed and available on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Corporate Governance Policy."

2016 Corporate Governance

The Bank's corporate governance practices in 2016 are summarized as follows:

1. Rights of Shareholders

The Bank has complied with its Corporate Governance Policy with the aim of ensuring that shareholders enjoy their rights and exercise such rights in an equitable manner, such as buying or selling shares, receiving dividends and receiving adequate, timely and complete information about the Bank through easily accessible channels.

In addition, shareholders are entitled to take part in material business decisions, e.g., payment of dividends, appointment and removal of directors, determination of directors' remuneration, appointment of auditors, determination of audit fees, amendment to provisions of the Memorandum and Articles of Association, and approval of special transactions (e.g., capital increase or reduction, acquisition or disposal of significant assets, or connected transactions) The shareholders may cast their votes on the aforesaid matters according to details provided in the Notice of an Annual General Meeting of Shareholders or, if applicable, the Notice of an Extraordinary General Meeting of Shareholders. The principles adopted by the Bank in respect of treatment of shareholders are shown in detail on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Section 3 - Rights and Treatment of Stakeholders."

1.1 Shareholders' Meeting

In 2016, the Bank held its Annual General Meeting of Shareholders (AGM) No. 193 on 5 April 2016. The Bank conducted the proceedings in a manner to ensure that the shareholders were able to exercise their rights in accordance with the law, relevant regulations and good governance practices.

- 1) To ensure that shareholders receive clear and adequate information, have sufficient time to consider agenda items of the AGM, and are able to easily access the Notice of the AGM and its accompanying documents, the Bank posted the Notice of the AGM, accompanying documents, and proxy forms in both Thai and English on its website 30 days prior to the meeting date. Then, the Notice of the AGM, in both Thai and English, together with the 2015 Annual Report (in CD-ROM format) was sent via post to shareholders at least 21 days in advance of the meeting date. The aforesaid Notice of the AGM contained information such as date, time and venue of the meeting (with a map and directions), and details of each agenda item (including factual background, purposes, rationale, and opinions or recommendations of the Board) as well as accompanying documents, including details of meeting procedures, voting and proxy appointments. Furthermore, the Bank posted the Notice of the AGM on bulletin boards at its head office and all its branches. The Meeting Notice was also advertised in newspapers in accordance with
- law. Also, shareholders were entitled to receive the printed 2015 Annual Report before the date of the meeting from the company secretary upon request.
- 2) The Bank recognizes shareholders' rights to know and fully access information and allows shareholders to submit questions in advance of the AGM to the company secretary through various channels, including via post or e-mail at company_secretary@scb.co.th, in accordance with the guidelines on the Bank's website. The questions are collected and then proposed to the Board via the Nomination, Compensation and Corporate Governance Committee.
- 3) To encourage and facilitate participation of all shareholders (individuals, juristic persons and institutional investors) to attend the AGM and exercise their rights in an equitable manner, the Bank delivered the Proxy Form B to shareholders for the appointment of proxies to attend the meeting on their behalf in the event that they were unable to attend the AGM in person. Furthermore, institutional investors such as fund managers or custodians were invited to nominate their representatives to attend the meeting and, for their convenience, the Bank assigned officers to check the required documents in advance of the meeting.
- 4) To facilitate attendance by all shareholders and proxy holders, the AGM was held during business hours and on a working day at the Bank's head office. On the meeting day, the registration counters were open at least two hours prior to the meeting time to facilitate procedural document checks and registration. The Bank's meeting registration service made use of a bar code system whereby different counters were set up for each type of shareholder, e.g., individuals, juristic persons and fund managers or custodians. For efficiency and convenience, the Bank allocated to each shareholder or proxy holder the ballot bearing the same bar code as their registration bar code for voting on each agenda item. The meeting registration remained open to shareholders during the meeting, allowing shareholders to register and attend the meeting at any time and vote on any remaining agenda item.
- 5) The chairman of the Board presided as the chairman of the meeting and 16 directors (out of 17 directors) of the Bank were in attendance together with the chairmen of Board committees, the Bank's senior executives and the external auditors in order to clarify and respond to any questions or issues raised. Prior to

proceeding in accordance with the meeting agenda, the company secretary informed the meeting of the voting and vote counting practices for each agenda item. Holders of the Bank's ordinary and preferred shares, including proxy holders who attended the meeting, were entitled to cast their votes based on the one-share-one-vote basis. In order to increase the efficiency and speed of the voting process, only the ballots for disapproval and abstention votes were collected. Voting and ballot counting were conducted openly, and the bar code system was employed in tabulating and reporting votes. Baker & McKenzie, an international law firm, was assigned by the Bank to review and inspect the validity of the proxy appointments, adequacy of quorum, and tabulation and reporting of votes. Further, the voting results for each agenda item were reported to the meeting in a timely, accurate and transparent manner.

- 6) Multimedia presentations were used at the meeting to highlight both the performance in 2015 and the business strategies for 2016. The chairman of the meeting allowed shareholders to ask questions and/or make recommendations on an equitable treatment basis and asked that comprehensive responses be provided to all questions or issues raised. The directors and management jointly responded to shareholders' questions and clarified issues. The company secretary recorded minutes of the meeting and the votes cast under each agenda item. Additionally, the meeting proceeded in accordance with the announced agenda, and the Bank did not switch, add, or revise any agenda items, or modify previously issued information at the meeting.
- 7) Following the meeting adjournment, the resolutions adopted were posted in both Thai and English on the websites of the Stock Exchange of Thailand and of the Bank on the meeting date. In addition, the minutes of the AGM in Thai and English were submitted to the Stock Exchange of Thailand and made available on the Bank's website within 14 days from the meeting date to provide shareholders with wide and early access to such documents. The minutes contained the list of directors and senior executives who attended the meeting, the voting procedures, abstracts of the questions and issues raised and the answers or clarifications provided by the Board and senior executives, and the resolutions reached, together with the number of approval, disapproval and abstention votes on each agenda item that required voting.

1.2 Dividend Payment

The Bank has a dividend policy that provides guidance that the dividend payout will usually be in the range of 30-50% of its consolidated annual net profit and such payout would take into account the long-term return to all shareholders. Dividends are considered in any year when the Bank, after deduction of all statutory and other reserves, posts a profit, provided that there is no accumulated loss and the Bank is able to maintain adequate capital funds in compliance with the regulatory requirements, as well as taking into account the need to preserve capital for its future business needs. The interim dividends and annual dividends are paid within 30 days after the Board or the shareholders' meeting approves the dividend payment. In proposing a dividend payment for approval, the Bank discloses its Dividend Policy, dividend rate and amount, including rationale and other relevant information, to support the shareholders' decision-making.

At the 2016 AGM, the meeting resolved to approve the dividend payment from the Bank's 2015 operating results to holders of the Bank's preferred and ordinary shares at the rate of Baht 5.50 per share, equivalent to a total of Baht 18,696 million or approximately 39.6% of the 2015 consolidated net profit. The details of dividend payments are as follows:

- 1) The Board, at its meeting No. 9/2015 on 25 August 2015, resolved to approve an interim dividend payment at the rate of Baht 1.50 per share to holders of the Bank's preferred and ordinary shares. The interim dividends were paid to holders of the Bank's preferred and ordinary shares on 18 September 2015 (24 days from the date of approval of the interim dividend payment by the Board); and
- 2) The final dividend was paid at the rate of Baht 4.00 per share to holders of the Bank's preferred and ordinary shares on 3 May 2016 (28 days from the date of approval of the dividend payment by the shareholders' meeting).

1.3 Election of Director on an Individual Basis

As part of the director election process, the profiles of directors nominated for election are disclosed in the notice of the AGM to support the shareholders' consideration. Each profile includes information such as the nominee's age, education, work experience, positions in other listed and non-listed companies, date of appointment as director, meeting attendance in the previous year, and type of directorship. In the case of independent directors, the Bank additionally provides its definition of independent directors and other information such as their relationship or conflicts of interest with the Bank, its parent companies, its subsidiary companies, its associate companies and any other parties having the authority to control the Bank or juristic persons with potential conflicts of interest with the Bank either at present or during the two years prior to their appointment as an independent director of the Bank. At every AGM, one-third of the directors retire by rotation. At the 2016 AGM, six directors retired by rotation. The Bank arranged for shareholders to elect individual directors to replace the outgoing directors by casting their votes. Similar to the voting on other agenda items, only disapproval and abstention ballots were collected and tabulated. The AGM minutes clearly showed the voting results for each director appointed by the shareholders.

1.4 Determination of Directors' Remuneration

As stipulated in the Bank's Articles of Association approved by the shareholders' meeting, a director is entitled to receive remuneration from the Bank through gratuities, meeting allowances, rewards, bonuses or other benefits consistent with the Articles of Association or the resolution of the shareholders' meeting. Such remuneration may be fixed or specified from time to time according to the regulations laid out, or may be allowed to remain in effect until changed. Further, a director is also entitled to a per diem and fringe benefits according to the regulations of the Bank. The Nomination, Compensation and Corporate Governance Committee is assigned by the Board to recommend directors' remuneration to the Board prior to proposing the remuneration to an AGM for approval on an annual basis. The Board has set as a policy that the directors' remuneration should be: appropriate and commensurate with directors' scope of duties and responsibilities; comparable to other major listed companies and commercial banks; and in line with prevailing business conditions and trends.

1.5 Communication Among the Bank's Shareholders

The Bank does not seek to prevent communication among its shareholders. Shareholders are at liberty to share information with each other and may request a copy of the list of the Bank's shareholders from the Business Development Department of the Ministry of Commerce.

2. Equitable Treatment of Shareholders

As stipulated in the Bank's Corporate Governance Policy, all shareholders, i.e., major, minor, institutional and foreign shareholders, are entitled to the same shareholder rights and are treated on an equitable and fair basis. The principles of equitable treatment of shareholders, to which the Bank has adhered, are provided on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy," and then "Section 3 - Rights and Treatment of Stakeholders."

2.1 Invitation to Shareholders to Propose Agenda Items, Candidates for Directorship, and Questions Prior to the Shareholders' Meeting

All shareholders of the Bank are invited to propose matters to be included as agenda items for the AGM and to nominate qualified candidates for directorship to be nominated for election at an AGM according to the criteria that have been clearly established and published on the Bank's website. The shareholders may submit their proposals to the company secretary via post or e-mail at company_secretary@scb.co.th. The Nomination, Compensation and Corporate Governance Committee will consider the shareholders' proposals prior to submitting them to the Board for further consideration. The decision on the matter will be notified to the shareholders concerned for their acknowledgment. Any proposals that are accepted will be included in the agenda at the AGM.

The Bank invited shareholders to propose agenda items, candidates for directorship, and questions for the 2016 AGM three months prior to the end of the Bank's accounting period, i.e., from 1 October to 31 December 2015. Nonetheless, the Bank did not receive any proposals from the shareholders.

2.2 Proxy Appointments for Shareholders' Meeting

For every shareholders' meeting, the Bank has made available three types of proxy forms (Form A, Form B and Form C) as

determined by the Department of Business Development of the Ministry of Commerce. The conditions and documents required for the appointment of proxies are clearly described and do not cause any difficulties.

At the 2016 AGM, the Proxy Form B indicating specific details of a proxy appointment was delivered to shareholders together with the Notice of the Annual General Meeting of Shareholders. Shareholders were provided with an additional option of appointing as their proxies one of two independent directors of the Bank who did not have any conflict of interest in the relevant agenda items of the AGM. In this regard, shareholders were supplied with important information about these independent directors. The shareholders were able to appoint either one of the two independent directors or any other person of their choosing as proxy. In addition, shareholders were able to download Proxy Form A or Proxy Form C from the Bank's website for their use as and when applicable.

2.3 Ballots for Shareholders' Meeting

In the 2016 AGM, ballots were used for voting on every agenda item, but only the ballots indicating disapproval and abstention votes were collected and retained for future examination.

In order to ensure that the voting process was efficient, accurate, speedy and verifiable, a bar code system and PDA were employed in tabulating votes. Prior to proceeding in accordance with the meeting agenda, the company secretary informed the meeting of the voting and vote tabulation procedures. In addition, the Bank requested shareholders to return all unused ballots to the Bank's officers and kept these ballots as evidence.

2.4 Internal Control and Risk Management

The Bank regularly monitors and assesses the adequacy of its internal control system and risk management system based on the internal control practice guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which specify five necessary components for internal control, namely, (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Activities undertaken under each of these components are outlined below:

(1) Control Environment

The Bank requires that all business and functional units, including those under the umbrella of the SCB Group, maintain a culture and environment that provide for a sound and effective internal control system, together with a commitment by employees at every level to adhere to the principles of integrity and transparency. The Bank is well aware that a sound internal control system is a critical foundation in meeting its business objectives in a sustainable manner.

Accordingly, the Bank has prepared formal policies and procedures requiring that management and staff at every level in the organization have a role, duty and responsibility in maintaining sound internal control. The Bank has established an organizational structure that supports a sound internal control system through clear supervisory lines, scope of authority and responsibility for management and staff, and effective segregation of duties, all of which are under the oversight of the Board of Directors. The Board of Directors is independent from management and exercises oversight over the development and effectiveness of the internal control environment.

The Bank revised its organizational structure in 2016 to promote customer centricity, collaboration across functional units, as well as empowerment and decision-making agility. As a result, SCB's organizational structure now consists of 14 function-oriented groups including Segment, Product, Channel, Support, Technology, Risk, Strategy, Marketing, Transformation, Legal and Control, Finance, People, Audit, and Economic Intelligence Center (EIC). The Bank also revised the structure and operations of the Compliance Function. The Audit Committee acknowledges the Compliance Function monthly report of issues and action plan and reviews the management performance evaluation of the Compliance Function to provide additional oversight for good corporate governance.

As part of its ongoing efforts to maintain effective internal control and risk management and efficient business operations, the Bank provides extensive training and development to ensure that executives and staff possess the relevant knowledge and skills to undertake their duties. In 2016, the Bank updated the Code of Conduct that provides integrity and accountability guideline for every action in line with the Bank's policy. The Code of Conduct was

communicated through an e-learning session for all employees' acknowledgment and strict compliance. The whistleblower channels to receive complaints and notifications that may indicate potential fraud or corrupt practices include a Whistleblower Hotline, an e-mail inbox: whistleblower@scb.co.th, and by way of letter to the president, head of Audit Function, or head of Human Resource Function. Such complaints and notifications are considered and handled by the Audit Function and the Human Resource Function for further action. The Bank has undertaken these and other related efforts to ensure that management and staff effectively perform their duties with transparency, integrity, fairness and accountability, and that their performance is routinely reviewed so as to gain greater trust from all stakeholders.

Additionally, the Board recognizes the need to prevent the use of confidential and non-public information for inappropriate gains by directors, executives and employees. The Bank has established procedures for handling connected transactions in order to prevent conflicts of interest and to require disclosure of connected interest in compliance with legal requirements. It has also formulated the Corporate Governance Policy, which entails internal control. Relevant details are published on www.scb.co.th under the sequence of menu headings "About SCB," "Corporate Governance," "Corporate Governance Policy" and then "Section 4-Internal Control," and can be summarized as follows:

1.1 Internal Control over the Use of Inside Information by Directors and Employees

The Board has formulated comprehensive guidelines for the disclosure of information, including the prevention of conflict of interest and inappropriate or illegal use of non-public information, as summarized below:

- Established codes of conduct for directors and employees, covering such matters as the use of non-public information and the requirement to maintain confidentiality of customer information. The codes of conduct have been disseminated to directors, executives and staff, and strict compliance is expected.
- Established regulations governing securities trading by directors, executives and employees that prevent directors, executives, employees having access to inside information and employees authorized to work with

functions having access to inside information from using such information for personal gain or benefit of others. These regulations also apply to related parties of directors, executives and employees.

- Imposed non-trading periods on directors, executives and employees involved in the preparation of financial statements to prohibit them from trading the Bank's securities and securities which have the Bank's ordinary shares as an underlying asset during the 14-day period preceding the announcement of quarterly, semi-annual and annual financial statements as well as to prohibit directors and executives from investing in securities that have the Bank's ordinary shares as an underlying asset.
- Required directors and persons with management authority (as defined in the Securities and Exchange Act, B.E. 2535 (A.D. 1992)) to disclose information on their shareholdings and trading of the Bank's securities and securities that have the Bank's ordinary shares as an underlying asset to the Bank and the Office of Securities and Exchange Commission within three working days. The company secretary is responsible for compiling reports on shareholding changes and including these reports as a regular item on the Board meeting agenda.
- Established regulations against the use of non-public information in order to prevent leakage of confidential and/or non-public information of the Bank and its customers as well as to prevent use of inside information by persons having access to such information for personal gain or benefit of others. In this regard, the Bank has assigned the Compliance Function to monitor securities trading of persons with access to non-public information to ensure compliance with relevant regulations.

1.2 Connected and Conflict-of-Interest Transactions

1.2.1 The Bank's operating procedures and processes governing the approval of connected or conflict-of-interest transactions are as follows:

- To strictly follow the regulations and notifications of the Stock Exchange of Thailand, the Securities and Exchange Commission and the Capital Market Supervisory Board governing connected transactions and conflict-of-interest transactions whereby directors and executives are prohibited from participating in the consideration and decision-making of

any matter in which they might have a conflict of interest. The company secretary makes note of any disclosed related interests in the minutes of the meeting.

- To set a pricing policy and conditions for related-party transactions to ensure that such pricing and conditions are on an arm's length basis and reasonable and offer maximum benefit to the Bank.
- To require that such transactions shall not be approved by any person with a conflict of interest and that the approval must be granted by the Board whereby directors having conflicts of interest shall not participate in the consideration and decision-making of such transactions.
- To require that the Board alone (excluding any director with a conflict of interest) is vested with the authority to approve credit facilities, investment, contingent liabilities or credit-like transactions between the Bank and its major shareholders or businesses having connected interest with the Bank, directors, or persons with management authority or their related parties (as defined in the Financial Institutions Business Act, B.E. 2551 (A.D. 2008)).
- Oversight of the SCB Group's intra-group transactions ensures that each company's operations are in compliance with related regulations and prevents any conflict of interest arising from intra-group transactions.

Additionally, the Bank requires the appointment of an independent financial advisor for transactions that are subject to approval from a shareholders' meeting. The role of the financial advisor is to provide opinions on connected transactions, particularly those relating to the acquisition or disposal of significant assets of the Bank and its subsidiaries, any merger or other transaction as prescribed by law. The Board has assigned the Audit Committee to review the procedures and oversee all material transactions to ensure that they are compliant with applicable laws and/or regulations.

1.2.2 In order to enhance transparency for intra-group transactions between companies in the SCB Financial Group, and to avoid any conflict of interest between SCB and other shareholders in businesses that are not wholly owned by SCB, an Intra-Group Transaction Policy has been approved and is annually reviewed by the SCB Board of Directors. This Policy covers risk management for intra-group transactions, with controls over two types of significant transactions, namely, credit transactions (loans, investments, obligations or lending-like transactions) and non-credit transactions (those other than loans, investments, obligations). The Bank has set guidelines so that such transactions are in compliance with the regulations and requirements of regulators, including the Bank of Thailand, the Stock Exchange of Thailand, and the Securities and Exchange Commission, as well as the laws and regulations of countries where SCB branches or representative offices are located.

According to the significant contents of this Policy, intra-group transactions must not include special conditions or requirements that materially differ from general trade with the same risk level; or in the absence of any similar transactions, they must conform with market practices. Also, the Policy requires that agreements with legal enforceability must be prepared; all documentary evidence must be retained in accordance with customary business practices; and approval authority for such transactions should be in line with the risk level and materiality of each transaction.

1.2.3 With regard to policies and trends of related-party transactions in the future, the Bank's emphasis on good governance principles has led to a clear policy for related-party transactions, compliant with the provisions of law and the notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission regarding connected transactions.

Also, the Bank's policy for the acquisition and disposal of assets of listed companies is compliant with the notifications of the Bank of Thailand. The Bank's related-party transactions may arise as part of its business operations in general. In this regard, SCB has set clear and appropriate approval measures and procedures.

- 1.2.4 The Bank has a policy on information disclosure covering all market-sensitive information. The thrust of the policy is to ensure that all significant information disclosed is timely, transparent and adequate. Also, misuse of inside information, either directly or indirectly, is prohibited. The Bank discloses related-party transactions and connected transactions in compliance with the regulations of the Stock Exchange of Thailand, in the notes to the financial statements in the Annual Report in accordance with the requirements, conditions and manner for such information disclosure. Connected transactions are reported on a quarterly basis for the Audit Committee's acknowledgment.

In 2016, the Bank did not have any material connected transactions to be disclosed in accordance with the regulations of the Stock Exchange of Thailand. The information pertaining to other connected transactions is disclosed in the notes to the financial statements.

1.3 Conflict-of-Interest Report

The Bank requires directors and persons with management authority (as defined in the Financial Institutions Business Act, B.E. 2551 (A.D. 2008)) to report to the company secretary on a quarterly basis any conflict of interest arising for themselves and their related parties as well as changes to any previously reported items. The company secretary collects and submits copies of the conflict-of-interest reports to the chairman of the Board and the chairman of the Audit Committee in compliance with the Securities and Exchange Act, B.E. 2535 (A.D. 1992). This information is used by the Bank for monitoring transactions between the Bank and directors, persons with management authority, and/or their related parties in accordance with applicable legal requirements.

(2) Risk Assessment

The Board of Directors checks and approves the Bank's key risk management policies. The Board of Directors assigned three sub-committees with main roles and responsibilities related to risk management which are the Executive Committee, the Audit Committee and the Risk Management Committee. Other sub-committees are also empowered specifically for risk management by risk type, as appropriate to risk level and within a given approval authority framework.

The Bank has also established the Risk Management Function to directly report to the president and CEO. The Risk Management Function is responsible for formulating a risk management framework, recommending risk management policy, monitoring and reporting key risks, and promoting the Bank's risk management quality to meet international standards and relevant practice frameworks across the organization.

In planning risk management operational improvements, the committees consider both internal and external factors, as well as fraud risk or operational risk. The Risk Management Committee shall report resolutions from its meetings to the Executive Committee, the Audit Committee, and the Board of Directors on a monthly basis.

Well aware of the importance of risk management amid changes in both internal and external factors that impact its business, the Bank considers risk management as an essential component in every process of its business operations, which must be connected across all levels. Therefore, the Bank continually develops and improves its risk management processes and risk assessment procedures, concurrently with establishing controls, identifying and monitoring the underlying risk levels, and assessing the potential exposure of the Bank. Also, the Bank evaluates the adequacy of its capital and the provisions for impairment to its assets after taking into account significant risk factors. The aim is to ensure compliance with the related regulatory requirements, and maintain adequate capital to cope with unforeseen risks.

(3) Control Activities

The Bank has formal policies, regulations, operational procedures, manuals, and instructions, which are reviewed and updated on a regular basis. These include general controls over the information systems covering data center operations, including data networks, systems development and testing, IT system maintenance, IT security and procurement.

Further, the Bank emphasizes the segregation of duties as a key control to maintain adequate and appropriate controls over operations at every level within the organization and to maintain a system of checks and balances, particularly for activities prone to risk or giving rise to a conflict of interest. In 2016, the Bank engaged an external consultant to review the SCB Group's internal control systems, and took recommendations for improvement of operational effectiveness and efficiency in line with international best practices.

(4) Information and Communications

The Bank and SCB Group continue to innovate and enhance competitiveness using effective IT and communications to keep up with changing business trends and consumer behaviors.

The Bank has developed IT systems for constant data communications that provide complete, reliable and timely information to the Board of Directors, executives and other stakeholders such as shareholders, investors and regulators. The Bank emphasizes the importance of IT security in processing transactions and protection of customers' confidential data, to ensure that its security measures remain sound and appropriate.

The Bank provides internal communication channels for the Bank and the SCB Group to disseminate policies, regulations, procedures, manuals and other essential information. These communications are designed to keep all executives and relevant staff knowledgeable and informed and facilitate compliance with policies, procedures and regulations in a timely manner. In addition, the Bank provides a separate communication channel to enable safe communication for both internal and external parties.

(5) Monitoring Activities

The Bank has internal control monitoring and assessment in place to ensure that the internal control system is still effective and efficient, with complete and appropriate monitoring and assessment ability as designed and able to tackle changing risks.

The Compliance Function is responsible for reviewing and monitoring all units' operations within the Bank and the SCB Group to ensure their compliance with important regulations, laws, rules, and regulatory requirements. The Audit Function performs independent assurance and consulting, so that the organization's internal processes are regulated with sound governance, risk management and internal control. The Audit Function also considers the root cause of any material findings and risks found during the audit, which are directly reported for the Audit Committee's consideration on a monthly basis. Furthermore, the Audit Function also follows up on the implementation of its recommendations to ensure that issues of concern are resolved and improvements are implemented.

The Audit Committee and the Board of Directors have considered the results of the internal control adequacy assessment, and discussed with the Bank's management actions taken in line with the recommendations for internal control development. The Audit Committee and the Board of Directors' opinion are that the Bank's internal control system and risk management system are appropriate and adequate for its business operations. This conclusion was in line with the opinion of the external auditors.

3. Role of Stakeholders

3.1 Treatment of Stakeholders

As one of the largest organizations within the Kingdom, with a long heritage of service to the country as the first Thai bank, the Bank recognizes that it needs to respond to the interests of a broad range of stakeholders. The issue of responsibility to stakeholders is covered in more detail within the 2016 Sustainability Report. The essence is summarized below:

Customers: The Bank exists to serve its customers, who encompass almost the entire spectrum of Thai society. For all of them, the Bank aspires to provide a broad range of products and services and to service their needs via branch, electronic and direct channels. The overriding aim is for the Bank to be viewed as the main financial services partner for customers through the provision of reliable services, innovative products and trustworthy conduct. Customer data security and confidentiality are top priorities because the Bank puts the customer at the heart of its business and “the customer always comes first” at SCB. The Bank measures its success through regular customer surveys and by aiming for (and attaining) a market-leading score from such surveys.

Shareholders: The Bank’s existence is made possible by the capital contributions of a large number of shareholders. To all of them the Bank aspires to provide transparent and market-leading disclosure, parity of treatment, and an above industry-average, sustainable return on equity. Today, its success in this aim is evident in the Bank’s market capitalization, which is the largest in Thailand’s financial services sector.

Employees: Employees will always remain the Bank’s most valuable asset, and the recruitment, retention and development of employees is central to the Bank’s successful execution of its short-term and long-term business strategies and the achievement of its mission and vision. Employee interests are addressed through appropriate and competitive compensation practices, skill and competency development programs, career advancement opportunities, and welfare and benefit packages to increase the wellbeing and motivation of its employees. These welfare and benefit packages include medical benefits, scholarships, emergency financial assistance, pension fund and employee welfare loans, such as mortgage loan and auto loan programs, retirement funds, and savings cooperative, and are regularly reviewed to ensure appropriateness. Equally, the Bank actively supports diversity in the workforce and prohibits any discrimination based on gender, age, religious belief or disability. The Bank allows employees to exercise their right to join labor unions and encourages all employees to suggest ideas for improving or adjusting the Bank’s policies, practices, products, procedures and services. As with customers, the Bank engages third-party experts to conduct employee surveys to assess the Bank’s health

and readiness for future changes. According to the 2016 organizational health survey, the Bank’s score was ranked in the top quartile of the Southeast Asia region.

Community (including business partners, competitors, suppliers and creditors): The Bank aspires to be a model corporate citizen in Thailand. To that end, the Bank: behaves in an ethical and transparent way toward competitors and business partners; honors its obligations and covenants; follows transparent procurement practices that will ensure that procurement is transparent and free of corruption and; does not participate in activities that might be detrimental to Thai society or the quality of life of its residents. Further, the Bank recognizes and supports the Universal Declaration of Human Rights and ensures that its business activities, particularly lending, are conducted so that the tenets of this Declaration are observed. The Bank adopted a “Supplier Code of Conduct” to encourage its suppliers to do their businesses ethically, respect the freedom and rights of others, and treat their workers responsibly in accordance with labor rights and human rights principles, including occupational health, safety and environment standards. The Bank has strictly complied with the obligations and agreements made with its creditors, including guarantee conditions and its obligations toward effective capital and liquidity management to sustain financial strength and solid debt servicing ability. In an event that the Bank is unable to comply with a condition, the Bank will notify its creditors of such matter without delay to jointly consider possible solutions based on the principle of reasonableness and accountability toward creditors. The Bank is committed to making punctual payments and debt repayments as well as maintaining good relationships with its creditors.

The Bank has actively and consistently supported and carried out activities that are beneficial to its community and society at large. Further, to propagate a sense of volunteerism, the Bank has encouraged all employees to regularly participate in such activities. In promoting respect for intellectual property rights and deterring the infringement thereof, the Bank has incorporated policies and guidelines related to intellectual property in its Employee Code of Conduct. It is the responsibility of all employees to protect the Bank’s intellectual property from unauthorized use and dissemination and to respect the rights of intellectual property owners.

Environment: The Bank is determined to operate in accordance with environmental laws and regulations and implements effective safety and environmental management measures to prevent any negative impact on local communities. Further, SCB supports the conservation of natural resources and the environment through awareness-raising campaigns and programs to educate and engage staff, business partners, customers and other CSR networks in supportive programs and activities. The Bank has increased its internal energy-use efficiency by upgrading lighting and electric systems. It also has reduced the use of paper in both internal and external processes. It became the first financial institution to participate in the nation's pilot carbon-offset program to support the domestic voluntary carbon credit market. In this regard, the Center of Excellence on Environmental Strategy for GREEN Business (VGREEN) of Kasetsart University assisted the Bank in the analysis of carbon emissions from its energy and resource consumption. In 2016, the Bank developed its own Energy Saving Awareness course and incorporated it in the annual employee training program so as to promote awareness, knowledge and active contribution to efficient use of energy as well as to share tips and recommendations about energy-saving and environmentally friendly technologies that can be applied to daily life. The course was first facilitated in November 2016 for approximately 100 employees. In addition, the Bank sent its employees to participate in CSR-related learning programs such as the New Dimension of CSR for Sustainable Social Development.

Anti-Corruption: The Bank has enforced its Anti-Corruption and Bribery Policy, which has been approved by its Board of Directors and will also be adopted by all companies in the SCB Financial Group. The said Policy clearly sets out the definitions and forms of "corruption and bribery," including measures against corruption and bribery, and will be reviewed at least annually. Executives and employees at all levels and all units of the Bank are required to comply with the Policy. To demonstrate the Bank's willingness regarding the implementation of anti-corruption efforts, the Bank signed the Declaration of Intent as promoted by the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) and completed the CAC membership certification in early 2015. Anti-corruption and bribery knowledge has been disseminated to employees at all levels of the Bank through internal communication

channels, including to the relevant entities and stakeholders of the Bank. To promote transparent and ethical business practices, all employees of the Bank are required to enroll in in-house training courses which are related to anti-corruption, such as the e-learning courses on anti-money laundering/combating the financing of terrorism (AML/CFT), and anti-corruption and bribery as well as to pass relevant tests to complete the courses. Also, refresher courses must be completed within defined periods. Employees are also encouraged to participate in anti-corruption activities arranged by agencies or institutions as detailed below:

1. Thailand's 7th National Conference on Collective Action against Corruption, organized by the Thai Institute of Directors Association.
2. CG Forum 3/2016 on Internal Corruption: Preventable and Controllable Threat, organized by the Stock Exchange of Thailand.
3. Anti-Corruption Collaboration: Sinful Corruption and Consequence Forum and the 2016 Anti-Corruption Day organized by the Anti-Corruption Organization of Thailand.
4. Anti-Corruption Measures of Private Sector Forum organized by the Office of the National Anti-Corruption Commission.

To actively monitor and evaluate compliance with the Anti-Corruption Policy, an assessment of the Bank's corruption and bribery exposure has been regularly conducted; and the Audit Committee is mandated to oversee the Bank's internal controls, which must be adequate and effective in protecting the Bank from the risk of corruption and bribery, and to report the results to the Board of Directors. In addition, there are internal units directly in charge of disseminating relevant knowledge to the directors, executives and employees across the Bank to ensure proper understanding of the policy and practices and to promote strict compliance.

3.2 Contact Channels for Stakeholders

The Bank provides multiple channels for various groups of stakeholders to directly contact the relevant unit as follows:

- Customers or third parties can communicate with the Bank through staff at branches or relationship managers or through the Call Center at 0-2777-7777, or by writing

to a senior executive of the Bank. All communications are tracked and usually responded to within a short specified period.

- Employees are informed that the Bank has multiple channels to accept complaints and reports of employee misconduct. Employees can voice their opinions and report on any unfair treatment, fraudulent activity or suspicion of misconduct directly to their supervisors or through other channels, anonymously if preferred, as follows:

- SCB's Whistleblower Policy provides a channel through which employees can report complaints, fraud or non-compliance with the Bank's regulations, rules and Code of Conduct as well as acts that may cause damage to customers and the SCB Group, including any unfair treatment they might have suffered. The aim is to ensure the Bank's adherence to its principles of transparency and corporate governance. There are multiple channels for reporting complaints, fraud or non-compliance, e.g., via e-mail to whistleblower@scb.co.th or via post to PO Box 177, Chatuchak Delivery Post Office 10900, or via telephone at 0-2544-2000. A brief report on the action taken in this regard will be reported to the Audit Committee every quarter.
- The HR Call Center at 0-2544-4444 is a channel for employees to make inquiries related to employment and/or benefits or to share opinions.
- "Purple People Talk" is a channel through which employees can voice their opinions, report issues or consult with the head of Human Resources via e-mail (purple_talk@scb.co.th) in order to nurture SCB as a great workplace.

It is the Bank's policy to protect the confidentiality and anonymity of employees reporting misconduct or complaints in order to protect them and prevent retaliation or adverse effects on them. An independent, issue-specific investigation team is quickly set up by the Bank to investigate any issue or possible fraudulent behavior when notified by an employee, when warranted. If the grounds for a complaint are proven, the matter is escalated for disciplinary action in accordance with the following procedure:

- Employees submit opinions, reports, or complaints relating to fraud via a range of channels, where they can choose to remain anonymous, if they so wish, and the matter will be treated as confidential.

- The Working Team conducts a preliminary investigation. The progress will be reported to the informants if they have chosen to be identified.
- The Working Team submits complaints or reports of misconduct that are well grounded to relevant units in order to appoint an investigation committee according to the Bank's regulations or to the Financial Crime & Security Services Division for further action.

The Bank takes action as deemed appropriate in each case without disclosing the sources of information so as to protect confidentiality of the informants.

Further, all stakeholders can raise complaints, or make suggestions or comments to the Board and management of the Bank through the following address:

Company Secretary
The Siam Commercial Bank PCL
Shareholder Services and Corporate Governance
21st Floor Zone A, 9 Ratchadapisek Road, Chatuchak
Bangkok 10900
Telephone: 0-2544-7156
Fax: 0-2937-7931
E-mail: company_secretary@scb.co.th

Also, the Bank has established a clear policy and procedure for handling complaints from customers, suppliers and other stakeholders. All complaints received are kept confidential, investigated and resolved as well as reported to the Audit Committee and the Board.

4. Disclosure and Transparency

4.1 Disclosure Policy and Practice

The Bank's disclosure policy and procedures are incorporated within the Corporate Governance Policy, and Investor Relations has been assigned the role and responsibility to provide disclosure of the Bank's information in accordance with the following principles:

- 1) Information to be disclosed must be accurate, adequate and clear as well as disclosed on a timely basis;
- 2) Disclosure must comply with all applicable rules and regulations;
- 3) Stakeholders including shareholders, investors, analysts and interested persons must have equal right of access to the information disclosed by the Bank; and

- 4) Information that could affect the price of the Bank's shares or influence investors' decisions or affect the rights of shareholders must be immediately disclosed, as appropriate, to the public through the Stock Exchange of Thailand.

The Bank has designated officers and Investor Relations to be responsible for disclosure as well as maintaining the operating results disclosure schedule as specified in the Corporate Governance Policy. Audited annual financial statements are released within 60 days from the end of each financial year. Quarterly financial statements are disclosed together with the Management Discussion and Analysis (MD&A) and are released within 45 days from the end of each quarter to help investors better understand the Bank's operating results.

In addition, the Bank's Corporate Governance Policy requires directors and management to disclose their holdings of the Bank's shares. Changes in the holdings of the Bank's shares by directors and members of management in 2016 are shown in the "Report of Bank Ordinary Shareholding by Directors and Senior Management" in the Supplementary Information section of this Annual Report.

In 2016, disclosure activities undertaken by Investor Relations are summarized below:

Form of activity	Frequency (times)
One-on-one meetings/conference calls with investors and equity analysts	89
Meetings with equity analysts	3
Investor conferences	8
Global roadshow	1

The Bank also regularly held press conferences and media events and issued press releases to publicize and promote its activities.

4.2 Investor Relations

Investor Relations is a functional unit of the Bank that is responsible for the accuracy, adequacy and clarity of disclosure of the Bank's information to investors on a timely basis in accordance with the Bank's disclosure principles and applicable requirements and regulations. Beyond its planned activities such as meetings with investors and analysts, participation at investor events and arranging roadshows, Investor Relations serves as the primary point of contact for all shareholders, analysts, fund managers, bondholders and rating agencies. The president and chief executive officer, chief financial officer and other senior executives participate in investor relations activities.

SCB's Investor Relations Code of Conduct is published on www.scb.co.th under the sequence of menu headings "About SCB," "Investor Relations," and then "Code of Conduct for Investor Relations."

Interested persons can contact Investor Relations at:

Investor Relations

The Siam Commercial Bank PCL,

9 Ratchadapisek Road, Chatuchak, Bangkok 10900

Telephone: 0-2544-4358

Fax: 0-2937-7721

E-mail: investor.relations@scb.co.th

Website: www.scb.co.th

4.3 Auditors

The auditors' qualifications are scrutinized by the Audit Committee in terms of their independence, suitability, accountability, and absence of any conflict of interest with respect to the Bank and its subsidiaries, management, major shareholders or related parties thereof, and approval by the Securities and Exchange Commission (SEC). The Audit Committee also reviews the annual audit fees in view of the scope of audit and proposes the qualified auditors and the audit fees to the Board for consideration prior to proposal thereof to the AGM for approval.

The Bank and its subsidiaries paid external audit fees for 2016 totalling Baht 27.9 million. The Bank and its subsidiaries paid fees for services other than statutory audits as follows:

- Audits and examination as required by regulator such as special audits, examination of banking returns, information technology review covering electronic money transfer system and audit of the Risk-Based Capital Reports.
- Examination of foreign exchange booths.
- Tax services.
- Review of the embedded value report (Insurance company).
- Review of Financial Reports.

Non-audit fees to the external auditors were Baht 9.2 million in 2016, of which Baht 1.2 million was paid in 2016, and Baht 8.0 million is due to be paid in 2017.

4.4 Compliance with the Principles of Good Corporate Governance as Stipulated by the Stock Exchange of Thailand

The Bank aims to adhere to national and international corporate governance standards. However, certain practices of the Bank did not comply, or complied only in part, with the principles of good corporate governance stipulated by the Stock Exchange of Thailand, due to reasons as set out below:

- Director remuneration in all forms should be approved by shareholders on an annual basis – The Bank proposes the director remuneration, which includes monthly remuneration, attendance fee and bonus for shareholders' approval on an annual basis. As regards other benefits, the Bank views that the definition of other benefits

adopted by different organizations may vary due to the lack of clarity in this issue; therefore the Bank does not include other benefits in the director remuneration proposed to the meeting of shareholders.

- The disclosed information about shareholding structure should clearly specify the actual owners of SCB shares – The Bank's shareholders include nominee companies because these institutional investors are interested in investing in SCB shares, and this is beyond the Bank's control.
- The Board should have an appropriate number of members ranging from 5 to 12 – At the end of 2016, the Board is comprised of 16 members. The Bank views that the number is appropriate, in light of the growing size and complexity of the Bank's business. Given the rapid technological changes, it is necessary for the Bank to have directors with diverse experience, knowledge and expertise to maintain its strong business momentum.
- The Bank should include in its policy a requirement that its directors and senior executives declare to the Board or designated persons their intent to trade SCB shares at least 1 business day in advance of the transaction date – At present, no policy of the Bank explicitly requires such declaration, but the Bank already has in place clear regulations governing the prevention of insider trading. These regulations include the Directors Code of Conduct, the Employee Code of Conduct, the rules governing securities trading by directors, executives and employees, the insider trading rule, the guideline on declaration of securities holding by the directors, executives and employees, and the non-trading period rules with which the directors, executives and employees must comply.

5. Responsibilities of the Board

5.1 Board Composition

At the end of 2016, the Bank had 16 directors, while the number of total directors approved by the meeting of shareholders was 17. The Bank selects its Board members based on the criteria set forth by relevant regulators and with the aim of fostering diversity in terms of professional skills, expertise, age, gender and other key attributes that are essential for, and in line with, the Bank's strategy.

The 16 directors consist of 3 women and 13 men with diverse professional backgrounds in banking, accounting and finance, business administration, strategic management, risk management, social responsibility and corporate governance, economics, laws, regulation of financial institutions, science and technology, and other experience that is considered beneficial and relevant to the Bank's business.

Composition of the Board is as follows:

- The 9 independent directors* (representing 56.25% of the total directors) are Mr. Anand Panyarachun, Khunying Jada Wattanasiritham, Mr. Prasan Chuaphanich, Dr. Kulpatra Sirodom, Mr. Ekamol Kiriwat, Mr. Kirk Vanikkul, Dr. Thaweesak Koanantakool, Mr. Weerawong Chittmittrapap, and Mr. Kan Trakulhoon.
- The 3 executive directors (representing 18.73% of the total directors) are Dr. Vichit Suraphongchai, Mrs. Kannikar Chalitaporn and Mr. Arthid Nanthawithaya.
- The non-executive directors, which comprise 4 directors representing the major shareholders, are Dr. Chirayu Isarangkun Na Ayuthaya, M.R. Disnadda Diskul, Dr. Ekniti Nitithanprapas and Mr. Chakkrit Parapuntakul.

The name of the Bank's directors and their respective number of years as director are provided in Table 1.

*The term "independent director" has the meaning specified in the Bank of Thailand's Notification No. SorNorSor. 13/2552 Re: Corporate Governance of Financial Institutions, and the Capital Market Supervisory Board's Notification No. TorJor. 39/2559, Re: Application and Approval for Offering Newly Issued Shares, and/or their amendments (if any). Moreover, the number of shares held by an independent director and his/her related parties combined shall not exceed 0.5% of the total voting shares of the Bank, or the Bank's parent company, subsidiaries, or associate companies, or major shareholders, or the persons having the authority to control the Bank. This shareholding restriction of not more than 0.5% is the Bank's standard, which is a higher standard than that set by the Capital Market Supervisory Board, which prohibits an independent director from holding more than 1% of the total voting shares of the company of which he/she is a director.

Table 1: Board of Directors (As of 31 December 2016)

Name	Position	Date of appointment as director	Number of years in directorship ¹⁾
1. Mr. Anand Panyarachun	Chairman of the Board and Independent Director	6 March 1984 2 October 1992	1 st round: 7 years (1984 - 1991) 2 nd round: 24 years 3 months (1992 - present)
2. Dr. Vichit Suraphongchai	Director and Chairman of the Executive Committee	10 December 1999	17 years 1 month
3. Dr. Chirayu Isarangkun Na Ayuthaya	Director and Chairman of the Nomination, Compensation and Corporate Governance Committee	18 September 1987	29 years 3 months
4. Khunying Jada Wattanasiritham ²⁾	Independent Director, Chairman of the Corporate Social Responsibility Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	2 February 1999	17 years 11 months (Independent director: 7 years 2 months)
5. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	4 April 2013	3 years 9 months
6. M.R. Disnadda Diskul	Director	22 November 1996 5 April 1999	1 st round: 2 years 2 months (1996 - 1999) 2 nd round: 17 years 9 months (1999 - present)
7. Dr. Kulpatra Sirodom	Independent Director, Member of the Audit Committee, and Member of the Corporate Social Responsibility Committee	19 June 2009	7 years 6 months
8. Mr. Ekamol Kiriwat	Independent Director and Member of the Audit Committee	5 April 2011	5 years 9 months
9. Mr. Krirk Vanikkul	Independent Director and Member of the Audit Committee	1 November 2015	1 year 2 months
10. Dr. Thaweesak Koanantakool ³⁾	Independent Director and Member of the Audit Committee	5 April 2016	9 months
11. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	22 September 2014	2 years 3 months
12. Dr. Ekniti Nitithanprapas	Director and Member of the Nomination, Compensation and Corporate Governance Committee	25 November 2015	1 year 1 month
13. Mr. Kan Trakulhoon ⁴⁾	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	5 April 2016	9 months
14. Mr. Chakkrit Parapuntakul	Director and Member of the Corporate Social Responsibility Committee	25 November 2015	1 year 1 month
15. Mrs. Kannikar Chalitaporn	Director, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	21 January 2002	14 years 11 months
16. Mr. Arthid Nanthawithaya	President and CEO, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	2 April 2015	1 year 9 months

Remark:

- 1) Information as of 31 December 2016.
- 2) Khunying Jada Wattanasiritham qualified as an independent director from 19 October 2009.
- 3) Dr. Thaweesak Koanantakool was appointed as director in replacement of Prof. Vicharn Panich, M.D., who retired by rotation.
- 4) Mr. Kan Trakulhoon was appointed as director in replacement of Mr. Chumpol NaLamlieng, who retired by rotation.

5.2 Directors' Term of Position

One-third of the total number of directors must retire by rotation at every annual general meeting of shareholders. Those directors who have held office for the longest time period shall retire. In case the number of directors is not a multiple of three, the number of directors to retire shall be the number closest to one-third of all directors. Directors retiring by rotation may be re-elected to continue their office.

To enhance transparency and corporate governance, the Bank has limited the office term of independent directors to nine years, effective from 2015 onward. As regards the tenure of directors as members of Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, the Corporate Social Responsibility Committee, and the Risk Management Committee, their tenure shall be concurrent with their directorships.

5.3 Segregation of Roles, Duties and Responsibilities

The Bank has clearly segregated the positions and authority of the chairman of the Board, the chairman of the Executive Committee, and the president and chief executive officer to enhance the effectiveness of performance, governance and transparency of internal operations as follows:

Chairman of the Board - The chairman of the Board of Directors is an independent director and shall not serve as the chairman of the Executive Committee or the president and chief executive officer of the Bank, or be involved in the Bank's routine management. This is in compliance with the principle of segregation of duties in policy formulation and oversight from those in operational management. The key roles of the chairman of the Board are: to ensure that Board meetings are conducted effectively and matters that are essential to the Bank's operations and/or performance are placed on the meeting agenda, particularly matters related to corporate strategy; to allocate sufficient time for management to present clear and timely information; to allow attending Board members to voice their opinions and ask questions; and to ensure that Board resolutions are clear and the meeting minutes are correct. The chairman of the Board also presides over the shareholders' meeting. Another key role of the chairman is to ensure that the Bank's governance practices, such as the composition of the Board, directors' performance of duties, and succession planning

for top executives, is in compliance with adopted policies.

Chairman of the Executive Committee - The chairman of the Executive Committee is a Board-appointed director with powers and duties to manage and control the business of the Bank as delegated by the Board. The chairman of the Executive Committee is empowered to develop and implement key strategies and practices relating to the business of the Bank, in addition to responsibilities as the chairman of other Board committees. The role of the chairman of the Executive Committee also includes ensuring the Executive Committee's compliance with its charter, and execution of documents or contracts on behalf of the Bank. The Executive Committee Charter is available on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Charter of the Board and Board Committees."

President and Chief Executive Officer - In 2016, the Board appointed Mr. Arthid Nanthawithaya, a director of the Bank, as the president and chief executive officer (he was formerly the chief executive officer and deputy chairman of the Executive Committee) to be principally in charge of setting the Bank's strategic direction and policies, overseeing internal operations to ensure compliance with established plans and the corporate governance principles, and leading the Bank toward the realization of its vision and sustainable growth.

5.4 Directorships of Other Companies

The Bank has established a clear policy regarding holding of positions by the Bank's directors (and senior executives) in other companies. The Bank's directors are not allowed to hold directorship in more than five listed companies, which is in line with the best practice set by the Thai Institute of Directors Association. Further, in order to comply with the regulations of the Bank of Thailand regarding the corporate governance of financial institutions, holding of positions by directors and/or senior executives of the Bank as the chairman, or an executive director, or an authorized director of other companies is limited to three business groups only.

Further to the policies stated above, the Bank has an internal guideline pertaining to holding of positions in other companies. This requires directors to notify the Nomination, Compensation and Corporate Governance Committee of their positions in other companies or organizations so that

the Nomination, Compensation and Corporate Governance Committee can review the appropriateness of the appointment and compliance with relevant laws and regulations. The company secretary shall regularly report changes in positions of directors to the Board of Directors. Information about positions held by the Bank's directors in other companies is disclosed to shareholders in this Annual Report. In this regard, no director holds positions in more than five listed companies, and no director or senior executive of the Bank (executive vice president or higher) holds positions as director and/or executive director and/or authorized director of other companies in more than three business groups.

5.5 Roles and Responsibilities of the Board of Directors

The Board of Directors is committed to pursuing the highest standards of ethical conduct and complying with related legal requirements. The Board's roles, duties and responsibilities shall be in accordance with those specified by law, the Bank's Memorandum and Articles of Association, and the resolutions of the shareholders such as determining policies, strategies and financial targets of the Bank. In the prior fiscal year, the Board conducted mid-year and year-end reviews of the Bank's vision, mission and business strategy, which, according to applicable requirements, must be reviewed annually. The Board is also responsible for approving business policies and directions proposed by management and overseeing the performance of the management to ensure that the policies and strategies are implemented and the financial targets are achieved. The aim is to maximize long-term shareholder value by taking into account the best interests of all relevant stakeholders. The Board's responsibilities include regularly reviewing succession plans for the positions of the chairman of the Executive Committee and the president and chief executive officer, establishing the structure and processes that ensure there are appropriate systems and processes for risk management, audit and compliance, and internal control. Such systems and processes shall be regularly reviewed. Details of the roles, responsibilities and approval authority of the Board are available on www.scb.co.th under the sequence of menu headings "About SCB," "Corporate Governance," "Charter of the Board and Board Committee," and then "Charter of the Board of Directors" (under the section "Authority of the Board").

In addition to complying with the relevant laws and regulations as mentioned above, the Board is committed to abiding by the Directors Code of Conduct, which provides ethical standards governing: a) honesty, fairness and integrity, b) personal transactions, c) confidentiality, d) disclosure of interest, e) abiding by the law, and f) payments, gifts, entertainment and travel. In addition, the Board, the Bank's executives and employees are committed to adhering to the principles under the Corporate Code of Conduct, the Directors Code of Conduct, and the Employee Code of Conduct. Details regarding the Corporate Code of Conduct, the Directors Code of Conduct, and the Employee Code of Conduct are available on www.scb.co.th under the sequence of menu headings "About SCB," "Corporate Governance," and then "Code of Conduct."

5.6 Committees

The following committees have been set up by the Board and delegated to review or oversee specific matters to support the Board's performance of duties.

5.6.1 Board Committees

The Bank has four Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, and the Corporate Social Responsibility Committee to assist the Board in screening specific matters as assigned by the Board. The meeting schedule of each Board committee is planned in advance for the entire year. The roles and responsibilities of each Board committee are clearly defined in its charter, which is available on www.scb.co.th under the sequence of menu headings "About SCB," "Corporate Governance," and then "Charter of the Board and Board Committees." A summary of each committee's operations in 2016 is as follows:

- **Executive Committee**

The Executive Committee is appointed by the Board and comprises a number of directors and any other person or persons who hold management positions at the Bank or are outside individuals. For members of the Executive Committee serving as the Bank's directors, their terms on the Executive Committee are concurrent with their directorships. As at 31 December 2016, the

Executive Committee had 10 members comprising three directors, namely Dr. Vichit Suraphongchai (chairman of the Executive Committee), Mrs. Kannikar Chalitaporn, and Mr. Arthid Nanthawithaya, six senior executive vice presidents of the Bank, and an outside individual who was a former senior executive of the Bank. The Board, at its Meeting No. 15/2016 on 25 November 2016, resolved to appoint the new Executive Committee which is comprised of five members who all are directors of the Bank, namely Dr. Vichit Suraphongchai (chairman of the Executive Committee), Mrs. Kannikar Chalitaporn, Mr. Kirk Vanikkul (independent director), Dr. Thaweesak Koanantakool (independent director) and Mr. Arthid Nanthawithaya, effective from 1 January 2017.

The major functions and responsibilities of the Executive Committee are to manage and oversee the Bank's business in accordance with the Bank's strategies and policies, undertaking supervisory duties as assigned by the Board, screening all matters prior to submission to the Board, and approving requests within the scope of authority delegated by the Board and stipulated in the charter of the Executive Committee. In 2016, the Executive Committee held 48 meetings.

- **Audit Committee**

The Board initially appointed an Audit Committee in 1998 with responsibilities in several areas, e.g., financial reporting, internal control, internal audit, corporate governance, and compliance with ethics, code of conduct and risk management principles. These responsibilities include: to review the Bank's financial statements to ensure the accuracy and adequacy of such statements; to ensure that the Bank has appropriate and effective internal control and internal audit; to review the effectiveness of the Bank's compliance monitoring system; to review the efficiency of the risk management system of the Bank and SCB Financial Group; and to perform other duties as stipulated in the charter of the Audit Committee, etc. Another key role of the Audit Committee is to propose the appointment and discharge of external auditors, including the corresponding audit fees, to the Board for consideration prior to seeking approval from the AGM on an annual basis. Further, the Audit Committee is tasked with assessing the external auditors' performance. As at 31

December 2016, the Audit Committee is comprised of five independent directors, namely Mr. Prasan Chuaphanich (chairman of the Audit Committee), Dr. Kulpatra Sirodom, Mr. Ekamol Kiriwat, Mr. Kirk Vanikkul and Dr. Thaweesak Koanantakool. Their tenures on the Audit Committee are concurrent with their directorships. Every member of the Audit Committee possesses extensive knowledge and experience in the review of financial statements, and there are two members who graduated in accounting and finance. Details of its activities in 2016 are as shown in the Audit Committee Report in this Annual Report.

The Board, at its Meeting No. 15/2016 on 25 November 2016, resolved to appoint two members of the Audit Committee, namely Mr. Kirk Vanikkul and Dr. Thaweesak Koanantakool, as members of the Executive Committee, and they resigned as members of the Audit Committee, effective from 1 January 2017. Therefore, the Audit Committee is currently comprised of three members, namely Mr. Prasan Chuaphanich (chairman of the Audit Committee), Dr. Kulpatra Sirodom and Mr. Ekamol Kiriwat.

- **Nomination, Compensation and Corporate Governance Committee**

The three main responsibilities of the Nomination, Compensation and Corporate Governance Committee are: 1) To nominate individuals for the position of director of the Bank as well as to propose for the Board's endorsement the appropriate remuneration for members of the Board and the Board committees prior to referring the matter to the shareholders' meeting for approval; 2) To nominate individuals for the position of senior executive and ensure that their remuneration is commensurate with their roles and responsibilities; and 3) To formulate the Bank's policy in respect of corporate governance and oversee the Bank's corporate governance practices in accordance with the corporate governance principles set forth by regulatory authorities. Details regarding roles and responsibilities of the Nomination, Compensation and Corporate Governance Committee are elaborated in the Charter of the Nomination, Compensation and Corporate Governance Committee.

As at 31 December 2016, the Nomination, Compensation and Corporate Governance Committee is comprised of five directors, namely Dr. Chirayu Isarangkun Na Ayuthaya (chairman of the Nomination, Compensation and Corporate Governance Committee), Khunying Jada Wattanasiritham (independent director), Mr. Weerawong Chittmittrapap (independent director), Mr. Kan Trakulhoon (independent director), and Dr. Ekniti Nitithanprapas. Their tenures on the Nomination, Compensation and Corporate Governance Committee are concurrent with their directorships. Details of its activities in 2016 are shown in the Report of the Nomination, Compensation and Corporate Governance Committee in this Annual Report.

- **Corporate Social Responsibility Committee**

The roles and responsibilities of the Corporate Social Responsibility Committee are to set direction and supervise and determine a CSR framework with the aim to contribute to Thailand's economy, social welfare and the environment. The Corporate Social Responsibility Committee focuses on building a strong foundation, nurturing new initiatives, developing networks and sustaining success in the following three core areas: 1) youth development and learning enhancement, 2) volunteer networks, and 3) quality of life and the environment. As at 31 December 2016, the Corporate Social Responsibility Committee is comprised of five directors, namely Khunying Jada Wattanasiritham, (chairman of the Corporate Social Responsibility Committee, independent director), Dr. Kulpatra Sirodom (independent director), Mr. Chakkrit Parapuntakul, Mrs. Kannikar Chalitaporn and Mr. Arthid Nanthawithaya. Their tenures on the Corporate Social Responsibility Committee are concurrent with their directorships. Details of its activities in 2016 are shown in the Report of the Corporate Social Responsibility Committee in this Annual Report.

5.6.2 Major Committees Relating to Management of the Bank

There are four key committees relating to the management of the Bank, namely the Management Committee, the Risk Management Committee, the Assets and Liabilities Management Committee and the Equity Investment Management Committee.

The roles and responsibilities of each committee can be summarized as follows:

- **Management Committee**

The Management Committee is responsible for formulation of the Bank's business plan and annual action plan; the Committee is also in charge of reviewing the operational results and formulating business strategies for competitive success, as well as monitoring and providing decisions on major projects of the Bank. In 2016, the Management Committee held 33 meetings to carry out its duties.

- **Risk Management Committee**

The Risk Management Committee is chiefly responsible for the risk governance of the Bank and companies in the SCB Financial Group. Its duties and responsibilities are as detailed below:

1. To determine and propose to the Executive Committee and the Board the risk management policies for the Bank and companies in the SCB Financial Group, whereby such policies must address material risks such as credit, market, liquidity, operational, and reputational risks of the SCB Financial Group.
2. To determine strategies which are in line with risk management policies and can measure, monitor and control risks of the SCB Financial Group within an appropriate level.
3. To approve risk models.
4. To control, monitor and measure the risk exposure of SCB Financial Group and ensure that companies in SCB Financial Group strictly comply with risk management policies set by the Bank and the requirements stipulated by the Bank of Thailand.
5. Review the adequacy of the Bank's risk management policies and systems, including the effectiveness of the systems and compliance with established policies.
6. Regularly report to the Audit Committee the areas for improvement in working to comply with established policies and strategies.

The Board of Directors, at its Meeting No. 7/2016 on 23 August 2016, resolved to approve the structure of the Risk Management Committee, which shall be composed of the following executives:

1. President and chief executive officer, as the chairman of the Risk Management Committee
2. Chief risk officer
3. Chief financial officer
4. Chief legal and control officer
5. Chief technology officer
6. Chief strategy officer
7. Head of SCB Economic Intelligence Center
8. Head of credit risk management

In 2016, the Risk Management Committee held 11 meetings.

- **Assets and Liabilities Management Committee**

The Assets and Liabilities Management Committee is a mechanism in the Bank's management of its liquidity risk, interest rate risk and exchange rate risk. The key responsibilities are to formulate strategies to address the funding and liquidity, interest rate and foreign exchange risk faced by the Bank as well as to ensure that the Bank has adequate capital for its business as well as the appropriate level of Tier II capital. Also, it ensures effective and efficient asset/liability management and the ability of the Bank to effectively respond to adverse economic conditions and unexpected shocks. In 2016, the Assets and Liabilities Management Committee held 12 meetings.

- **Equity Investment Management Committee**

The Equity Investment Management Committee's responsibilities are to review and approve investment in, or divestment of, equities in the Bank's investment portfolio, including the investment and operational process associated with the investment. In 2016, the Equity Investment Management Committee held 1 meeting.

5.7 Board Meetings

Meetings of the Board of Directors are held in accordance with the rules and procedures specified in the Charter of the Board and the Corporate Governance Policy. The meeting schedule of the Board is planned in advance for the entire year. The chairman of the Board determines the agenda of each Board meeting. The chairman of the Executive Committee, the president and chief executive officer as well as directors can propose agenda items through the company secretary. In addition, the Board has a policy to call for a meeting of the non-executive directors on a semi-annual basis. As far as possible, the meeting documents are delivered to directors seven days in advance of each Board meeting in order that the directors have sufficient time to study the documents. Directors can request additional information through the company secretary.

At each Board meeting, executives are invited to attend the meeting on agenda items concerning their areas of responsibility in order to provide relevant information to the directors. Such discussions and meetings between directors and executives are also beneficial for executive succession planning. In addition, the Board has established a policy that if the meeting has an agenda item to be voted on, at least two-thirds of the total board members must be present at the meeting.

In 2016, there were 16 Board meetings (including a Board retreat) and two non-executive directors' meetings (led by an independent director). Details of directors' meeting attendance in 2016 are as shown in Table 2.

Table 2: Details of Meeting Attendance Record in 2016

Name	Board of Directors	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Annual General Meeting of Shareholders No. 193
1. Mr. Anand Panyarachun	16/16	-	-	-	-	1/1
2. Dr. Vichit Suraphongchai	15/16	44/48	-	-	-	1/1
3. Dr. Chirayu Isarangkun Na Ayuthaya ¹⁾	16/16	-	-	3/3	8/8	1/1
4. Khunying Jada Wattanasiritham ²⁾	15/16	-	-	9/9	11/11	1/1
5. Mr. Prasan Chuaphanich	14/16	-	12/12	-	-	1/1
6. M.R. Disnadda Diskul	11/16	-	-	-	-	1/1
7. Dr. Kulpatra Sirodom ³⁾	14/16	-	12/12	5/6	-	1/1
8. Mr. Ekamol Kiriwat	16/16	-	11/12	-	-	1/1
9. Mr. Krirk Vanikkul ⁴⁾	16/16	-	9/9	-	3/3	1/1
10. Dr. Thaweesak Koanantakool ⁵⁾	8/12	-	6/9	-	-	-
11. Mr. Weerawong Chittmittrapap ⁶⁾	15/16	-	2/3	-	7/8	1/1
12. Dr. Ekniti Nitithanprapas	13/16	-	-	-	8/11	1/1
13. Mr. Kan Trakulhoon ⁷⁾	10/12	-	-	-	8/8	-
14. Mr. Chakkrit Parapuntakul ⁸⁾	14/16	-	-	3/6	3/3	1/1
15. Mrs. Kannikar Chalitaporn	15/16	40/48	-	9/9	-	1/1
16. Mr. Arthid Nanthawithaya	15/16	44/48	-	8/9	-	1/1
17. Prof. Vicharn Panich, M.D. ⁵⁾	4/4	-	-	3/3	-	0/1
18. Mr. Chumpol NaLamlieng ⁷⁾	4/4	-	-	-	3/3	1/1
19. Mr. Yol Phokasub ⁹⁾	12/12	35/39	-	6/7	-	1/1

Remark:

- 1) Dr. Chirayu Isarangkun Na Ayuthaya resigned from the Corporate Social Responsibility Committee and was appointed as the chairman of the Nomination, Compensation and Corporate Governance Committee to replace Mr. Chumpol NaLamlieng, effective from 5 April 2016.
- 2) Khunying Jada Wattanasiritham was appointed as the chairman of the Corporate Social Responsibility Committee to replace Dr. Chirayu Isarangkun Na Ayuthaya, effective from 5 April 2016.
- 3) Dr. Kulpatra Sirodom was appointed as a member of the Corporate Social Responsibility Committee, effective from 5 April 2016.
- 4) Mr. Krirk Vanikkul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Audit Committee, effective from 5 April 2016.
- 5) Dr. Thaweesak Koanantakool was elected by the AGM No. 193 as a director to replace Prof. Vicharn Panich, M.D. who completed his directorship term, effective from 5 April 2016. Dr. Thaweesak was also appointed as a member of the Audit Committee, effective from 5 April 2016.
- 6) Mr. Weerawong Chittmittrapap resigned as a member of the Audit Committee and was appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.
- 7) Mr. Kan Trakulhoon was elected by the AGM No. 193 as a director to replace Mr. Chumpol NaLamlieng who completed his directorship term, effective from 5 April 2016. Mr. Kan was also appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.
- 8) Mr. Chakkrit Parapuntakul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Corporate Social Responsibility, effective from 5 April 2016.
- 9) Mr. Yol Phokasub resigned as a director, member of the Executive Committee and member of the Corporate Social Responsibility Committee, effective from 16 September 2016.

5.8 Board and Senior Executive Assessment

5.8.1 Assessment of the Board of Directors and Board Committees

The Board assessment is divided into four parts covering: 1) self-assessment of individual directors; 2) assessment of the chairman of the Board; 3) assessment of the Board as a whole; and 4) assessment of Board committees. As part of the assessment process, the directors' opinions on the performance of the company secretary team that supports the Board are solicited.

The Board assessment is conducted annually. The company secretary submits an assessment form to each director at the end of each year before collecting and presenting the assessment results to the Nomination, Compensation and Corporate Governance Committee. The results and recommendations are then reported to the Board for acknowledgment and discussion about how to further enhance the performance of the Board and the support team.

Additionally, to ensure effective assessment of the Board in accordance with the Stock Exchange of Thailand's corporate governance principles applicable to listed companies, the Bank has engaged an external consultant with professional expertise and experience in corporate governance to facilitate a board assessment every three years, starting from 2012. The assessment facilitated by an external consultant covers the aforesaid four dimensions as well. According to the assessment results of the Board for 2016, the average rating was good, i.e., the performance of the Board and the Board committee in most of the categories surveyed met or exceeded the targets, and there were recommendations from the directors about areas for further development. The Board noted the assessment results and aspired to improve upon certain areas based on the findings from the assessment with an aim to further increase its effectiveness.

5.8.2 Senior Executive Assessment

Prior to proposing the matter to the Board for approval, the Nomination, Compensation and

Corporate Governance Committee is responsible for assessing the performance of the Bank's senior executives, namely the chairman of the Executive Committee, the president and chief executive officer, and senior executives holding the position of executive vice president and higher, on an annual basis.

5.9 Procedure for Nomination of Directors and Senior Executives

The Nomination, Compensation and Corporate Governance Committee is responsible for screening and proposing to the Board qualified candidates that meet the Bank's strategies to serve as directors and members of Board committees based on each candidate's knowledge, capabilities, expertise, and the experience required for any vacancy, by using a board skill matrix as a tool, as well as, in the case of independent directors, their independence. With regard to the directors representing major shareholders, in principle, the major shareholders nominate individuals to be elected as the Bank's directors and the Board is in charge of verifying that the qualifications of such individuals nominated are not contrary to relevant laws and conform to the Bank's policies governing directors' holding of position in other companies. The Nomination, Compensation and Corporate Governance Committee selects candidates for directorship from the director pool of the Thai Institute of Directors Association (IOD) and the proposals submitted by the directors and the shareholders of the Bank. After a scrutiny of each candidate's qualifications to ensure compliance with laws and regulations, the Nomination, Compensation and Corporate Governance Committee will propose the nomination to the Board for consideration. Following the Board's endorsement of the nominated candidates, the Bank will consult with and seek endorsement from the Bank of Thailand prior to proposing the nomination to the shareholders, if applicable, for approval of the appointment.

To ensure that the director nomination and selection are in line with the Bank's strategic and business direction, the Nomination, Compensation and Corporate Governance Committee has refined the qualification screening criteria which specify the three aspects of personal characteristics and expertise that constitute the desired qualifications of directors: (1) Knowledge, expertise or experience in macro-level management, (2) Knowledge, expertise or specific experience in the management of financial

institutions, and (3) Knowledge, expertise or experience in other fields that is deemed useful to the Board. The Nomination, Compensation and Corporate Governance Committee also regularly reviewed and updated the board skill matrix for the effectiveness of the director screening and nomination.

The Nomination, Compensation and Corporate Governance Committee is also responsible for reviewing and screening the qualifications of candidates for positions at the level of executive vice president and higher, prior to proposing the nominations to the Board for approval and subsequently to the Bank of Thailand for endorsement of the appointment. The above-mentioned processes for nomination, selection and appointment of directors and senior executives are conducted by the Board, the Nomination, Compensation and Corporate Governance Committee and relevant management without any discrimination on the grounds of race, religious belief, gender, marital status or physical disability.

5.10 Succession Planning

The Board has assigned the Nomination, Compensation and Corporate Governance Committee the responsibility for succession planning in order to ensure that the Bank has in place a succession plan that incorporates the nomination, selection and training for key positions, particularly the positions of chairman of the Executive Committee, president and chief executive officer, and executives at the level of executive vice president or higher, to ensure the continuity of the Bank's management and business operations as and when executive positions become vacant due to new appointment, job transfer, retirement, resignation or any other reasons.

Also, the Bank has regularly refined the competency sets for many senior positions and job families in support of the development of career road map and succession planning.

5.11 Director and Executive Remuneration

5.11.1 Director Remuneration

The Board has a policy that director remuneration should be commensurate with the duties and responsibilities that directors undertake to address stakeholders' expectations and in accordance with applicable laws and regulations. As a result, the Bank's directors must possess appropriate experience and qualifications and be offered remuneration appropriate to their contributions and responsibilities. The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration of members of the Board and Board committees to the Board for consideration and, subsequently, for proposal to shareholders for approval each year.

At the 2016 AGM, the shareholders resolved to approve that the chairman of the Board receive a remuneration of Baht 1.8 million per year, and each member of the Board receive a remuneration of Baht 1.2 million per year. These rates are consistent with those adopted since 2000. In 2016, the Board of Directors, comprising 19 directors (including those starting or retiring during the year), received an aggregate remuneration of Baht 20.65 million.

At the said AGM, shareholders approved a bonus payment to directors at a rate of not more than 0.5 percent of the dividend, and authorized the Board to determine how the bonus should be distributed within the said framework. As shareholders approved a dividend payment of Baht 18,696 million or Baht 5.50 per share for the Bank's 2015 operating results, the directors' bonus for 2015 performance was set at Baht 54 million or 0.29% of the dividend.

Committee	Monthly remuneration (Baht)	Attendance fee (Baht/meeting)
Executive Committee		
• Chairman	-	-
• Member	300,000	-
Audit Committee		
• Chairman	75,000	15,000
• Member	50,000	10,000
Nomination, Compensation and Corporate Governance Committee		
• Chairman	45,000	15,000
• Member	30,000	10,000
Corporate Social Responsibility Committee		
• Chairman	45,000	15,000
• Member	30,000	10,000

Remark:

The chairman of the Executive Committee, the president and chief executive officer, and other senior executives of the Bank do not receive remuneration for serving on Board committees.

Remuneration of individual directors is shown in Table 3.

Table 3: Details of Pecuniary Remuneration of Individual Directors in 2016.

Name	Board of Directors	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Directors' bonus for 2015 performance
1. Mr. Anand Panyarachun	1.80	-	-	-	-	5.06
2. Dr. Vichit Suraphongchai	1.20	-	-	-	-	3.38
3. Dr. Chirayu Isarangkun Na Ayuthaya ¹⁾	1.20	-	-	0.12	0.52	3.38
4. Khunying Jada Wattanasiritham ²⁾	1.20	-	-	0.61	0.47	3.38
5. Mr. Prasan Chuaphanich	1.20	-	1.10	-	-	3.38
6. M.R. Disnadda Diskul	1.20	-	-	-	-	3.38
7. Dr. Kulpatra Sirodom ³⁾	1.20	-	0.73	0.32	-	3.38
8. Mr. Ekamol Kiriwat	1.20	-	0.72	-	-	3.38
9. Mr. Krirk Vanikkul ⁴⁾	1.20	-	0.53	-	0.12	0.56
10. Dr. Thaweesak Koanantakool ⁵⁾	0.89	-	0.50	-	-	-
11. Mr. Weerawong Chittmittrapap ⁶⁾	1.20	-	0.19	-	0.34	3.38
12. Dr. Ekniti Nitithanprapas	1.20	-	-	-	0.44	0.34
13. Mr. Kan Trakulhoon ⁷⁾	0.89	-	-	-	0.35	-
14. Mr. Chakkrit Parapuntakul ⁸⁾	1.20	-	-	0.30	0.12	0.34
15. Mrs. Kannikar Chalitaporn	1.20	3.60	-	0.45	-	3.38
16. Mr. Arthid Nanthawithaya	1.20	-	-	-	-	2.53
17. Prof. Vicharn Panich, M.D. ⁵⁾	0.31	-	-	0.19	-	3.38
18. Mr. Chumpol NaLamlieng ⁷⁾	0.31	-	-	-	0.19	3.38
19. Mr. Yol Phokasub ⁹⁾	0.85	0.75	-	0.09	-	2.53
20. Mr. Maris Samaram ¹⁰⁾	-	-	-	-	-	0.85
21. Mr. Apisak Tantivorawong ¹¹⁾	-	-	-	-	-	2.11
22. Mr. Kulit Sombatsiri ¹²⁾	-	-	-	-	-	2.53
Total	20.65	4.35	3.77	2.08	2.55	54.00

Remark:

- 1) Dr. Chirayu Isarangkun Na Ayuthaya resigned from the Corporate Social Responsibility Committee and was appointed as the chairman of the Nomination, Compensation and Corporate Governance Committee to replace Mr. Chumpol NaLamlieng, effective from 5 April 2016.
- 2) Khunying Jada Wattanasiritham was appointed as the chairman of the Corporate Social Responsibility Committee to replace Dr. Chirayu Isarangkun Na Ayuthaya, effective from 5 April 2016.
- 3) Dr. Kulpatra Sirodom was appointed as a member of the Corporate Social Responsibility Committee, effective from 5 April 2016.
- 4) Mr. Krirk Vanikkul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Audit Committee, effective from 5 April 2016.
- 5) Dr. Thaweesak Koanantakool was elected by the AGM No. 193 as a director to replace Prof. Vicharn Panich, M.D., who completed his directorship term, effective from 5 April 2016. Dr. Thaweesak was also appointed as a member of the Audit Committee, effective from 5 April 2016.
- 6) Mr. Weerawong Chittmittrapap resigned as a member of the Audit Committee and was appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.
- 7) Mr. Kan Trakulhoon was elected by the AGM No. 193 as a director to replace Mr. Chumpol NaLamlieng, who completed his directorship term, effective from 5 April 2016. Mr. Kan was also appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from 5 April 2016.

- 8) Mr. Chakkrit Parapuntakul resigned as a member of the Nomination, Compensation and Corporate Governance Committee and was appointed as a member of the Corporate Social Responsibility, effective from 5 April 2016.
- 9) Mr. Yol Phokasub resigned as a director, member of the Executive Committee and member of the Corporate Social Responsibility Committee, effective from 16 September 2016.
- 10) Mr. Maris Samaram completed his directorship term on 2 April 2015.
- 11) Mr. Apisak Tantivorawong resigned as a director, effective from 17 August 2015.
- 12) Mr. Kulit Sombatsiri resigned as a director, effective from 2 October 2015.

5.11.2 Executive Remuneration Committees

The Nomination, Compensation and Corporate Governance Committee is responsible for proposing remuneration for executives, including the president and chief executive officer, to the Board for endorsement. The remuneration should be appropriate for and in line with the Bank's policies as well as reflect short-term and long-term corporate performance and individual performance. The performance is assessed and benchmarked against KPIs, which include financial indicators, customer-related indicators as well as indicators relating to work process improvement and people development, to build a solid foundation for sustainable success of the Bank. The remuneration is assessed using transparent criteria, scope of responsibilities and competitiveness of the Bank as compared to leading financial institutions and companies in Thailand.

In accordance with the definition determined by the Office of Securities and Exchange Commission, the term "executives" refers to "the manager or the next four executives succeeding the manager, the persons holding equivalent position to the fourth executive, and shall include the persons holding the position of manager or equivalent in the accounting or finance departments." In 2016, the number of the Bank's executives using this definition covered nine persons, and collectively they received remuneration in the form of monthly salary, bonus and allowances of Baht 334.53 million (inclusive of two executives who resigned and changed their positions during the year). On the other hand, the term "executives" according to the definition of the Bank of Thailand refers to executives holding the position of executive vice president level and

higher. In 2016, the number of the Bank's executives using this definition covers 94 persons, and collectively they received remuneration in the form of monthly salary, bonus and allowances of Baht 1,334.78 million (inclusive of 11 executives who resigned during the year).

5.11.3 Other Benefits for Directors and Executives

Directors and executives of the Bank are entitled to receive other welfare and benefits in accordance with the Bank's regulations. Directors are entitled to medical benefits, including an annual medical check-up, that are equivalent to those offered to the Bank's executives at the level of executive vice president level or higher, and the chairman of the Board is additionally entitled to a company car benefit. In 2016, three non-executive directors of the Bank were allowed medical expense reimbursement of Baht 15,084.50. The Bank's executives are entitled to welfare and other benefits similar to those offered to other employees such as medical benefits, annual medical check-up, life and accident insurance, welfare loans and provident fund contributions. In 2016, the Bank's provident fund contribution for seven executives as defined by the Office of Securities and Exchange Commission, i.e., senior executive vice president level, was Baht 6.05 million, while the provident fund contribution for 86 executives as defined by the Bank of Thailand, i.e., executive vice president level and higher, was Baht 40.75 million.

5.12 Director Orientation

The Bank arranges orientation meetings for all new directors. At these meetings, briefings are provided covering the Bank's vision, strategies, key business targets, performance highlights and relevant regulatory rules.

Also, important documents provided to new directors include the Director's Manual, the Memorandum and Articles of Association of the Bank, the Bank's Annual Report, and the Directors Code of Conduct. These documents enunciate, among others, key information regarding the roles and responsibilities of directors, the Corporate Governance Policy, approval authority, prohibitions under applicable laws, roles and responsibilities of the Board committees, and the Anti-Corruption and Bribery Policy.

5.13 Director, Executive and Employee Development

5.13.1 Director Development

The Bank attaches importance to the development of its directors and encourages directors to participate in courses or activities to enhance their knowledge and performance as members of the Board of Directors and Board committees. This includes courses and activities arranged by the Stock Exchange of Thailand, the

Office of the Securities and Exchange Commission, the Thai Institute of Directors Association and other institutions. Directors are also encouraged to attend overseas seminars and activities that promote an appreciation of corporate governance practices. In this regard, the Bank regularly keeps directors informed of relevant training courses.

Further, the Board of Directors has directed the Bank to regularly arrange appropriate development programs to ensure that directors remain current with the skills and knowledge related to their performance as members of the Board of Directors and Board committees, and talk or forum sessions as part of Board meetings, at least once per year. Details of participation of each director in training courses in 2016 are shown in the following table.

Name of Director	Course Subject	Organizer
1. Mr. Anand Panyarachun	- Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses” - Executive Talk “China Economic Direction in an Ever-Changing World”	The Siam Commercial Bank PCL Embassy of the People’s Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL
2. Dr. Vichit Suraphongchai	- Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses” - EIC Conference 2016 “Reviving Investment, Restoring Thailand’s Potential” - Executive Talk “China Economic Direction in an Ever-Changing World”	The Siam Commercial Bank PCL The Siam Commercial Bank PCL Embassy of the People’s Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL
3. Khunying Jada Wattanasiritham	- Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses” - EIC Conference 2016 “Reviving Investment, Restoring Thailand’s Potential”	The Siam Commercial Bank PCL The Siam Commercial Bank PCL
4. Dr. Kulpatra Sirodom	Executive Talk “China Economic Direction in an Ever-Changing World”	Embassy of the People’s Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL
5. Mr. Weerawong Chittmittrapap	EIC Conference 2016 “Reviving Investment, Restoring Thailand’s Potential”	The Siam Commercial Bank PCL
6. Mr. Krirk Vanikkul	- Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses” - EIC Conference 2016 “Reviving Investment, Restoring Thailand’s Potential”	The Siam Commercial Bank PCL The Siam Commercial Bank PCL
7. Dr. Ekniti Nitithanprapas	- Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses” - Role of Nomination and Governance Committee (RNG 8/2016)	The Siam Commercial Bank PCL Thai Institute of Directors Association (IOD)
8. Mr. Chakkrit Parapuntakul	Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses”	The Siam Commercial Bank PCL
9. Mrs. Kannikar Chalitaporn	Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses”	The Siam Commercial Bank PCL
10. Mr. Arthid Nanthawithaya	- Talk session on “Disruptive Technologies and the Millennials - What they mean for traditional financial services and bricks and mortar businesses” - EIC Conference 2016 “Reviving Investment, Restoring Thailand’s Potential” - Executive Talk “China Economic Direction in an Ever-Changing World”	The Siam Commercial Bank PCL The Siam Commercial Bank PCL Embassy of the People’s Republic of China in the Kingdom of Thailand, The Siam Commercial Bank PCL

5.13.2 Executive and Employee Development

The Bank strongly believes that the continuous development of its employees at all levels is a key foundation for sustainable growth and business success, both in the short-and long-term. With this in mind, the Bank has since 2014 focused on the implementation of a systematic and comprehensive career development program to enhance the knowledge, skills and competencies of employees through identifying competency sets for each position and a corresponding career road map, including succession planning for key positions. This will enable the Bank to steer its people development efforts in alignment with the prevailing business needs, its future goals and strategies, and career advancement of its personnel based on proficiency and career preference. In pursuing its goal of becoming a learning organization, the Bank has continued its implementation of a blended learning and development approach to promote learning-outside-the-classroom. In particular, internal skills development programs have been reinforced by integrating current business scenarios. Other major programs implemented by the Bank include coaching programs, e-learning, a management associate program, leadership development programs, scholarship programs for domestic and overseas education, and a project named i-Plearn, which offers new and innovative “edutainment” learning tools.

Details of executive and employee development in 2016 are shown in the 2016 Sustainability Report.

5.14 Oversight of Subsidiaries and Affiliates

The Bank, as the parent of companies in the SCB Financial Group, attaches importance to aligning the business direction of these companies to the Bank’s policies and processes, as this contributes to the Group’s synergy and operational effectiveness.

The Board of Directors has delegated to the Executive Committee the authority to nominate the Bank’s executives with the appropriate business acumen and expertise as representative directors of companies in the SCB Financial Group in order to assist in the formulation of the policies and strategies of each affiliate and ensure, to the extent applicable, that these are in line with the Bank’s key policies. In this regard, the Bank has developed a representative director handbook, which defines the roles and responsibilities of representative directors as well as provides guidelines for representative directors who have a key role in protecting the rights and interests of the Bank and its shareholders.

Also, to promote transparency and prevent conflict of interest, the Bank, as the parent company, has established policies and regulations governing transactions among companies in the SCB Financial Group based on applicable regulatory and legal requirements.

Further, the Risk Management Committee is established by the Board of Directors and tasked with monitoring and supervising risk management practices of all companies in the SCB Financial Group to ensure compliance with risk management policies and regulations imposed by both the Bank and the Bank of Thailand. Risk management policies for companies in the SCB Financial Group have been developed to provide standard guidelines for identifying, assessing, controlling, monitoring and reporting material risks specific to each company in the SCB Financial Group.

5.15 Board Support Unit

The Bank provides support to, and recognizes the importance of, the following units and personnel therein who are responsible for ensuring the Bank's proper compliance with laws and regulations as well as the Board's adherence to statutory and good corporate governance practices:

5.15.1 Audit Function

The Audit Function is an independent and business-neutral unit that has been established to improve the level of internal control, including policies, practices and procedures, and to ensure compliance therewith for the SCB Group. Also, the Audit Function conducts regular audits, identifies conditions requiring attention, provides advice, and recommends improvements to internal control, risk management systems, and corporate governance practices. The Audit Function is led by Mr. Krieng Wongnongtaey, first executive vice president, head of audit, who is responsible for ensuring that the aforesaid roles and responsibilities are effectively carried out. The head of audit reports directly to the Audit Committee. The Audit Committee has the duty to review the suitability of the head of audit in terms of qualifications and performance, as well as to endorse the appointment, removal, transfer, or dismissal of the head of audit, including conducting the annual performance assessment.

5.15.2 Compliance Function

The Compliance Function serves as the Bank's regulatory center, providing consultation and advice pertaining to regulatory requirements and

the Bank's policies, practices, procedures and controls. It also coordinates with the regulators on behalf of the Bank. The Function is also in charge of formulating internal policies, rules and regulations that govern the regulatory and legal compliance for all employees and executives of the Bank. It is also responsible for screening the qualifications of persons nominated as directors or executives of the Bank and its subsidiaries to ensure that the nominees possess appropriate qualifications that meet legal and regulatory requirements. The Compliance Function is under the leadership of Mr. Nopadol Mungonchai, executive vice president, head of compliance.

5.15.3 Company Secretary

The Board of Directors has appointed a company secretary to act under the provisions of law and as further instructed by the Board of Directors. Currently, Mrs. Wallaya Kaewrungruang, senior executive vice president, chief legal and control officer, is the company secretary. The key roles are to support the Board with respect to statutory and supervisory requirements and good corporate governance. Functions of the company secretary are explained on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Company Secretary."

Educational background, work experience, and training records of the persons mentioned above are detailed in this Annual Report under "Information of the Management and Controller of the Bank."

Report of the Nomination, Compensation and Corporate Governance Committee

In 2016, the Board approved a change of the membership of the Nomination, Compensation and Corporate Governance (NCCG) Committee, which is comprised of five members. Three members of the NCCG Committee are independent directors and two are non-executive directors, including the chairman of the NCCG Committee. Key responsibilities of the Committee are as set out in the NCCG Charter and the Corporate Governance Policy.

In 2016, the NCCG Committee held 11 meetings. Highlights of the NCCG Committee's undertakings during the year are as follows:

1. Deliberated on and recommended for the Board's approval appropriate actions relating to the revision of the Bank's corporate governance practices and principles provided under the Corporate Governance Policy, the Employee Code of Conduct, and internal operating procedures in order to align them with the criteria for corporate governance assessment of Thai listed companies that are set forth by the Thai Institute of Directors Association (IOD). As a result of these efforts, the Bank's CG scores as rated by the IOD were above 90% in all assessment categories, namely rights of shareholders, equitable treatment of shareholders, roles of stakeholders, disclosure and transparency, and responsibilities of the Board.
2. Deliberated on and proposed changes in the membership of Board committees, namely the Audit Committee, the NCCG Committee and the Corporate Social Responsibility Committee, in response to the change of directors as approved by the 2016 Annual General Meeting of Shareholders.
3. Deliberated on and recommended for the Board's approval the new composition of the Risk Management Committee, which consisted of eight ex-officio members. The change was made in response to the Bank's organizational restructuring and to ensure that the Bank has comprehensive risk management for all key risk issues.
4. Deliberated on and recommended for the Board's approval the new composition of the Executive Committee, which consisted of five members who all are directors of the Bank, the revised scope of roles, authority and duties of the Executive Committee, and the Executive Committee Charter. The new composition of the Executive Committee has been effective since January 1, 2017.
5. Arranged the performance assessment of the Board, the chairman of the Board, individual directors, and the Board committees by using the assessment forms that were revised from the previous year's Board performance assessment forms designed by an external consulting firm. The assessment forms also incorporated the performance assessment of a Board support team.
6. Selected and nominated candidates for directorship to replace directors retiring by rotation at the 2016 AGM by inviting shareholders to submit the nominations of qualified candidates to the Bank and by referring to the director pools of the Thai Institute of Directors Association (IOD) and the Bank, as well as the lists of candidates proposed by the Bank's directors. In doing so, consideration was given to each candidate's qualifications to ensure the Board's diversity in terms of knowledge, competence, experience and education. The NCCG Committee gave precedence to a review of each nominee's qualifications prior to proposing nominations to the Bank of Thailand for endorsement and subsequently to the Board and/or the shareholders for approval.
7. Deliberated on and proposed to the Board the criteria for the nomination of independent directors for re-appointment in cases where their tenure as independent directors was less than a full nine years at the time they retired by rotation at an annual general meeting of shareholders.

8. Considered 2016 compensation of the chairman of the Board and of members of the Board and Board committees based on the scope of their assigned duties and responsibilities, the Bank's operating results, and the economic situation to ensure suitability and reasonableness of the compensation, prior to proposal thereof to the Board and the shareholders for approval. The directors' bonus rate for performance in 2015 was capped at 0.5% of the dividend payout, and it was proposed that the directors' bonus be limited to a maximum of Baht 54 million.
9. Considered and endorsed the improvement of Board meeting effectiveness in relation to: (1) submission of documents/supporting information, (2) presentation time limit, and (3) sequence of items on meeting agendas and required supporting information.
10. Reviewed and signed off the 2015 Corporate Governance Report, which was part of the 2015 Annual Report, prior to proposal thereof to the Board for approval.
11. Nominated candidates for senior executive positions to fill vacancies resulting from newly created positions, vacant positions or organizational restructuring. These nominations were proposed to the Board for approval and the Bank of Thailand for endorsement.
12. Proposed the organizational restructuring to the Board for approval in support of the Bank's three major goals: 1) customer centricity, 2) empowerment and agility, and 3) collaboration. As a result of the organizational restructuring, the status of functional units that are deemed pivotal foundations of the Bank was elevated, and the corporate titles of the top executives of three functions were changed to "Chief." The new organizational structure was properly endorsed by the Bank of Thailand.
13. Arranged for the performance assessment of the chairman of the Executive Committee, the president and chief executive officer, and senior executives of the Bank. Each assessment was conducted against pre-determined short-term and long-term targets and performance criteria. The NCCG Committee also deliberated on the remuneration framework and the compensation and benefit scheme for the aforesaid personnel as proposed by management prior to submission thereof to the Board for approval. In doing so, consideration was given to the nature and scope of the assigned duties and responsibilities for these personnel as well as to their performance, in addition to the general economic situation and the relevant industry benchmarks.
14. Provided guidance in the revision of the Employee Code of Conduct to include the topic of ethics in a broader sense and reinforce ethical attitudes among employees. The NCCG Committee also recommended approaches to promoting employee voice and participation in view that such participative practices would lead to greater practicality of initiatives and foster a corporate culture in which everyone is encouraged to share their ideas and opinions, while leaders are expected to act as role models.



Dr. Chirayu Isarangkun Na Ayuthaya

Chairman of the Nomination, Compensation and Corporate Governance Committee

7

FINANCIAL REPORTS

REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the Bank's financial statements, the consolidated financial statements of the Bank and its subsidiaries that are provided in this Annual Report. The financial statements are prepared in accordance with accounting standards generally accepted in Thailand, using appropriate accounting policies that are applied on a consistent basis. The financial statements are also prepared after careful consideration and, when applicable, use of appropriate estimates and judgments. All significant information related to the accounting policies and the financial statements, including the conventions and practices used for the preparation of these financial statements, are adequately disclosed in the notes to the financial statements in order to facilitate understanding and use as well as for the benefit of the shareholders and general investors. Independent auditors have audited these financial statements, and their audit opinion is stated in the audit report.

The Board of Directors has required the management of the Bank to adopt and maintain effective internal control and risk management systems to provide reasonable assurance on the accuracy, reliability and adequacy of the Bank's accounting; the safeguarding of its assets; and

the prevention against fraud and irregularities which have material effects on the accuracy and reliability of the Bank's financial reports.

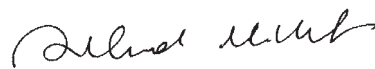
The Audit Committee, entirely comprising independent directors, has been assigned by the Board of Directors the responsibility for overseeing the quality of the Bank's financial reports and internal control system. In this respect, the Audit Committee's opinion regarding such matters is stated in this Annual Report under the Audit Committee's Report.

In the context of the nature and scale of the Bank's business, the Board of Directors is of the view that the Bank's overall internal control system is adequate and appropriate, and can provide reasonable assurance that the financial statements of the Bank, including the consolidated financial statements of the Bank and its subsidiaries for the year ended December 31, 2016 which reflect the financial state and performance of the Bank and its subsidiaries at the said date, are reliable pursuant to applicable financial reporting standards, and are correct, complete, and accurate according to accounting standards, related laws and regulations.



(Mr. Anand Panyarachun)

Chairman of the Board



(Mr. Arthid Nanthawithaya)

President and Chief Executive Officer

Audit Committee Report

The Audit Committee of Siam Commercial Bank PCL is comprised of the following five independent directors appointed by the Board of Directors' resolution at its meeting no. 5/2016 on April 5:

1. Mr. Prasan Chuaphanich
Chairman of the Audit Committee
2. Assoc. Prof. Dr. Kulpatra Sirodom
Member of the Audit Committee
3. Mr. Ekamol Kiriwat
Member of the Audit Committee
4. Mr. Krirk Vanikkul
Member of the Audit Committee
5. Mr. Thaweesak Koanantakool
Member of the Audit Committee

On December 15, 2016, Mr. Krirk Vanikkul and Mr. Thaweesak Koanantakool resigned from the Audit Committee as they were appointed as members of the Executive Committee, following a Board of Directors' resolution at its meeting no. 15/2016. Their Executive Committee membership shall take effect from January 1, 2017 onward.

Mr. Krieng Wongnongtaey, first executive vice president and head of the Audit Function, has served as the secretary to the Audit Committee (effective since August 1, 2016) after Mrs. Kannika Ngamsopee, who resigned on July 31, 2016.

The Audit Committee has performed its duties in accordance with the scope of responsibilities defined in the Audit Committee Charter approved by the Board of Directors. In 2016, the Audit Committee held 12 meetings with management and senior executives in charge of the relevant functions, in addition to regular meetings with the representatives of the Audit Function. The Committee also met with external auditors both with and without management's presence at meetings. Summaries of the deliberations and recommendations of each Audit Committee meeting were presented to the Board of Directors to both inform the Board and, if appropriate, to seek direction on specific matters.

Highlights of activities in 2016 are as follows:

- **Financial Reporting**

The Audit Committee reviewed SCB's and its subsidiaries' quarterly, half-year and annual financial statements, including consolidated financial statements of the SCB Group. The financial statements were prepared in

accordance with the Thai Financial Reporting Standards (TFRS) and the requirements of the Bank of Thailand and the Securities and Exchange Commission. The Audit Committee regularly met with external auditors and the Bank's finance executives to review material issues such as accounting adjustments, accounting estimates, and the appropriateness of accounting methods. The Audit Committee received explanations from auditors and the Bank's finance executives to ensure that the Bank's financial statements reflected financial transactions and incidents that were material to the Bank and the Group's financial statements and were in accordance with legal requirements and Thai Financial Reporting Standards.

The Audit Committee also met with auditors without management's presence to independently discuss information received and audits, particularly material matters in the preparation of the financial statements and suspicious behavior prone to fraud or violations of the law related to the performance of directors and executives under the Section 89/25 of the Securities and Exchange Act, B.E. 2551 (2008). In 2016, the auditors did not have any material findings or reports of any suspicious behavior.

- **External Auditor**

The Audit Committee considers, on an annual basis, the appointment of the Bank's external auditor. Following its recommendation and the Board's endorsement thereof, the shareholders appointed KPMG Phoomchai Audit Ltd. as the auditor for SCB and its subsidiaries at the 2016 Annual General Meeting, although in some countries where the Bank has a presence it was necessary to appoint another firm in accordance with the law in such countries. Recommendations to shareholders were based on the auditor's qualifications, knowledge, capability, audit experience in the banking industry, independence in accordance with ethical requirements by the Federation of Accounting Professions and the requirements of the Securities and Exchange Commission, and the quality of the audit over the past year, as well as the appropriateness of audit fees.

- **Internal Control and Audit**

The Audit Committee considered the adequacy of the internal control system following the COSO framework,

which covers the following five areas: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring activities. Key matters in each area considered are summarized in related sections in this report.

The Audit Committee placed importance on compliance with law, related regulations, and the Three Lines of Defense model of risk management. The Committee considered audit reports presented by the Audit Function on a monthly basis, and reviewed internal control assessment by management, the external auditors, the Bank of Thailand, and other regulators overseeing the Bank and its subsidiaries. The Committee monitored to ensure that corrective actions with respect to critical risk issues were completely taken by management, and root causes were fixed to prevent recurrence, particularly of high-risk issues, fraud or serious operational errors. The Committee also met with the Audit Committee of key subsidiaries to exchange opinions and to ensure that key risk issues have been audited and monitored.

In 2015, the Committee led in the selection and engagement of an experienced external consultant to review the SCB Group's internal control systems and recommend improvements thereto, in line with international standards and practices. Consequently, in 2016 the Committee continuously acknowledged and monitored its progress to get an overview of internal control and management's corrective guidelines, particularly for high-risk issues.

Because information technology is especially crucial to the Bank in the current digital era, the Audit Committee placed particular emphasis on this matter. The Committee regularly met with executives in charge of IT units to acknowledge and monitor issues regarding IT operations to ensure that the Bank is ready in terms of hardware, software, HR development and recruitment to prepare for digitization.

The Audit Committee considered the independence of internal audits, approved the Internal Audit Charter, approved annual audit plans, monitored the Audit Function's performance following the audit plans and audit results, and provided recommendations for more efficient and effective auditing practices. In 2016, the Committee acknowledged the engagement of an external consultant to review the Audit Function's

performance quality (quality assurance review) every five years. Results of the quality assurance review provided audit performance quality as well as guidelines on performance improvements and human resource development in the future.

The Committee acknowledged the complaints and notifications it received, mainly through the Bank's whistleblower channel, and assessed these for any indication of potential fraud, misconduct or corrupt practices. Further, the Committee monitored the complaint management process to ensure that issues raised were handled in a proper and transparent manner.

As a result of the forgoing activities, the Audit Committee concluded that the overall internal control environment of the Bank was appropriate and adequate for the business operations of the Bank and its subsidiaries. This conclusion was in line with the opinion of the external auditors. Further, the Audit Committee was of the opinion that the first executive vice president and head of Audit Function has appropriately and effectively supervised and monitored the operations of the Audit Function. The annual merit increase was based on the assessment of his performance (see the profile of the first executive vice president and head of Audit Function page 284).

• Regulatory Compliance

The Audit Committee acknowledged SCB and its subsidiaries' regulatory compliance with applicable laws and regulations of state regulators such as the Bank of Thailand, the Anti-Money Laundering Office and the Securities and Exchange Commission especially on anti-corruption and bribery policy and anti-money laundering and combating the financing of terrorism (AML/CFT) regulations, through reports by the Bank's Compliance Function. The Committee regularly met with executives in charge of the Compliance Function to acknowledge and discuss issues on a monthly basis to ensure effective monitoring and control over key regulatory compliance issues of units under SCB and its subsidiaries and improvements in the operational processes in accordance with the related regulations. The Committee regularly met with the subsidiaries' management to acknowledge their guidelines on operational process improvements and preventive efforts against mistakes and errors that could cause damage to the Bank as a whole.

The Audit Committee regularly reported all critical issues and significant regulatory changes that may affect the Bank's operations to the Board of Directors, and approved the annual compliance report, before submission to the Bank of Thailand and the Securities and Exchange Commission.

- **Risk Management**

The Audit Committee considered SCB and the SCB Group's risk management policies and held monthly meetings with executives in charge of the Risk Management Function to acknowledge and monitor potential risk issues and provide recommendations for improvement. The Committee and management discussed both internal and external risk factors and other significant risk issues to ensure that SCB and the SCB Group's risk management guidelines and measures are adequately effective in addressing potential risk from current operations and future risk scenarios. The Committee also discussed the adequacy of the risk management systems and procedures under the supervision of the Risk Management Function and the Risk Management Committee.

- **Related-Party Transactions and Conflicts of Interest**

The Audit Committee reviewed, supervised, and commented on any significant related-party transactions, particularly those that may involve a conflict of interest, in line with regulatory compliance norms, so that such transactions are proposed to the Board of Directors and/or shareholders, as required. This is to ensure that these transactions are transparent, reasonable, and adequately protect the interests of the Bank and its shareholders. In 2016, the Bank did not have any materially connected transactions to be disclosed in accordance with the regulations of the Stock Exchange of Thailand. The information pertaining to other connected transactions is disclosed in the notes to the financial statements.

- **Others**

In 2016, the Audit Committee revised the Charter of the Audit Committee as follows:

- Increased the Audit Committee's authority to propose cancellation of external auditor in line with the Thai Institute of Directors' assessment requirements for listed companies' corporate governance.

- Revised the Audit Committee's authority to approve the tenure of the Head of Audit Function and the Head of Compliance Function in line with reorganization, the Capital Market Supervisory Board's requirements, and the Bank of Thailand's practice guidelines.
- Revised the scope of the Audit Committee's responsibility pertaining to risk management in accordance with the Securities and Exchange Commission's requirements and to be clearer.

As in prior years, members of the Audit Committee undertook a self-assessment to enhance the efficiency of the Committee's performance.

The Audit Committee performed its duties as assigned by the Board of Directors and in line with the responsibilities stated in the Charter of the Audit Committee. It adhered to the principles of integrity, prudence, transparency, and independence, provided constructive comments and recommendations for the equal benefit of stakeholders, with the Bank's ultimate interest as a priority.

The Audit Committee is of the opinion that the financial statements of SCB and its subsidiaries have been prepared accurately and are complete, with adequate disclosure, in accordance with financial reporting standards. It is also of the opinion that the external auditor is independent and has performed all its duties professionally. The Committee notes that the Bank places a high level of importance on its internal control systems, as well as ensures that the policies, procedures and systems for risk management are adequate and appropriate for its business operations. Further, the Committee opines that the Bank has sound corporate governance, adequate risk management, adequate and effective internal controls and internal audits. The Bank has monitored changes so that it is well prepared to face potential risks that may arise in the future.



(Mr. Prasan Chuaphanich)

Chairman of the Audit Committee

Management Discussion and Analysis

For the year ending December 31, 2016

IMPORTANT DISCLAIMER:

The information contained in this document has been obtained from several sources, and Siam Commercial Bank Pcl (the “Bank”) cannot confirm, in all cases, the accuracy and completeness of such data, particularly those sourced from outside the Bank. In addition, any forward looking statements are subject to change as a result of market conditions and actual outcomes may differ from forecasts. The Bank makes no representation or warranty of any type whatsoever on the accuracy or completeness of the information contained herein.

Siam Commercial Bank PCL reported (audited) consolidated **net profit** of Baht 47,612 million for 2016 – a slight increase of 0.9% yoy from Baht 47,182 million recorded in 2015 driven by higher net interest income and higher net fee and service income. Meanwhile, gains on investments and provisions declined significantly. Moreover, there was an improvement in the Bank’s NPL ratio, which was 2.67% at the end of 2016 compared with 2.89% at the end of 2015. Nevertheless, the Bank exercised prudence and maintained a high coverage ratio at 134.3% in 2016.

The Bank’s **operating profits** stood at Baht 81,690 million, a decrease of 7.7% from 2015 due to a significant decline in gains on investments as the Bank recorded a one-time gain from the sale of equity investment in 2015. Excluding the one-time gain on investment, operating profit would have increased by 1.2% yoy from higher net interest income and net fee and service income while net trading and FX income and net insurance premium declined yoy.

Net Profit and Total Comprehensive Income

Unit: Baht million

Net Profit and Total Comprehensive Income (Consolidated)	2016	2015	% yoy
Net interest income	88,449	82,834	6.8%
Non-interest income	44,885	54,424	-17.5%
Non-interest expenses	51,644	48,797	5.8%
Operating profit	81,690	88,461	-7.7%
Impairment loss on loans and debt securities	22,528	29,723	-24.2%
Income tax	11,493	11,498	-0.0%
Non-controlling interest	57	58	-0.5%
Net profit (attributable to shareholders of the Bank)	47,612	47,182	0.9%
Other comprehensive income	(2,291)	(2,069)	NM
Total comprehensive income	45,322	45,113	0.5%
EPS (Baht)	14.01	13.88	0.9%
ROAE	14.8%	15.9%	
ROAA	1.7%	1.7%	

NM denotes "not meaningful"

I. Income Statement for 2016 (Consolidated basis)

1. Net interest income

Unit: Baht million

Net Interest Income and Yield (Consolidated)	2016	2015	% yoy
Interest income	122,443	122,462	-0.0%
- Loans	94,844	95,729	-0.9%
- Interbank and money market	4,206	3,687	14.1%
- Automobile and financial lease income	10,479	10,097	3.8%
- Investments	12,827	12,873	-0.4%
- Other	87	76	14.9%
Interest expenses	33,994	39,628	-14.2%
- Deposits	20,225	26,463	-23.6%
- Interbank and money market	1,034	1,078	-4.1%
- Borrowings	3,904	3,497	11.6%
- Contribution to the Deposit Protection Agency/FIDF	8,810	8,584	2.6%
- Other	21	6	254.7%
Net interest income	88,449	82,834	6.8%
Net interest margin	3.27%	3.18%	0.09%
Yield on earning assets	4.52%	4.71%	-0.19%
Yield on loans	5.58%	5.86%	-0.28%
Yield on interbank	1.62%	1.33%	0.29%
Yield on investment	2.28%	2.48%	-0.20%
Cost of funds*	1.55%	1.84%	-0.29%
Cost of deposits**	1.48%	1.85%	-0.37%
Spread (yield on earning assets – cost of funds)	2.97%	2.87%	0.10%

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

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

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

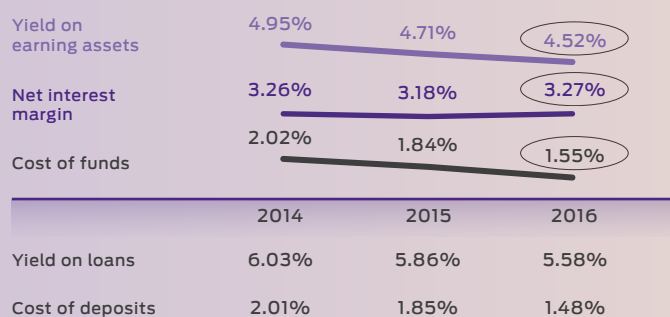
Net interest income in 2016 increased by 6.8% yoy to Baht 88,449 million from Baht 82,834 million in 2015. This increase was mainly due to two factors: better management of the Bank's cost of deposits by expanding the deposit base in savings and current accounts and the gradual maturity of high-cost deposits. Another contributing factor

to this increase was a 5.8% yoy loan growth. Interest income from interbank and money markets also rose as a result of a higher average volume of interbank and money market portfolios along with higher yields on interbank and money markets compared to the previous year.

SCB Interest Rates	Mar 25, 15	Apr 29, 15	May 21, 15	Jul 20, 15	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16
Lending rate (%)									
MLR	6.625	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275
MOR	7.425	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12
MRR	8.10	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62
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	0.90-0.95	0.90	0.90	0.90-1.60	0.90	0.90	0.90	0.90
6-month deposits	1.15-1.20	1.15-1.20	1.15	1.15	1.15	1.15	1.15	1.15	1.15
12-month deposits	1.50	1.50	1.50	1.50	1.30	1.30	1.30	1.30	1.40
	Aug 24, 11	Nov 30, 11	Jan 25, 12	Oct 17, 12	May 29, 13	Nov 27, 13	Mar 12, 14	Mar 11, 15	Apr 29, 15
Policy rate (%)	3.50	3.25	3.00	2.75	2.50	2.25	2.00	1.75	1.50

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

Yield on Earning Assets, NIM and Cost of Funds (Percentage)



2. Non-interest income

Unit: Baht million

Non-Interest Income (Consolidated)	2016	2015	% yoy
Fee and service income	34,379	32,704	5.1%
Less fee and service expenses	5,965	5,630	6.0%
Net fee and service income	28,414	27,075	4.9%
Net earned insurance premiums	52,314	52,419	-0.2%
Less net insurance claims	46,634	44,769	4.2%
Net insurance premiums	5,680	7,650	-25.8%
Net fee and insurance premium income	34,094	34,725	-1.8%
Net trading and FX income	6,714	8,315	-19.3%
Share of profit of associates	(11)	(89)	NM
Dividend income	1,119	1,386	-19.2%
Other income	433	697	-37.9%
Non-interest income excluding gain on investments	42,350	45,034	-6.0%
Gain on investments	2,535	9,390	-73.0%
Total non-interest income	44,885	54,424	-17.5%

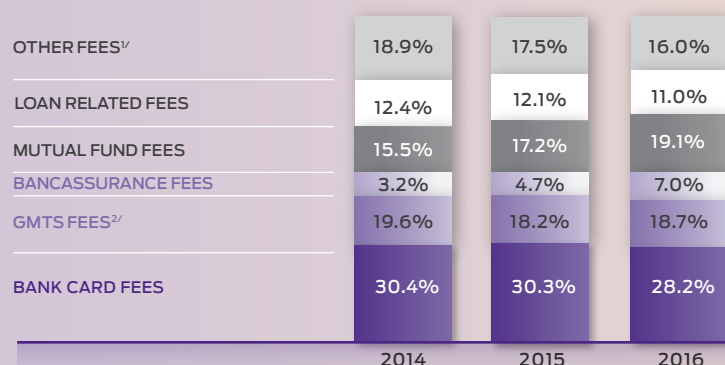
NM denotes "not meaningful"

Non-interest income decreased by 17.5% yoy to Baht 44,885 million in 2016 from Baht 54,424 million in 2015 as large gains from the sale of equity investment were booked in 3Q15. Excluding these gains, non-interest income would have decreased by 3.9% yoy largely due to lower net

insurance premium income and lower net trading and FX income. However, net fee and service income increased yoy, driven by mutual fund fees, bancassurance fees (from the sale of third-party bancassurance products) and corporate finance fees.

Net fee income breakdown (Percentage)

1/ Other fees include brokerage, fund transfer, remittance, etc.
2/ GMTS stands for Global Markets and Transaction Services, which includes cash management, trade finance, corporate finance and corporate trust



3. Non-interest expenses

Unit: Baht million

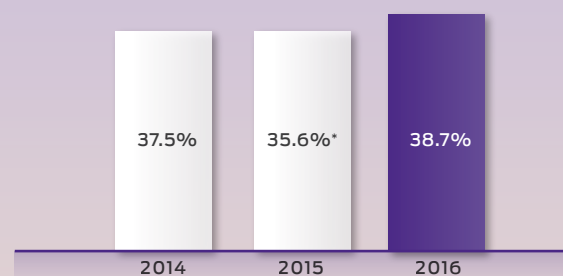
Non-Interest Expenses (Consolidated)	2016	2015	% yoy
Staff costs	24,597	22,379	9.9%
Premises and equipment expenses	10,823	9,665	12.0%
Tax and duties	4,262	4,216	1.1%
Director remuneration	97	95	1.7%
Other expenses	11,865	12,443	-4.6%
- Loss on sale of NPA*	540	702	-23.1%
- Others	11,324	11,740	-3.5%
Total non-interest expenses**	51,644	48,797	5.8%
Cost to income ratio	38.7%	35.6%	

* Including loss on the sale of repossessed cars of Baht 733 million in 2016 and Baht 993 million in 2015.

** Excluding loss on the sale of NPA, non-interest expenses growth in 2016 would have increased by 6.3% yoy.

Non-interest expenses increased by 5.8% yoy to Baht 51,644 million in 2016 from Baht 48,797 million in 2015 due primarily to higher staff costs (+9.9% yoy) from annual salary adjustments as well as higher premises and equipment expenses (+12.0% yoy) from system upgrades and renovation of the Bank's branches.

Cost-to-income ratio (Percentage)



* Includes large investment gains from the sale of equity investment in 3Q15 and one-time expense from a fraud case in 1Q15. Excluding these items, cost-to-income ratio would stand at 36.5%.

4. Loan loss provisions

The Bank set aside loan loss provisions in 2016 in the amount of Baht 22,528 million or 119 bps of total loans, a decrease from Baht 29,723 million in 2015. Part of the reason for lower provisions was because one large

corporate customer underwent a debt restructuring process causing a reduction in NPLs. Moreover, the coverage ratio also increased to 134.3% at the end of 2016 from 109.8% at the end of 2015.

II. Balance sheet as of December 31, 2016 (Consolidated basis)

As of December 31, 2016 the Bank's total assets stood at Baht 2,913 billion, an increase of 5.0% yoy from the end of 2015. Details on the consolidated balance sheets are provided in the following sections:

1. Loans

As of December 31, 2016, total outstanding loans (net of deferred revenue) stood at Baht 1,939 billion, a 5.8% yoy increase from the end of 2015. The yoy overall loan growth was mainly driven by corporate segment and housing loans despite a decline in automobile loans.

The 5.8% yoy loan growth at the end of 2016 was in line with the Bank's loan growth target for 2016 of 4-6%.

Unit: Baht million					
Loans by Segment (Consolidated)	Dec 31, 16	%	Dec 31, 15	%	% yoy
Corporate	712,271	36.7%	646,255	35.2%	10.2%
SME	364,544	18.8%	356,840	19.5%	2.2%
Retail	862,232	44.5%	830,311	45.3%	3.8%
- Housing loans*	607,440	31.3%	576,251	31.4%	5.4%
- Automobile	168,684	8.7%	169,154	9.2%	-0.3%
- Other loans	86,109	4.5%	84,906	4.6%	1.4%
Total loans	1,939,048	100.0%	1,833,406	100.0%	5.8%

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

Details on the changes in loan volume by customer segments are as follows:

- **Corporate** loans increased by 10.2% yoy, due mainly to M&A deals of large corporate customers.
- **SME** loans rose by 2.2% yoy, driven by the Bank's strategy to broaden its customer base in the SME segment by linking with the supply chain of corporate customers, leveraging its nation-wide branch network to provide seamless service to SME customers, and actively participating in the government's soft loan scheme for this segment.

- **Retail** loans grew by 3.8% yoy.

- **Housing loans** grew by 5.4% yoy. The yoy growth was driven by SCB's strong presence in the housing loan market, a more effective marketing strategy based on a customer segmentation approach, and an increase in housing loan demand from the government's transfer and registration fee reduction program that expired in April 2016.

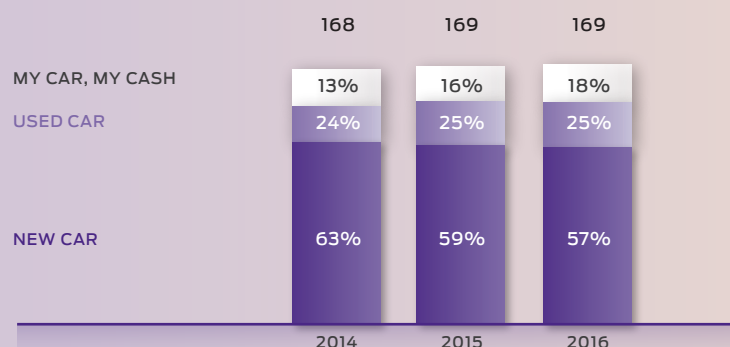
- **Automobile** loans decreased marginally by 0.3% yoy, following a decline in car sales as well as the Bank's adoption of more stringent underwriting criteria.

Furthermore, the Bank has focused on growing automobile loans by expanding the "My Car, My Cash" loan segment, which offers higher yields than new car loans but has lower credit risk than the used car

segment. ("My Car, My Cash" is a personal loan product which is structured as a hire-purchase contract, using the borrower's automobile as the underlying collateral). This shift is evident from the historical trend of auto loans by segment as shown below.

- **Other loans** (largely personal loans and credit card receivables) increased by 1.4% yoy, mainly driven by an increase in credit card loans.

Automobile loan portfolio (Baht billion)



2. Deposits

Unit: Baht million

Deposits (Consolidated)	Dec 31, 16	%	Dec 31, 15	%	% yoy
Demand	61,585	3.0%	57,136	3.0%	7.8%
Savings	1,148,768	56.7%	1,106,016	58.5%	3.9%
Fixed	815,919	40.3%	727,577	38.5%	12.1%
- Less than 6 months	201,141	9.9%	221,323	11.7%	-9.1%
- 6 months and up to 1 year	392,309	19.4%	300,657	15.9%	30.5%
- Over 1 year	222,469	11.0%	205,597	10.9%	8.2%
Total deposits	2,026,272	100.0%	1,890,729	100.0%	7.2%
Gross loan-to-deposit ratio	95.7%		97.0%		
CASA - current & savings accounts (%)	59.7%		61.5%		

As of December 31, 2016, total **deposits** stood at Baht 2,026 billion, a 7.2% yoy increase from the end of 2015. The yoy increase mainly came from higher savings and current deposits, together with higher fixed term deposits as a result of the campaigns to raise deposits. The proportion of low cost deposits (CASA) was 59.7% at the end of 2016, a slight decline from the end of 2015.

As loans grew by 5.8% yoy while deposits rose by 7.2% yoy, the loan-to-deposit ratio on a consolidated basis dropped to 95.7% at the end of 2016 from 97.0% at the end of 2015. Furthermore, the Bank's liquidity ratio stood at a high level of 28.8%. In this regard, the Bank continues to ensure that there is adequate liquidity to cushion against unexpected shocks and challenges.

The Bank's policy on liquidity management, as formulated by the Assets and Liabilities Management Committee, is to find adequate funding sources to facilitate loan growth at acceptable costs. The Bank currently maintains a daily liquidity ratio of 20% or higher as measured by total liquid assets (at a bank-only level) to total deposits. If the ratio falls below 20%, corrective action will be immediately taken.

3. Shareholders' equity

As of December 31, 2016, shareholders' equity stood at Baht 334 billion, an 8.7% yoy increase from the end of 2015, driven by appropriations of net profit over the year. Net profit was appropriated for the dividend payment of Baht 4.00 per share in accordance with the resolution of the Annual General Meeting of Shareholders in April 2016, and the interim dividend payment of Baht 1.50 per share in accordance with the resolution of the Board of Directors meeting in August 2016.

The book value per share as of December 31, 2016 was Baht 98.28 (3,399 million ordinary and preferred shares at the end of December 2016), up by 8.7% yoy from Baht 90.45 at the end of 2015, for the reasons noted above.

III. Statutory Capital

From January 1, 2016, the Bank of Thailand (BOT) requires commercial banks to hold a capital conservation buffer according to Basel III. This additional capital requirement is to be gradually added to the common equity Tier 1 capital requirement at the rate of 0.625% p.a. until reaching the 2.5% target in 2019. As a result, minimum regulatory capital requirement ratios under Basel III for 2016 were increased to 'not less than 5.125%' for common equity Tier 1 (CET1), 'not less than 6.625%' for total Tier 1 and 'not less than 9.125%' for total capital.

On a consolidated basis under Basel III, the Bank's total capital funds (Tier 1 and Tier 2) at the end of 2016 stood at 17.7% of total risk-weighted assets, comprising CET1 capital of 14.8% and Tier-2 capital of 2.9%. If net profit for 2H16 were included, the total capital ratio and CET1 capital ratio under Basel III would have been 18.8% and 15.9% respectively.

On a bank-only basis under Basel III, the Bank's total capital funds stood at 17.4% of total risk-weighted assets, of which 14.5% was CET1 and 2.9% was Tier-2 capital. If net profit for 2H16 were included, the total capital ratio and CET1 capital ratio under Basel III would have been 18.5% and 15.6%, respectively.

The Bank believes that its strong capital position which is currently well above the minimum regulatory requirement, together with higher loan loss provisions, will enable the Bank to withstand the impact of adverse shocks on the Bank or the Thai economy. Moreover, its solid capital position will also enable the Bank to pursue any future growth opportunities.

**Statutory Capital (Consolidated Supervision)
(Basel III)****Dec 31, 16 Dec 31, 15**

Common equity Tier-1 / Tier 1*	Baht million	294,566	265,491
	% of RWA	14.8%	14.1%
Tier-2	Baht million	57,752	59,140
	% of RWA	2.9%	3.2%
Total capital	Baht million	352,318	324,631
	% of RWA	17.7%	17.3%

Risk-weighted assets	Baht million	1,986,927	1,880,484
----------------------	--------------	-----------	-----------

**Statutory Capital (Bank only)
(Basel III)****Dec 31, 16 Dec 31, 15**

Common equity Tier-1 / Tier 1*	Baht million	280,108	257,204
(Regulatory minimum Tier 1 of 6.625%)	% of RWA	14.5%	14.0%
Tier-2	Baht million	57,165	59,140
	% of RWA	2.9%	3.2%
Total capital	Baht million	337,273	316,344
(Regulatory minimum CAR of 9.125%)	% of RWA	17.4%	17.2%

Risk-weighted assets	Baht million	1,933,848	1,841,506
----------------------	--------------	-----------	-----------

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

IV. Non-Performing Assets

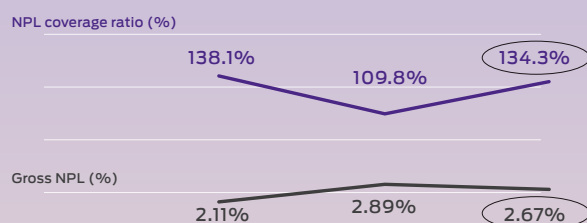
Gross NPLs on a consolidated basis stood at 2.67% of total loans at the end of December 2016, down from 2.89% of total loans at the end of December 2015. This reduction was

mainly a result of one large corporate loan being reclassified from non-performing to special mention loan.

Non-Performing Loans and Allowance (Consolidated)		Dec 31, 16	Dec 31, 15
Non-Performing Loans (Gross NPLs)	% of total loans	2.67%	2.89%
	Baht million	57,593	58,996
Non-Performing Loans (Net NPLs)	% of total loans	1.38%	1.25%
	Baht million	29,309	25,069
Allowance for doubtful accounts and debt restructuring ¹	Baht million	77,357	64,777
Total allowance to NPLs		134.3%	109.8%

¹ Excluding interbank.

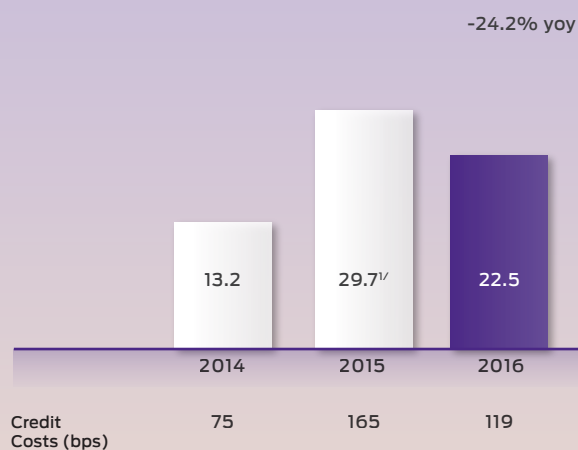
Gross NPL ratio & NPL coverage ratio (Percentage)



	2014	2015	2016
NPL BY SEGMENT AND BY PRODUCT			
Corporate	1.4%	4.0% *	2.3%
SME	4.6%	4.6%	6.4%
Retail	2.3%	2.0%	2.1%
Mortgage	2.4%	2.1%	2.2%
Auto Loans	2.2%	2.1%	1.8%

* The increase is accounted for mainly by SSI.

Provisions (Consolidated, Baht billion)



^{1/}Includes substantial additional provisions for two large corporates (SSI and SSI-UK) of Baht 11.0 billion in 2015. SSI-UK was subsequently written-off in the third quarter of 2015.

Allowance for doubtful accounts as of December 31, 2016 stood at Baht 77.4 billion, a 19.4% yoy increase from Baht 64.8 billion at the end of December 2015. The coverage ratio (total allowance to non-performing loans) was 134.3%, up from 109.8% at the end of December 2015.

Special mention loans stood at Baht 44.6 billion at the end of December 2016, up significantly by 33.2% yoy from the end of 2015. The yoy increase was mainly driven by one large corporate loan being reclassified from non-performing to special mention loan.

Gross NPLs on a bank-only basis stood at Baht 56.5 billion (2.65%) at the end of December 2016, a decline from Baht 57.2 billion (2.83%) at the end of December 2015.

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Dec 31, 16		Dec 31, 15	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Normal	1,840,936	19,184	1,745,381	18,150
Special mention	44,618	3,000	33,495	2,325
Substandard	20,698	9,654	24,985	14,555
Doubtful	9,707	3,153	14,809	7,987
Doubtful loss	27,217	15,641	19,281	11,575
Total	1,943,176	50,632	1,837,951	54,592
Allowance established in excess of BOT regulations		22,721		9,831
Total allowance		73,353		64,423

In 2016, new NPL formation stood at 1.80%, a sharp drop from 2.53% in 2015. This decline was largely contributed by lower new NPLs from the Corporate Segment despite an increase in the Mortgage Segment's new NPL formation. Meanwhile, the SME Segment's new NPL formation, although slightly lower in 2016, remained high.

In 4Q16 new NPL formation was at 0.52%, a slight increase from 0.50% in 3Q16, mainly driven by new NPLs from the SME Segment which rose significantly to 1.08% in 4Q16 from 0.70% in 3Q16. The increase in new NPLs was attributed to the qualitative reclassification of certain customers in the SME Segment.

New NPLs by Segment and by Product

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	2015	2016
Total loans	0.44%	0.40%	1.18% ^{3/}	0.50%	0.41%	0.40%	0.50%	0.52%	2.53% ^{3/}	1.80%
Corporate	0.24%	0.05%	2.28% ^{3/}	0.14%	0.05%	0.00%	0.28%	0.18%	2.72% ^{3/}	0.51%
SME	0.78%	1.03%	0.94%	1.04%	0.86%	0.60%	0.70%	1.08%	3.75%	3.23%
Mortgage ^{1/}	0.29%	0.35%	0.68%	0.55%	0.51%	0.65%	0.68%	0.61%	1.84%	2.41%
Auto loans ^{2/}	0.70%	0.60%	0.58%	0.56%	0.41%	0.43%	0.40%	0.50%	2.43%	1.72%
New NPLs (Baht billion)	8.8	8.3	24.3 ^{3/}	10.1	8.6	8.2	10.8	11.2	51.6 ^{3/}	38.9

^{1/} Most of the growth in new NPLs in mortgages arose from customers who are self-employed, have a high level of leverage and a relatively high loan-to-value. The Bank has tightened its underwriting rules in these segments since early 2014.

^{2/} The new NPLs for auto loans in the table above do not include new NPLs where the auto was repossessed before the end of the month in which the customers turned NPL. The loss on sale of repossessed autos is then booked as an expense, as noted under the non-interest expenses section.

^{3/} Excluding the new NPL of SSI-UK, which was written off in September 2015. If included, new NPL formation for total loans in 3Q15 would be 1.79% and for corporate would be 4.21%, and new NPL formation for total loans in 2015 would be 3.14% and for corporate would be 4.66%.

V. Sources and Uses of Funds

As of December 31, 2016, deposits accounted for 69.6% of SCB's funding base. Other major sources of funds were: 11.5% from shareholders' equity, 7.4% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 3.7% from the

issuance of debt instruments, and 3.5% from interbank borrowings. As of December 31, 2016, the funds were deployed as follows: 66.6% for loans, 20.3% for investments in securities, 8.8% for interbank and money market lending, and 1.4% held in cash.

VI. Additional Financial Information

Unit: Baht million

(Consolidated)	Dec 31, 16	Dec 31, 15	% yoy
Loans by Sector	1,939,048	1,833,406	5.8%
Agricultural and mining	15,166	16,502	-8.1%
Manufacturing and commercial	605,350	593,831	1.9%
Real estate and construction	132,755	141,238	-6.0%
Utilities and services	325,286	254,124	28.0%
Housing loans*	521,869	495,012	5.4%
Other loans	338,622	332,699	1.8%
Investment**	590,921	537,000	10.0%
Trading securities and securities measured at fair value through P/L	28,876	21,115	36.8%
Available-for-sale securities	438,473	382,200	14.7%
Held-to-maturity securities	122,166	133,064	-8.2%
General investments	1,072	276	288.4%
Net investment in associated companies	334	344	-3.1%
Debt securities in issue and borrowings	106,838	121,164	-11.8%
Bonds	65,840	80,549	-18.3%
Subordinated bonds	40,000	40,000	0.0%
Structured notes	914	508	79.9%
Others	84	107	-21.5%
NPL breakdown by status (Bank-only)			
Restructured and being serviced	69.0%	75.7%	-6.7%
Under negotiation for restructuring	7.7%	9.4%	-1.7%
In litigation	11.2%	6.8%	4.4%
In foreclosure process	12.0%	8.1%	3.9%
Troubled debt restructured loans	40,490	32,989	22.7%
Restructured loans which are classified as NPL	9,651	6,535	47.7%
Restructured loans which are not classified as NPL	30,839	26,454	16.6%

	2016	2015
Yield on loans by segment		
Yield on loans	5.58%	5.86%
Corporate	4.17%	4.38%
SME	6.36%	6.93%
Retail	6.55%	6.76%
- Mortgage	5.55%	5.88%
- Auto loans	6.30%	6.12%
NPL reduction methodology		
Repayments, auctions, and foreclosures	34.1%	29.4%
Debt restructuring	27.7%	12.0%
NPL sales***	21.4%	18.9%
Write off	16.8%	39.7%

* 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, 2016 and December 31, 2015, was Baht 607 billion and Baht 576 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 10.7 billion in 2016 and Baht 10.7 billion in 2015.

Credit Ratings

As of December 31, 2016, the Bank's credit ratings by Moody's Investors Service, S&P Global Ratings and Fitch Ratings are shown below.

Credit Ratings of Siam Commercial Bank PCL

December 31, 2016

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
<i>ASEAN Regional Scale Rating</i>	axA+/axA-1
Outlook	Stable
Senior Unsecured (Long Term)	BBB+
Senior Unsecured (Short Term)	A-2

Fitch Ratings

Foreign Currency

Long Term Issuer Default Rating	BBB+
Short Term Issuer Default Rating	F2
Outlook	Stable
Senior Unsecured	BBB+
Viability Rating	bbb+

National

Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable
Subordinated Debenture	AA(thai)

Pillar III Disclosure (June 2016)

Since January 1, 2013, Siam Commercial Bank PCL. (SCB) and its Financial Group adopted Basel III, the latest global regulatory framework for assessing bank capital adequacy and liquidity, to further strengthen its risk measurement and risk management practices. The Bank's implementation of Basel III closely follows the guidelines of the Basel Committee on Banking Supervision (BCBS) as well as the regulations of the Bank of Thailand (BOT). The BOT adopted a new capital conservation buffer requirement of up to 2.5% of common equity Tier 1 (CET1), which is being phased-in at 0.625% p.a. starting from January 1, 2016 and continuing through January 1, 2019. As a result, in 2016, the Bank had to maintain its CET1, Tier 1 and Total CAR at 5.125%, 6.625% and 9.125%, respectively.

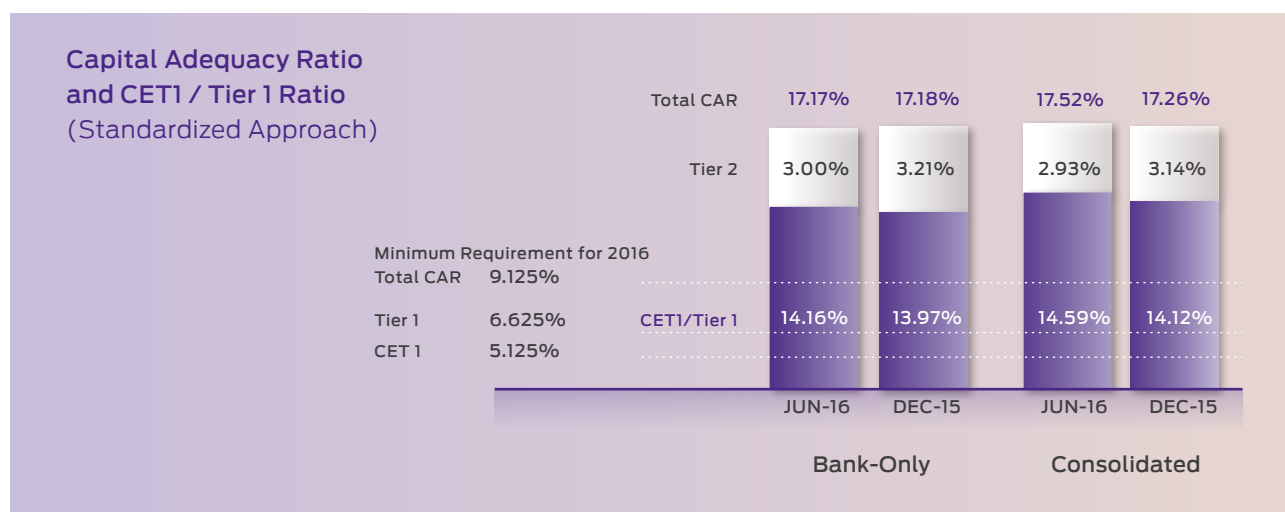
To compute the regulatory capital required to cover its credit risk, market risk and operational risk, SCB and its Financial Group used the Standardized Approach to measure

these risks. The Pillar III disclosure is provided based on both a 'Bank-Only' basis and a 'Consolidated' basis. The BOT requires the report to be prepared based on data as of June 30 and December 31 each year and to be made available to market participants within four months after these dates. The Bank also submits the report to the Stock Exchange of Thailand on the date of disclosure. For further details, please refer to the full Pillar III report released on the Bank's website under the Investor Relations section at <http://www.scb.co.th/en/about-scb/investor-relations/financial-information/pillar>.

Although this disclosure is not required to be audited by external auditors, the information has been internally verified and approved per the Bank's Pillar III disclosure policy. Furthermore, this disclosure contains the same information used internally by the Bank's management team, which is also used for producing reports required by the BOT.

Capital adequacy ratio remains well above the minimum regulatory requirement

SCB's capital adequacy ratio (CAR) has remained well above the minimum requirement set by the BOT for both the Bank-Only basis and Consolidated basis. As shown in the figure below, CET1 is the main component of CAR, which reflects the Bank's strong capital base.



5-YEAR: KEY FINANCIAL STATISTICS

Financial Status (Consolidated)

As of December 31,

Unit: Billion Baht

	2012 ^{1/}	2013	2014	2015	2016
Total Assets	2,270.1	2,534.2	2,699.7	2,774.3	2,913.0
- Loans	1,547.5	1,735.3	1,777.1	1,833.4	1,939.0
- Less allowance for doubtful accounts	-52.0	-60.3	-59.0	-64.8	-77.4
- Net loans	1,495.5	1,675.0	1,718.1	1,768.6	1,861.7
- Investment-net	458.9	504.9	502.8	537.0	590.9
- Properties foreclosed	9.5	9.6	9.7	10.6	11.6
Total liabilities	2,054.7	2,286.2	2,413.4	2,466.6	2,578.7
- Deposits	1,614.1	1,822.9	1,895.3	1,890.7	2,026.3
- Borrowings	132.6	95.0	113.9	121.2	106.8
Total shareholders' equity	215.3	248.0	286.3	307.7	334.3

Financial Results

For the year ended December 31,

Unit: Billion Baht

	2012 ^{1/}	2013	2014	2015	2016
Interest income	103.4	120.7	123.4	122.5	122.4
Less Interest expenses	41.3	47.7	42.3	39.6	34.0
Net interest income	62.1	73.0	81.1	82.8	88.4
Non-interest income	40.9	50.5	47.0	54.4	44.9
Total income	103.0	123.5	128.1	137.3	133.3
Less non-interest expense	42.4	47.3	48.1	48.8	51.6
Income (loss) before impairment loss of loans and debt securities	60.6	76.2	80.0	88.5	81.7
Less Impairment loss of loans and debt securities	9.4	13.6	13.2	29.7	22.5
Income tax and non-controlling interest	12.0	12.3	13.5	11.6	11.6
Net Profit (loss) (attributable to shareholders of the Bank)	39.2	50.2	53.3	47.2	47.6

^{1/} Restated following the adoption of deferred tax accounting in 2013

Key Financial Ratios (Consolidated Basis)

Unit: Percent

	2012 ^{1/}	2013	2014	2015	2016
Profitability ratio					
Return on assets (ROA)	1.9	2.1	2.0	1.7	1.7
Return on equity (ROE)	19.7	21.8	20.1	15.9	14.8
Net interest margin (NIM)	3.2	3.2	3.3	3.2	3.3
Non interest income to total income	39.7	40.9	36.7	39.7	33.7
Efficiency ratio					
Cost income ratio	41.2	38.3	37.5	35.6	38.7
Cost to assets	2.1	2.0	1.8	1.8	1.8
Financial ratio					
Equity to assets	9.4	9.7	10.6	11.1	11.5
Loans to deposits	95.9	95.2	93.8	97.0	95.7
Capital adequacy ratio^{2/}					
Total capital to risk assets	15.7	15.4	17.0	17.3	17.7
Tier 1 capital to risk assets	10.6	12.0	13.7	14.1	14.8
Tier 2 capital to risk assets	5.1	3.4	3.3	3.2	2.9
Asset quality ratio					
Non-performing loans to total loans	2.13	2.14	2.11	2.89	2.67
Total allowance to non-performing loans	144.8	150.8	138.1	109.8	134.3
Total allowance to total loans	3.4	3.5	3.3	3.5	4.0
Accrued interest to total loans	0.2	0.2	0.2	0.2	0.2

Share Information ^{3/}

	2012 ^{1/}	2013	2014	2015	2016
Earnings per share - EPS (Baht)	11.54	14.78	15.69	13.88	14.01
Book value per share (Baht)	62.89	72.45	83.94	90.45	98.28
Dividend per share ^{4/} (Baht)	4.50	5.25	6.00	5.50	5.50
Market capitalization (Billion Baht)	616.9	487.8	618.6	406.2	518.3
Number of shares (Million)	3,399	3,399	3,399	3,399	3,399

^{1/} Restated following the adoption of deferred tax accounting in 2013

^{2/} 2013-2016 figures are disclosed under Basel III framework while 2012 figures are disclosed under Basel II framework

^{3/} The Bank's share includes ordinary shares and preferred shares.

^{4/} Dividend per share in 2016 as proposed to the Annual General Meeting of Shareholders in April 2017. (Interim dividend Baht 1.5 per share)

Independent Auditor's Report

To the Shareholders of The Siam Commercial Bank Public Company Limited

Opinion

I have audited the consolidated and the Bank's financial statements of The Siam Commercial Bank Public Company Limited and its subsidiaries (the "Group") and of The Siam Commercial Bank Public Company Limited (the "Bank"), respectively, which comprise the consolidated and the Bank's statements of financial position as at 31 December 2016, the consolidated and the Bank's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and the Bank's Financial Statements* section of my report. I am independent of the Group and the Bank in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions under the Royal Patronage of His Majesty the King that is relevant to my audit of the consolidated and the Bank's financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and the Bank's financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and the Bank's financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Allowance for doubtful accounts on loans to customers

For disclosures related to credit risk of loans to customers and allowance for doubtful accounts, refer to notes 4.5, 5.1 and 12.

The key audit matter	How the matter was addressed in the audit
As at 31 December 2016, loans to customers recorded in the consolidated and the Bank's financial statements amounted to Baht 1,962.60 billion and Baht 1,950.82 billion (approximately 67.37% and 73.30% of total assets), against which allowances for doubtful accounts of Baht 73.35 billion and Baht 72.62 billion, respectively, were provided. The allowance for doubtful accounts on loans to customers is considered a Key Audit Matter as it requires the application of judgments and use of subjective assumptions over both the timing of recognition and the estimation of the amount of the allowance of certain loans and portfolios of loans to customers. Management has established a control framework over the estimation process of the allowance for doubtful accounts which includes governance procedures, management review and approval, and controls to ensure the integrity of data used in the process. The allowance for doubtful accounts is in accordance with the Bank of Thailand's (BoT) guidelines which require the Bank to perform both quantitative and qualitative reviews of loans as an ongoing process. Within this framework: - Individual assessments are made by management of loan grading and classification. Collateral valuation estimates are used in determining allowance for NPLs. - The allowances are assessed on a portfolio basis for certain portfolios with similar risk characteristics. Model methodologies and assumptions such as customer behaviors and repayment abilities are selected, approved and applied to the underlying data for portfolios of loans of a similar nature.	In planning my audit procedures I performed a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors, customer segments, or which could influence the judgments and estimates. My audit procedures included testing the design and operating effectiveness of selected controls surrounding the credit and impairment process. I performed credit review procedures for a sample of loans, including a detailed review of the individual credit profile and other relevant information, from which I formed my own independent assessment. My sample included individually large exposures, loans subject to restructuring and reschedule as well as a selection of loans identified in my risk assessment. I tested model assumption and methodologies, where appropriate, including involvement of my own credit risk specialists, reconciliation of data to underlying systems and back-testing results.

Valuation of financial instruments in the statement of financial position

For disclosures related to financial instrument and fair values, refer to note 6.

The key audit matter	How the matter was addressed in the audit
The valuation of financial instruments is a key area of focus due to the degree of complexity involved in valuing some of the instruments and the significance of the judgment and estimates. As at 31 December 2016, financial assets measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 523.09 billion and Baht 405.88 billion, respectively. Financial liabilities measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 53.50 billion and Baht 53.44 billion, respectively. Of these, some financial instruments are classified as "level 2" and "level 3" in the fair value hierarchy, and judgment is applied in the estimation of the fair value and there is a risk that financial instruments may be mispriced in the statement of financial position, because they are not based on objective external prices or, where these are not easily observable, the best estimate of what they may be. As at 31 December 2016, financial assets measured at fair value are classified as level 2 in the consolidated and the Bank's financial statements amounted to Baht 498.13 billion and Baht 397.65 billion, respectively. Financial liabilities measured at fair value are classified as level 2 in the consolidated and the Bank's financial statements amounted to Baht 53.21 billion and Baht 53.17 billion, respectively.	In planning my audit procedures I performed a risk assessment by considering the factors which could affect the fair value of financial instruments, both in terms of the inputs used for valuation and the appropriateness of valuation techniques applied. For financial instruments, I checked for a selection that pricing inputs used were externally sourced and were correctly input into pricing models, including an assessment of the liquidity of prices, where applicable. I used my own valuation specialists to assess that the models were appropriate and they valued a selection of the Group and the Bank's debt securities and derivative positions independently and compared their valuation to the Group and the Bank's valuation.

Valuation of Life Insurance Policy Reserves

For disclosures related to Life Insurance Policy Reserves, refer to notes 4.28, 5.6 and 24.

The key audit matter	How the matter was addressed in the audit
As at 31 December 2016, liabilities under insurance contracts recorded by the subsidiary in the consolidated financial statements amounted to Baht 216.99 billion, mainly the long-term technical reserves (approximately 99.52% of liabilities under insurance contracts). The valuation of these reserves involves significant complex and subjective judgments about future events, applying actuarial methodologies and assumptions, which could materially affect the amount of the recorded liability and expense. Accordingly the valuation of liabilities under insurance contracts is considered a Key Audit Matter.	In planning my audit procedures I performed a risk assessment by considering factors which could affect the major valuation assumptions and controls framework over data input. These major assumptions include economic assumptions such as investment returns and discount rates and non-economic assumptions such as mortality and persistency. My audit procedures, with the assistance of my actuarial specialists, include assessments of the methodology and assumptions used in calculating the reserves and testing the significant inputs included evaluating the design, implementation and operating effectiveness of selected controls over the actuarial assumptions and the valuation process. I considered, in particular, the validity of management's liability adequacy testing, including assessing the reasonableness of the discount rate adopted and projected cash flows and challenging the assumptions adopted in the context of company experience, specific product features and industry practice. The discount rates adopted by management are consistent with market practice.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and the Bank's financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated and the Bank's financial statements does not cover the other information, and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated and the Bank's financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the Bank's financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and the Bank's Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and the Bank's financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and the Bank's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and the Bank's financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated and the Bank's Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated and the Bank's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and the Bank's financial statements.

As part of an audit in accordance with TSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated and the Bank's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and the Bank's financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However,

future events or conditions may cause the Group and the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and the Bank's financial statements, including the disclosures, and whether the consolidated and the Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and the Bank's financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



(Winid Silamongkol)

Certified Public Accountant
Registration No. 3378

KPMG Phoomchai Audit Ltd.
Bangkok
28 February 2017

STATEMENT OF FINANCIAL POSITION

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

Assets	Note	CONSOLIDATED		THE BANK	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash		40,488,512	38,979,295	40,317,033	38,737,313
Interbank and money market items, net	8	257,256,079	260,942,972	243,901,504	246,492,375
Claims on security	4,11	-	4,545,098	-	4,545,098
Derivative assets	9	58,590,670	57,397,448	59,634,746	58,559,234
Investments, net	10	590,586,901	536,655,307	363,076,332	333,861,095
Investments in subsidiaries and associate, net	11	333,702	344,215	16,741,514	26,979,728
Loans to customers and accrued interest receivables, net	12				
Loans to customers		1,962,604,955	1,856,004,740	1,950,822,291	1,844,260,304
Accrued interest receivables		4,128,530	4,544,595	3,504,906	4,107,045
Total loans to customers and accrued interest receivables		1,966,733,485	1,860,549,335	1,954,327,197	1,848,367,349
Less deferred revenue		(23,557,162)	(22,598,424)	(23,557,162)	(22,598,424)
Less allowance for doubtful accounts	12.9	(73,353,575)	(64,422,766)	(72,624,446)	(63,186,848)
Less revaluation allowance for debt restructuring	13	(4,003,522)	(354,520)	(4,003,522)	(354,520)
Total loans to customers and accrued interest receivables, net		1,865,819,226	1,773,173,625	1,854,142,067	1,762,227,557
Customers' liabilities under acceptances		35,296	58,266	35,296	58,266
Properties for sale, net	15	11,604,427	10,558,081	11,599,777	10,553,526
Premises and equipment, net	16	40,887,724	39,987,650	39,647,293	38,713,417
Goodwill and other intangible assets, net	17	13,514,334	12,031,442	4,264,935	2,250,011
Assets pending transfer	18	2,370,538	2,268,037	2,442,140	2,352,923
Deferred tax assets	43	410,314	65,586	7,758	2,073
Other assets, net	19	31,125,417	37,302,153	25,631,231	32,093,243
Total assets		2,913,023,140	2,774,309,175	2,661,441,626	2,557,425,859

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

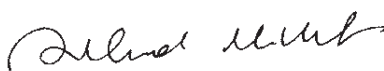
Liabilities and equity	Note	CONSOLIDATED		THE BANK	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Liabilities					
Deposits	20	2,026,272,115	1,890,728,922	2,021,453,602	1,884,903,678
Interbank and money market items	21	100,953,159	142,937,063	103,778,925	145,717,872
Liabilities payable on demand		10,526,319	8,484,207	10,521,749	8,480,486
Liabilities to deliver security	4.11	50,594	4,563,438	-	4,545,098
Derivative liabilities	9	54,192,365	59,587,955	54,138,466	59,498,470
Debt issued and borrowings	22	106,837,890	121,163,995	106,652,606	121,385,957
Bank's liabilities under acceptances		35,296	58,266	35,296	58,266
Provisions	23	7,461,771	7,227,782	7,116,836	6,876,481
Liabilities under insurance contracts	24	216,994,447	184,778,966	-	-
Liabilities pending transfer	25	13,471,154	11,544,516	13,428,370	11,479,413
Deferred tax liabilities	43	2,327,820	3,141,226	2,186,016	2,771,706
Other liabilities	26	39,601,988	32,399,805	32,935,499	25,802,975
Total liabilities		2,578,724,918	2,466,616,141	2,352,247,365	2,271,520,402

STATEMENT OF FINANCIAL POSITION

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

		CONSOLIDATED		THE BANK	
		31 December		31 December	
Liabilities and equity	Note	2016	2015	2016	2015
Equity					
Share capital	27				
Authorised share capital					
3,583,825,728 preference shares of Baht 10 each		35,838,257	35,839,655	35,838,257	35,839,655
3,416,174,272 ordinary shares of Baht 10 each		34,161,743	34,160,345	34,161,743	34,160,345
Issued and paid-up share capital					
3,890,300 preference shares of Baht 10 each		38,903	47,033	38,903	47,033
3,395,301,898 ordinary shares of Baht 10 each		33,953,019	33,944,889	33,953,019	33,944,889
Premium on share capital					
Premium on preference shares		15,213	18,392	15,213	18,392
Premium on ordinary shares		11,108,978	11,105,799	11,108,978	11,105,799
Other reserves	28	15,342,084	17,926,079	18,312,436	18,783,380
Retained earnings					
Appropriated					
Legal reserve	28	7,000,000	7,000,000	7,000,000	7,000,000
Unappropriated		266,630,575	237,420,539	238,765,712	215,005,964
Total shareholders' equity		334,088,772	307,462,731	309,194,261	285,905,457
Non-controlling interests		209,450	230,303	-	-
Total equity		334,298,222	307,693,034	309,194,261	285,905,457
Total liabilities and equity		2,913,023,140	2,774,309,175	2,661,441,626	2,557,425,859



(Mr. Arthid Nanthawithaya)
President and Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

	Note	CONSOLIDATED		THE BANK	
		For the year ended 31 December		For the year ended 31 December	
		2016	2015	2016	2015
Interest income	37	122,443,063	122,462,489	114,144,175	115,032,853
Interest expense	38	33,993,718	39,628,062	33,973,975	39,662,902
Net interest income		88,449,345	82,834,427	80,170,200	75,369,951
Fees and service income	39	34,379,242	32,704,402	36,608,736	35,524,464
Fees and service expense	39	5,965,037	5,629,598	4,912,879	4,832,784
Net fees and service income	39	28,414,205	27,074,804	31,695,857	30,691,680
Net trading income	40	6,713,833	8,314,590	6,547,319	7,799,882
Net gain on investments	41	2,534,734	9,390,068	1,278,831	8,590,566
Share of loss of investment in associate	11.2	(10,513)	(89,120)	-	-
Dividend income		1,119,392	1,386,124	3,535,324	4,295,049
Net earned insurance premiums		52,314,254	52,419,038	-	-
Other operating income		433,225	697,437	93,614	63,532
Total operating income		179,968,475	182,027,368	123,321,145	126,810,660
Net insurance claims		46,634,372	44,769,250	-	-
Net operating income		133,334,103	137,258,118	123,321,145	126,810,660
Other operating expenses					
Staff costs		24,597,294	22,378,785	21,571,637	19,578,782
Directors' remuneration		96,707	95,120	89,972	89,200
Premises and equipment expenses		10,823,314	9,664,552	10,045,782	8,837,972
Taxes and duties		4,261,769	4,216,087	3,996,871	3,997,561
Others		11,864,578	12,442,763	13,603,800	13,918,855
Total operating expenses		51,643,662	48,797,307	49,308,062	46,422,370
Impairment loss on loans and debt securities	42	22,527,984	29,722,628	22,530,000	29,725,915
Profit before tax		59,162,457	58,738,183	51,483,083	50,662,375
Income tax expense	43	11,493,030	11,498,256	9,318,038	9,325,316
Net profit		47,669,427	47,239,927	42,165,045	41,337,059

The accompanying notes are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

	Note	CONSOLIDATED		THE BANK	
		For the year ended 31 December		For the year ended 31 December	
		2016	2015	2016	2015
Other comprehensive income (loss)					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Loss on remeasuring available-for-sale investments		(2,641,408)	(7,906,424)	(121,585)	(6,270,799)
Foreign currency translation differences for foreign operations		(23,420)	165,393	-	-
Share of other comprehensive (loss) income of investment in associate		(22,820)	53,769	-	-
Change in hedge reserve		(136,252)	(4,226)	(51,212)	-
Income tax on other comprehensive income (loss)	43	558,327	1,484,998	34,559	1,231,828
		(2,265,573)	(6,206,490)	(138,238)	(5,038,971)
<i>Items that will not be reclassified to profit or loss</i>					
Change in revaluation surplus		(53,058)	5,823,356	(53,058)	5,728,326
Defined benefit plan actuarial losses		-	(627,936)	-	(589,164)
Income tax on other comprehensive income (loss)	43	10,612	(1,039,083)	10,612	(1,027,832)
		(42,446)	4,156,337	(42,446)	4,111,330
Total other comprehensive loss, net of income tax		(2,308,019)	(2,050,153)	(180,684)	(927,641)
Total comprehensive income		45,361,408	45,189,774	41,984,361	40,409,418
Net profit attributable to					
Shareholders of the parent company		47,612,227	47,182,412	42,165,045	41,337,059
Non-controlling interests		57,200	57,515	-	-
Total comprehensive income attributable to					
Shareholders of the parent company		45,321,598	45,113,456	41,984,361	40,409,418
Non-controlling interests		39,810	76,318	-	-
Earnings per share of the parent company					
Basic earnings per share (<i>in Baht</i>)	44	14.01	13.88	12.40	12.16



(Mr. Arthid Nanthawithaya)
President and Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Consolidated															(in thousand Baht)	
Other reserves																
Share of																
other																
comprehensive																
loss of																
investment																
in associate																
reserve																
surplus																
revaluation																
Total																
Total																
other																
reserves																
shareholders' equity																
Total																
controlling interests																
Total																
Unappropriated																
reserve																
Legal																
Retained earnings																
Total																
Non-controlling interests																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																
Total																

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

Consolidated															
Note	Other reserves														
	Issued and paid-up share capital Preference shares	Ordinary shares	Premium on share capital		Gain (loss) on remeasuring available-for-sale investments	Foreign currency translation differences	comprehensive (loss) income of investment in associate	Change in hedge reserve	Change in revaluation surplus	Total other reserves	Retained earnings		Non-controlling interests		
			Preference shares	Ordinary shares							Legal reserve	Unappropriated reserve			
														Total shareholders' equity	Total
Year ended 31 December 2015															
Balance at 1 January 2015	48,802	33,943,120	19,084	11,105,107	9,598,653	(267,916)	(69,062)	145,469	12,507,773	21,914,917	7,000,000	210,910,085	284,941,115	965,585	285,906,700
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(20,395,153)	(20,395,153)	(15,826)	(20,410,979)
Conversion of preference shares to ordinary shares	(1,769)	1,769	(692)	692	-	-	-	-	-	-	-	-	-	-	-
Acquisitions of non-controlling interests without a change in control	-	-	-	-	125,991	-	(2,326,166)	3,319	243	(2,196,613)	-	(74)	(2,196,687)	(795,774)	(2,992,461)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	47,182,412	47,182,412	57,515	47,239,927
Other comprehensive income (loss)	-	-	-	-	(6,444,777)	165,393	53,769	258	4,658,685	(1,566,672)	-	(502,284)	(2,068,956)	18,803	(2,050,153)
Total comprehensive income (loss) for the year	-	-	-	-	(6,444,777)	165,393	53,769	258	4,658,685	(1,566,672)	-	46,680,128	45,113,456	76,318	45,189,774
Transfer to retained earnings	-	-	-	-	-	-	-	-	(225,553)	(225,553)	-	225,553	-	-	-
Balance at 31 December 2015	47,033	33,944,889	18,392	11,105,799	3,279,867	(102,523)	(2,341,459)	149,046	16,941,148	17,926,079	7,000,000	237,420,539	307,462,731	230,303	307,693,034

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Siam Commercial Bank Public Company Limited and its Subsidiaries

The Bank										(in thousand Baht)
Note	Other reserves									
	Issued and paid-up share capital		Premium on share capital		Gain (loss) on remeasuring available-for-sale investments	Change in hedge reserve	Change in revaluation surplus	Total other reserves	Retained earnings	
	Preference shares	Ordinary shares	Preference shares	Ordinary shares						
	Legal reserve	Unappropriated	Total							

Year ended 31 December 2016

Balance at 1 January 2016		47,033	33,944,889	18,392	11,105,799	2,422,935	-	-	16,360,445	18,783,380	7,000,000	215,005,964	285,905,457
Dividend paid	29	-	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)
Conversion of preference shares to ordinary shares		(8,130)	8,130	(3,179)	3,179	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	-	-	42,165,045	42,165,045
Other comprehensive income (loss)		-	-	-	-	(97,268)	(40,970)	(42,446)	(180,684)	(180,684)	-	-	(180,684)
Total comprehensive income (loss) for the year		-	-	-	-	(97,268)	(40,970)	(42,446)	(180,684)	(180,684)	-	42,165,045	41,984,361
Transfer to retained earnings		-	-	-	-	-	-	(290,260)	(290,260)	(290,260)	-	290,260	-
Balance at 31 December 2016		38,903	33,953,019	15,213	11,108,978	2,325,667	(40,970)	16,027,739	18,312,436	7,000,000	238,765,712	309,194,261	

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Siam Commercial Bank Public Company Limited and its Subsidiaries

The Bank											(in thousand Baht)
Note	Other reserves						Total other reserves	Retained earnings		Total	
	Issued and paid-up share capital		Premium on share capital		Gain (loss) on remeasuring available-for-sale investments	Change in revaluation surplus		Legal reserve			
	Preference shares	Ordinary shares	Preference shares	Ordinary shares							
Year ended 31 December 2015											
Balance at 1 January 2015											
29	-	-	-	-	-	-	-	-	-	(20,395,153)	(20,395,153)
Conversion of preference shares to ordinary shares											
	(1,769)	1,769	(692)	692	-	-	-	-	-	-	-
Profit for the year											
	-	-	-	-	-	-	-	-	-	41,337,059	41,337,059
Other comprehensive income (loss)											
	-	-	-	-	(5,038,971)	4,582,661	(456,310)	-	(471,331)	(927,641)	(927,641)
Total comprehensive income (loss) for the year											
	-	-	-	-	(5,038,971)	4,582,661	(456,310)	-	40,865,728	40,409,418	40,409,418
Transfer to retained earnings											
	-	-	-	-	-	(221,723)	(221,723)	-	221,723	-	-
Balance at 31 December 2015											
47,033	33,944,889	18,392	11,105,799	2,422,935	16,360,445	18,783,380	7,000,000	215,005,964	285,905,457	285,905,457	285,905,457

(Mr. Arthid Nanthawithaya)

President and Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

	CONSOLIDATED		THE BANK	
	For the year ended 31 December		For the year ended 31 December	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit before tax	59,162,457	58,738,183	51,483,083	50,662,375
<i>Adjustments for</i>				
Depreciation and amortisation	2,796,878	2,755,448	2,609,470	2,567,272
Impairment loss on loans and debt securities	24,694,401	31,696,117	24,696,417	31,644,746
Loss (reversal) on impairment of properties for sale	57,877	(383,064)	57,877	(383,064)
Reversal on impairment of premises and equipment	-	(168,274)	-	(167,041)
Gain on sales of premises and equipment	(136,790)	(21,798)	(130,154)	(16,084)
Net trading income	(6,713,833)	(8,314,590)	(6,547,319)	(7,799,882)
Net gain on investments	(2,534,734)	(9,390,068)	(1,278,831)	(8,590,566)
Share of loss of investment in associate	10,513	89,120	-	-
	77,336,769	75,001,074	70,890,543	67,917,756
Net interest income	(88,449,345)	(82,834,427)	(80,170,200)	(75,369,951)
Dividend income	(1,119,392)	(1,386,124)	(3,535,324)	(4,295,049)
Proceeds from interest	123,854,189	121,709,859	115,294,836	114,208,308
Interest paid	(35,631,228)	(40,613,323)	(35,617,882)	(40,639,152)
Proceeds from dividend	1,114,134	1,385,197	3,535,324	4,295,049
Income tax paid	(12,094,448)	(11,819,484)	(9,878,484)	(9,852,396)
Income from operations before changes in operating assets and liabilities	65,010,679	61,442,772	60,518,813	56,264,565
<i>(Increase) decrease in operating assets</i>				
Interbank and money market items	3,722,055	31,336,321	2,605,860	30,248,280
Claims on security	4,545,098	1,514,064	4,545,098	1,514,064
Derivative assets	4,970,684	808,881	6,319,869	(603,736)
Investment in securities for trading	(9,125,622)	6,662,233	(8,198,192)	6,533,998
Loans to customers	(127,196,979)	(90,210,184)	(126,653,978)	(87,819,654)
Properties for sale	8,310,458	8,851,194	8,310,553	8,846,117
Other assets	5,712,177	(3,730,097)	8,599,920	(2,643,198)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

	CONSOLIDATED		THE BANK	
	For the year ended 31 December		For the year ended 31 December	
	2016	2015	2016	2015
Cash flows from operating activities				
<i>Increase (decrease) in operating liabilities</i>				
Deposits	135,543,193	(5,067,399)	136,549,924	(5,484,797)
Interbank and money market items	(41,983,904)	2,651,457	(41,938,947)	(296,535)
Liabilities payable on demand	2,042,112	1,084,062	2,041,263	1,081,159
Liabilities to deliver security	(4,512,844)	(1,499,679)	(4,545,098)	(1,514,064)
Derivative liabilities	(5,584,736)	17,174,921	(6,123,900)	17,011,767
Short-term debt issued and borrowings	(13,617,480)	265,575	(14,024,726)	(81,142)
Liabilities under insurance contracts	32,215,481	33,021,911	-	-
Other liabilities	11,177,143	(1,287,466)	10,857,321	(2,145,331)
Net cash from operating activities	71,227,515	63,018,566	38,863,780	20,911,493
Cash flows from investing activities				
Purchases of available-for-sale securities	(571,471,012)	(437,902,894)	(454,907,621)	(341,944,291)
Proceeds from sales of available-for-sale securities	515,870,226	400,417,055	433,785,212	344,219,996
Purchases of held-to-maturity securities	(9,231,641)	(25,065,811)	(710,400)	(450,000)
Proceeds from redemption of held-to-maturity securities	19,679,259	24,585,638	1,453,201	1,857,696
Purchases of general securities	(801,555)	(2,091)	(801,555)	(2,091)
Proceeds from sales of general securities	13,791	27	13,791	27
Purchases of investments in subsidiaries and/or associate	-	(1,394,112)	(421,098)	(4,743,021)
Proceeds from decrease in capital of subsidiary	-	-	8,442,471	202,601
Purchases of premises and equipment	(3,265,479)	(2,624,199)	(3,210,640)	(2,493,312)
Proceeds from sales of premises and equipment	277,106	230,162	272,002	193,888
Purchases of intangible assets	(2,061,133)	(663,175)	(2,503,866)	(542,838)
Net cash used in investing activities	(50,990,438)	(42,419,400)	(18,588,503)	(3,701,345)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

(in thousand Baht)

	CONSOLIDATED		THE BANK	
	For the year ended 31 December		For the year ended 31 December	
	2016	2015	2016	2015
<i>Note</i>				
Cash flows from financing activities				
Acquisitions of non-controlling interests	-	(3,506,085)	-	-
Dividend paid to equity holders of the Bank	(18,695,557)	(20,395,153)	(18,695,557)	(20,395,153)
Dividend paid to non-controlling interests	(8,883)	(15,826)	-	-
Net cash used in financing activities	(18,704,440)	(23,917,064)	(18,695,557)	(20,395,153)
Foreign currency translation differences for foreign operations	(23,420)	165,393	-	-
Net increase (decrease) in cash	1,509,217	(3,152,505)	1,579,720	(3,185,005)
Cash at 1 January	38,979,295	42,131,800	38,737,313	41,922,318
Cash at 31 December	40,488,512	38,979,295	40,317,033	38,737,313

Supplementary disclosures of cash flow information

Significant non-cash items were as follows:

Loss on remeasuring available-for-sale investments	(2,641,408)	(7,906,424)	(121,585)	(6,270,799)
Foreign currency translation differences for foreign operations	(23,420)	165,393	-	-
Share of other comprehensive (loss) income of investment in associate	(22,820)	53,769	-	-
Change in hedge reserve	(136,252)	(4,226)	(51,212)	-
Change in revaluation surplus	(53,058)	5,823,356	(53,058)	5,728,326
Defined benefit plan actuarial losses	-	(627,936)	-	(589,164)
Properties for sale from loan payment	9,414,680	9,305,372	9,414,680	9,305,372



(Mr. Arthid Nanthawithaya)

President and Chief Executive Officer

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from and are consistent with the Thai language statutory financial statements, and both the English and Thai language financial statements were approved and authorised for issue by the Board of Directors on 28 February 2017.

1 General information

The Siam Commercial Bank Public Company Limited, the “Bank”, is incorporated in Thailand and has its registered office at 9 Rutchadapisek Road, Jatujak, Bangkok.

The Bank was established by Royal Charter on 30 January 1906 and was listed on the Stock Exchange of Thailand on 6 February 1976.

The principal business of the Bank is the provision of financial products and services through its Head Office and branch network in Thailand, its branches in Singapore, Hong Kong, Laos, Vietnam, and Cayman Islands and its subsidiaries in Thailand and Cambodia. The Bank also has a sizeable investment in its life insurance subsidiary. Details of the Bank’s subsidiaries as at 31 December 2016 and 2015 are given in note 11.

2 Basis of preparation of the financial statements

(a) *Statement of compliance*

The financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission; and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of a group of companies offering financial services”.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2016. The initial application of these new and revised TFRS has resulted in change in certain of the Bank and its subsidiaries’ accounting policies. The effects of this change, where such effects are considered material to the financial statements, are disclosed in note 3.

In addition to the above new and revised TFRS, the FAP has issued a number of other new and revised TFRS which are effective for annual financial periods beginning on or after 1 January 2017 and have not been adopted in the preparation of these financial statements. Those new and revised TFRS that are relevant to the Bank and its subsidiaries’ operations are disclosed in note 46.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Derivative financial instruments	Fair value
Trading financial assets	Fair value
Available-for-sale financial assets	Fair value
Premises	Revaluation

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Bank and its subsidiaries' functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest million unless otherwise stated.

(d) Use of judgments and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements is included in the following notes:

Note 9	Derivatives
Note 12.9	Allowance for doubtful accounts
Note 24	Liabilities under insurance contracts

Long-term technical reserves*Process involved in determining assumptions for long-term technical reserves*

The subsidiary determines the long-term technical reserves by using Net Level Premium Valuation which are dependent on assumptions made by the management of the subsidiary such as mortality, morbidity and discounted rate that were established at the time when insurance products were designed and as submitted to the Office of Insurance Commission. The assumptions used for calculating the liabilities throughout the life of the contract are generally unchanged.

The assumptions are reviewed annually to assess whether they reflect actual experience, and where there is an indication that they are not appropriate then the assumption will be revised to reflect actual experience. These assumptions will not be adjusted unless there is further adverse experience.

Process involved in determining assumptions of loss reserve and outstanding claims

The subsidiary determines the loss reserve and outstanding claims in accordance with internationally recognised practices. The assumptions used in the estimation of assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts to the extent that can be reasonably foreseen.

However, given the uncertainty in establishing a provision for insurance claims, it is possible that the final outcome could prove to be significantly different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid.

The subsidiary uses past experience and actuarial method to estimate the ultimate cost of claims.

Process involved in determining of premium reserves

The subsidiary determines the premium reserves by using unearned premium reserves which are calculated on a uniform basis for all types of short-term insurance contracts.

Measurement of fair values

A number of the Bank and its subsidiaries' accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets. Details of the methods and assumptions over the measurement of fair values are provided in notes 6 and 16.

3 Adoption of TFRS 4 (revised 2015) - Insurance contracts

From 1 January 2016, the Bank's subsidiary in life insurance business (SCB Life Assurance PCL) has adopted TFRS 4 (revised 2015) *Insurance Contracts* ("TFRS 4") which applies to all insurance contracts (including reinsurance contracts) that the subsidiary issues and to reinsurance contracts that it holds, except for specified contracts covered by other TFRSs. The definition of insurance contracts is a contract that the subsidiary accepts significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

This TFRS exempts the subsidiary from some requirements of other TFRSs, including the requirement to consider the *Conceptual Framework for Financial Reporting* (revised 2015) in selecting accounting policies for insurance contracts. However, the TFRS has limitations as follows;

- a) prohibits provisions for possible claims under contracts that are not in existence at the end of the reporting period (such as catastrophe and equalisation provisions).
- b) requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.

- c) requires an insurer to keep insurance liabilities in its statement of financial position until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting against related reinsurance assets.

Management has determined that all significant insurance products issued by the subsidiary fall within the definition of 'Insurance Contracts' in TFRS 4, and that the subsidiary's existing accounting policies are in compliance with that standard. Accordingly, the subsidiary has not changed its accounting policies as a result of the adoption of TFRS 4.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 3, which addresses the adoption of TFRS 4 (revised 2015) *Insurance contracts*.

4.1 Basis of consolidation

The consolidated financial statements relate to the Bank and its subsidiaries (together referred to as the "Bank and its subsidiaries") and the Bank and its subsidiaries' interests in associate.

Business combinations

The Bank applies the acquisition method for all business combinations when control is transferred to the Bank other than those with entities under common control.

The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Goodwill is measured as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Bank to the previous owners of the acquiree, and equity interests issued by the Bank. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs that the Bank incurs in connection with a business combination, such as legal fees, and other professional and consulting fees are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Bank reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Step acquisition

When a business combination is achieved in stages, the Bank's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

At the acquisition date, the Bank measures any non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Bank loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in equity - accounted investees

The Bank's interests in equity-accounted investees comprise interests in associate.

Associate is that entity in which the Bank has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associate are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Bank's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Bank and its subsidiaries' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements include the accounts of the Head Office, all domestic and overseas branches and the Bank's subsidiaries. All inter-company transactions and balances within this Group have been eliminated.

The consolidated financial statements for the years ended 31 December 2016 and 2015 do not consolidate certain companies in which the Bank and/or a subsidiary has control as a result of debt restructuring and the Bank and/or the subsidiary intend to hold these investments only for a temporary period. The investment in the latter group of companies is classified as "general investments".

4.2 Cash

Cash includes cash in hand and cash on collection.

4.3 Investments

The Bank classifies its investments in securities as trading securities, available-for-sale securities, held-to-maturity securities, general investments and investment in subsidiaries and associate. The Bank presents these investments in the statement of financial position as either investments or investments in subsidiaries and associate.

Trading securities are those investments that management acquires with the intention of holding for a short period of time in order to take advantage of anticipated changes in the underlying market values. Trading securities are stated at fair value. Changes in fair value are recognised in profit or loss as net trading income. Interest income on trading securities is recognised using the accrual basis of accounting.

Debt securities and marketable equity securities that are not classified as trading securities, held-to-maturity securities, and investment in subsidiaries and associate are classified as available-for-sale securities and are stated at fair value, with the valuation surplus or deficit on investments presented as a component of total equity until realised upon disposition or sale of the underlying securities. Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Held-to-maturity investments are stated at amortised cost, less impairment losses, if any. Impairment losses and foreign exchange differences are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable and are not subsidiaries and associate are classified as general investments and are stated at the historical cost, less impairment losses, if any.

Investments in subsidiaries and associate in the Bank's financial statements are accounted for by the cost method less impairment losses, if any.

Investments in associate in the consolidated financial statements are accounted for by the equity method.

Investments in subsidiaries and associate acquired from troubled debt restructuring for which the Bank has received permission from the Bank of Thailand to hold the shares, and which are included in general investments and available-for-sale securities, are not required to be either accounted for by the equity method or to be consolidated.

Valuation allowances are established and recognised in profit or loss, when impairment in the value of investments has occurred.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Bank and its subsidiaries dispose of part of a holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

4.4 Loans

Overdrafts are stated at the principal amounts including interest. Certain overdrafts for which special notice has been served on the borrower and other loans are stated at the principal amount. Unearned discounts received in advance are presented as a deduction from the loans.

Hire purchase and financial lease receivables are stated at the outstanding balance, net of unearned interest income. Unearned interest income is stated net of commissions and direct expenses incurred at the initiation of the contracts.

4.5 Allowance for doubtful accounts

The allowance for doubtful accounts represents estimation of probable losses that may have occurred from loans and other lending business at the reporting date. The amount is in compliance with the minimum allowance for doubtful accounts required based on the BoT's guidelines. The guidelines require banks to categorise their loan portfolios into six categories. Each loan category is subject to different levels of provisioning based on percentages established by the BoT. The guidelines established the maximum collateral valuation limits for the purpose of calculating the allowance for doubtful accounts and also require that additional provisions for loans classified as doubtful loss be made in cases where the Bank had not undertaken debt restructuring or filed lawsuits against the debtors.

In addition, the BoT requires banks and finance companies to perform qualitative reviews of their loans as an ongoing process. The Bank and its subsidiaries, which are financial institutions, are required to periodically report the result of their compliance with these guidelines to the BoT.

For corporate loans, the Bank considers a borrower's ability to repay the obligation on an individual case basis based on recent payment history and the estimated collateral value, if the expected source of repayment is from the liquidation of collateral. For SME and consumer loans, the Bank uses credit portfolio statistics to do the statistical analysis (Migration Analysis) for estimation of the deterioration in the portfolio and related allowance for loans under the doubtful category. For finance lease receivables, since 1 September 2012, the Bank has used the Collective Approach method which considers the historical loss experience of each loan cohort.

Allowances for doubtful accounts established during the year are recognised as bad debt and doubtful accounts expense in profit or loss. Bad debts recovery is presented net of bad debt and doubtful accounts expense in profit or loss.

Bad debt written off is recorded as a decrease in the allowance for doubtful accounts. Write offs are only made for loans which the Bank pursues the collection but has no prospect of further receipts. These procedures comply with BoT's notification and guidelines.

4.6 Troubled debt restructuring

Troubled debt restructuring can involve any one of the following: modification of repayment terms, a reduction in the debt amount, asset disposition for debt settlement, asset transfer, and debt to equity swap.

As for modification of repayment terms, the Bank complies the Bank of Thailand's regulations, whereby the Bank is required to use the collateral method to calculate loss and/or the current value of expected future cash flow. Fair value is calculated based on the market interest rate on the troubled debt restructuring date. Losses from troubled debt restructuring are recognised in profit or loss on the date of restructuring.

A reduction in the debt amount, asset disposition for debt settlement, asset transfer, and debt to equity swap may result in a loss from lower principal and accrued interest receivables. The Bank recognises this directly in profit or loss.

For asset transfer and debt to equity swap, the Bank recognises the asset or transferred equity interests at fair value, less estimated selling expenses. However, the amount must not exceed the pending principal plus interest that the creditor is legally entitled to. Resultant gains or losses are recognised in profit or loss on the transfer date. This is in accordance with TAS 104 *Accounting for Troubled Debt Restructuring*.

Subsequent to the troubled debt restructuring, the Bank recalculates the fair value of restructured debt based on the aforementioned discount rates as of the date of the financial statements and makes an adjustment to the valuation of the restructured debt, if the fair value has changed, in accordance with the BoT's criteria. The adjustment in the valuation of restructured debt shall not cause the book value of restructured debt to exceed its value.

4.7 Properties for sale

Properties for sale consist of immovable and movable properties which are carried at the lower of the carrying amount of the loan or fair value of the property as at the reporting date. Should the carrying value of a property for sale become impaired, an allowance for impairment will be recorded in accordance with TAS 36 (revised 2015) *Impairment of Assets*.

Gains or losses on sales of properties for sale are recognised as income or expense at the date of disposal.

4.8 Premises and equipment

Recognition and measurement

Owned assets

Land is stated at the appraised value according to the market price method. Premises are stated at the appraised value according to the replacement cost method at the date of revaluation net of subsequent accumulated depreciation and impairment losses, if any.

Equipment and building improvement are stated at cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of premises and equipment have different useful lives, they are accounted for as separate items (major components) of premises and equipment.

Gains and losses on disposal of an item of premises and equipment are determined by comparing the proceeds from disposal with the carrying amount of premises and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Revalued assets

Revaluations are performed by independent professional appraisers with sufficient regularity according to guidelines prescribed by the BoT to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date.

Any increase in value, on revaluation, is recognised in other comprehensive income and presented in other reserves in equity unless it offsets a previous decrease in value recognised in profit or loss in respect of the same asset. A decrease in value is recognised in profit or loss to the extent it exceeds an increase previously recognised in other comprehensive income in respect of the same asset. The revaluation surplus is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and transferred directly to retained earnings. Upon disposal of a revalued asset, any remaining related revaluation surplus is transferred directly to retained earnings and is not taken into account in calculating the gain or loss on disposal.

Subsequent costs

The cost of replacing a part of an item of premises and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its subsidiaries, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of premises and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of assets. The estimated useful lives are as follows:

Premises	20-50 years
Building improvement	10 years
Furniture, fixtures, office equipment, equipment and vehicles	5 years

No depreciation is provided on freehold land or assets under construction.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4.9 Goodwill and other intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The measurement of goodwill at initial recognition is described in note 4.1. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 4.10. Negative goodwill is recognised immediately in profit or loss.

Other intangible assets

Other intangible assets which are software license that are acquired by the Bank and its subsidiaries and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licenses	5-10 years
-------------------	------------

No amortisation is provided on software under installation.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4.10 Impairment

The carrying amounts of the Bank and its subsidiaries assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.11 Claims on security and liabilities to deliver security

The Bank records claims on security and liabilities to deliver security in the statement of financial position as assets and liabilities, respectively, according to the BoT's guidance.

These represent the Bank and its subsidiaries right to claim and liability to return collateral, respectively, in the form of securities for private repurchase or securities borrowing and lending transactions where these securities are used to further borrow or lend in other transactions.

Gains or losses arising from securities sold short are included in determining income. Fees for borrowing and lending are recognised on an accrual basis.

4.12 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Bank and its subsidiaries' net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Bank and its subsidiaries determine the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank and its subsidiaries recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Bank and its subsidiaries' net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank and its subsidiaries have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.13 Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

4.14 Initial recognition

The Bank and its subsidiaries initially recognise the purchase and sale of investments on the settlement date. All other financial assets and liabilities, including loans to customers, deposits and debt issued and borrowings are initially recognised on the trade date at which the Bank and its subsidiaries become a party to the contractual provisions of the instrument.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference shares

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Bank's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Bank's shareholders.

4.15 Interest income and interest expense

The Bank recognises interest and discounts on loans as income on an accrual basis, except for interest on loans which are outstanding over 3 months at the date of the statement of financial position and interest from receivables under troubled debt restructuring agreements where the borrowers' ability to pay is uncertain. Such interest is recognised when received. The Bank reverses all accrued interest income for items which are no longer on an accrual basis. Interest on interbank and money market items and investments is recognised on an accrual basis.

Interest expense is recognised in profit or loss on an accrual basis.

Interest income on restructured loans of the Bank and its subsidiaries are recognised on the same accrual basis as used for loans mentioned above, except for loans that are subject to monitoring for compliance with restructuring conditions, where the Bank and its subsidiaries recognise interest income on a cash basis until the borrowers have been able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

Interest or discounts, which are already included in the face value of notes receivable or loans, are deferred and taken up as income evenly over the term of the notes or loans.

4.16 Income from finance lease contracts

The Bank recognises income from finance lease contracts based on the effective interest method.

Reversal of income from finance lease accounts receivable which are outstanding over three months from the due date is made in order to comply with the guidelines of the BoT.

4.17 Fees and service income

Fees and service income for the performance of services are recognised as and when the related services are performed.

4.18 Dividend income

The Bank recognises dividend income in profit or loss on an accrual basis on the date which the Bank earns the rights to receive the dividend.

4.19 Net trading income

Net trading income is recognised in profit or loss on an accrual basis.

4.20 Contributions to the Deposit Protection Agency

Contributions to the Deposit Protection Agency are recorded as expenses on an accrual basis.

4.21 Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Bank and its subsidiaries take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank and its subsidiaries believe that their accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank and its subsidiaries to change their judgments regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.22 Earnings per share

Since 10 May 2009, the conversion preference of the preference shares expired. Therefore, the preference shares' rights are equivalent to the ordinary shares. Basic earnings per share is calculated from net profit attributable to ordinary shareholders of the Bank divided by the total number of ordinary shares and preference shares.

4.23 Segment reporting

Segment results that are reported to the Executive Committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.24 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Bank and its subsidiaries at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve, except to extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Bank disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Bank disposes of only part of an associate while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

4.25 Derivatives

Recognition of derivatives is as follows:

- 1 Derivatives for trading are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.
- 2 Derivatives for hedging, Gains or losses resulting from the changes in fair values of contracts are recognised in accordance with the standard accounting treatment for income or expenses on hedged items as follows:
 1. Where hedged items are measured at fair value, hedging instruments are measured at fair value consistently.
 2. Where hedged items are measured on an accrual basis, hedging instruments are measured on an accrual basis consistently.

4.26 Hedging

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion is recognised immediately in profit or loss.

When a hedged forecast transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognised in other comprehensive income does not adjust the initial carrying amount of the asset or liability but remains in equity and is reclassified from equity to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

4.27 Sales of bills of exchange

Sales, with recourse clause, of bills of exchange that carry no acceptances or aval of the financial institutions are recorded as liabilities under the caption of "Liabilities under commercial papers sold". The amount of loans recorded upon the purchase of the bills are credited when the bills are due and collected.

4.28 Other significant accounting policies of the life insurance subsidiary

4.28.1 Classification of insurance and investment contracts

The subsidiary issues contracts that transfer insurance risk or financial risk or both.

Insurance contracts are those contracts under which the subsidiary accepts significant insurance risk from the insured by agreeing to compensate the insured or other beneficiary if a specified uncertain future event adversely affects the insured or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The subsidiary defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least significant level more than the benefits payable if the insured event did not occur.

The subsidiary does not unbundle any insurance contracts as its accounting policy recognises all premium, premium ceded, benefit payments and claims, and benefit payments and claims recovered from reinsurers through the profit or loss.

4.28.2 Recognition and measurement of insurance contracts

Premiums due and uncollected

Premiums due and uncollected are carried at anticipated realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in the collection of receivables. The allowance is generally based on collection experience, future expectations of customer payments, and a review of the current status of the premium receivables as at the end of reporting period. Bad debts are written off during the year when they are identified.

Long-term technical reserves

Long-term technical reserves are a liability for contractual benefits and claims that are expected to be incurred in the future is recorded when the premiums are recognised and is released when benefit and claims are incurred. The liability is measured using assumptions considered to be appropriate for the policies in force. The reserves are calculated by internal actuarial of the subsidiary and using an actuarial method "Net Level Premium Valuation" based on assumptions for mortality, morbidity and discounted interest rate with an explicit allowance for future policy-related expenses that were established at the time when insurance products were designed and as submitted to the Office of Insurance Commission.

Loss reserves and outstanding claims

Loss reserves and outstanding claims comprise of provisions for the subsidiary's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses of short-term insurance contracts. Provision for insurance claims are assessed based on the subsidiary's experience and historical data which use actuarial methods and making allowance for claims incurred but not yet reported.

Premium reserve

Premium reserve is unearned premium reserve and is calculated using written premiums for short-term insurance contracts and group insurance in accordance with the pattern of risk underwritten.

Unpaid policy benefits

Unpaid policy benefits represent claims and benefits payable to policyholder in relation to deaths, surrenders, maturities, other payments and policyholder deposits in respect of maturities and including related interest payable. Unpaid policy benefits are recognised at cost.

Due to insured

Due to insured consisted of the advance premium received from insured and the money as the subsidiary has to pay to insured other than the benefit under the insurance policy condition. Due to insured are recognised at cost.

*Premium written and premium earned**Short-term insurance contracts*

Premium written is recognised on the inception date and are presented gross of premium ceded and commissions and brokerage expenses.

Premium earned comprises of premium written during the year and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage.

Long-term insurance contracts

First year premium written is recognised as revenue when the insurance policy is effective (or when premium is received and insurance policy is approved). Renewal premium income is recognised as revenue when premium is due and if the policy is still in force at the end of reporting period. First year premium written and Renewal premium income are presented gross of premium ceded and commissions and brokerage expenses.

Premium received in advance is not recognised until the due date.

Commissions and brokerage expenses

Commissions and brokerage expenses are recognised as expenses when incurred.

Benefits and claims expenses

Benefits and claims expenses consist of benefits, claims and losses adjustment paid during the year, net of subrogation recoveries and changes in provision for short-term insurance claims. These benefits and claims expenses are recognised as expenses when they are incurred or approved or notified or due of benefit payments as mention on insurance policy.

Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the subsidiary from its direct obligations to its policyholders.

Premium ceded, reinsurer's share of change in unearned premium reserve, commission income and benefits, claims and loss adjustment expenses recovered from reinsurers are recognised as expense or revenue in accordance with the pattern of reinsurance service received when incurred.

The net amount of an asset or liability, reinsurer's share of insurance contract liabilities and reinsurance payables is presented in the statement of financial position only when the subsidiary has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the subsidiary may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the subsidiary will receive from the reinsurer.

Liability adequacy test

Short-term insurance contracts

The liability of the subsidiary under short-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows with the carrying amount of gross insurance contract provisions for unearned premiums and insurance claims for in-force insurance policies at the end of reporting period by using an actuarial method based on historical claims and expense. Where an expected shortfall is identified, additional provisions are made for unearned premiums or insurance claims and are recognised in profit or loss.

Long-term insurance contracts

The liability of the subsidiary under long-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows by using current assumptions with the carrying amount of gross insurance contract provisions for long-term technical reserves. Where an expected shortfall is identified, additional provisions are made for long-term technical reserves and are recognised in profit or loss.

An additional provision for liability inadequacy is made where the reserves are calculated by using another actuarial method "Gross Premium Valuation" of insurance policies in-force at the reporting date based on the best estimate basis exceeds the liabilities calculated using the Net Level Premium Reserves method.

The assumptions used in the Gross Premium Valuation is in accordance with the Notification of Office of Insurance Commission regarding Assessment of Assets and Liabilities of Life Insurance Company B.E. 2554 except for discounted interest rate which the subsidiary uses the adjusted current risk-free interest rate for purpose of liability adequacy test in accordance with Life Insurance industry practice.

5 Financial risk management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank and its subsidiaries' risk management framework. The Board has established at the Bank and, to the extent required, at its subsidiaries an Asset and Liability Committee (ALCO), Risk Management Committee, Executive Committee and Audit Committee, which are collectively responsible for developing, implementing and monitoring the Bank and its subsidiaries risk management policies in specified areas and reporting regularly to the Board of Directors on their activities.

The Bank and its subsidiaries' risk management policies and Internal Capital Adequacy Assessment Policy (ICAAP Policy) are established to identify and analyse the risks faced by the Bank and its subsidiaries, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank and its subsidiaries, through implementing and monitoring appropriate policies, procedures and measures, aim to establish an effective and efficient internal control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank and its subsidiaries' risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and its subsidiaries. The Bank's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

5.1 Credit risk

Credit risk refers to risk arising from the failure of either debtors to repay principal and interest as agreed, or of counterparties to comply with conditions or contracts. Credit risk covers all types of financial products: transactions on-financial reporting such as loans, overdrafts, bills of exchange, and other types of debts; and those off-financial reporting such as derivatives trading, letters of guarantee etc.

The Bank has established a credit function organisational structure based on a system of checks and balances. Business units are clearly separated from credit approval units. Credit approval authority at each level is assigned to match potential risk or loss levels. Credit risk management policies and frameworks for critical credit risk have been developed and approved by the Board of Directors. For example:

- Credit policy guide
- Collateral and NPA appraisal policy
- Loan Classification, Provision and Bad Debt Write-Off Policy and Practice
- Credit risk model governance policy
- Credit risk rating for non-retail exposures
- Counterparty risk management policy
- Country risk management policy

Since credit risk varies by type of credit, different risk measurement methods are applied, ranging from basic statistical tools to more advanced ones, to appropriately reflect the credit risk of each type of product/transaction.

The Bank has credit risk reporting on a regular basis. The Bank and its subsidiaries credit risk report, including loan growth, debt quality, credit concentration, and investment diversification, is presented to the Risk Management Committee on a monthly basis.

5.2 Interest rate risk

Interest rate risk arises from the change in interest rates which may affect the net interest earnings in the current reporting period and in the future and/or economic value. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities, equity and off-financial reporting items.

The Bank has established policies for interest rate risk management to ensure that interest rate risk remains within the Bank's risk appetite. The Bank uses various derivative transactions to manage its own asset and liability positions in order to manage interest rate exposure. The use of derivative transactions is in accordance with the policies and guidelines set by the Board of Directors and the Executive Committee (EXCOM) and is under the oversight and control of the Assets and Liabilities Committee (ALCO).

As at 31 December 2016 and 2015, significant financial assets and liabilities can be repriced as follows:

(in million Baht)

	Consolidated 2016							
	Reprice on demand	Reprice within 3 months	Reprice within 3 - 12 months	Reprice within 1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	Total
Financial assets								
Cash	-	-	-	-	-	-	40,489	40,489
Interbank and money market items *	11,892	212,966	5,165	4,050	2,257	-	21,113	257,443
Investments, net	-	101,367	147,757	120,376	195,078	-	26,009	590,587
Loans to customers **	992,627	360,541	180,510	322,048	25,729	57,593	-	1,939,048
Accrued interest receivables	-	-	-	-	-	-	4,128	4,128
Total financial assets	1,004,519	674,874	333,432	446,474	223,064	57,593	91,739	2,831,695
Financial liabilities								
Deposits	1,161,442	399,702	397,265	6,325	-	-	61,538	2,026,272
Interbank and money market items	13,090	49,840	17,364	3,295	11,486	-	5,878	100,953
Debt issued and borrowings	-	1,181	39,483	26,162	40,012	-	-	106,838
Other liabilities	-	-	-	-	-	-	5,002	5,002
Total financial liabilities	1,174,532	450,723	454,112	35,782	51,498	-	72,418	2,239,065
Difference	(170,013)	224,151	(120,680)	410,692	171,566	57,593	19,321	592,630

* Before deducting allowance for doubtful accounts amounting to Baht 187 million

** Net of deferred revenue

(in million Baht)

	Consolidated 2015							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	Total
Financial assets								
Cash	-	-	-	-	-	-	38,979	38,979
Interbank and money market items *	7,416	213,332	9,208	4,308	1,126	-	25,767	261,157
Investments, net	-	138,596	120,440	88,659	166,546	-	22,414	536,655
Loans to customers **	1,007,016	318,097	169,024	264,792	15,481	58,996	-	1,833,406
Accrued interest receivables	-	-	-	-	-	-	4,545	4,545
Total financial assets	1,014,432	670,025	298,672	357,759	183,153	58,996	91,705	2,674,742
Financial liabilities								
Deposits	1,114,635	333,300	376,196	9,590	-	-	57,008	1,890,729
Interbank and money market items	13,177	88,676	2,564	22,125	7,208	-	9,187	142,937
Debt issued and borrowings	-	61	41,894	39,168	40,041	-	-	121,164
Other liabilities	-	-	-	-	-	-	6,685	6,685
Total financial liabilities	1,127,812	422,037	420,654	70,883	47,249	-	72,880	2,161,515
Difference	(113,380)	247,988	(121,982)	286,876	135,904	58,996	18,825	513,227

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Net of deferred revenue

(in million Baht)

	The Bank 2016							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	Total
Financial assets								
Cash	-	-	-	-	-	-	40,317	40,317
Interbank and money market items *	9,392	212,336	2,416	-	-	-	19,945	244,089
Investments, net	-	95,188	147,309	90,603	21,028	-	8,948	363,076
Loans to customers **	984,155	360,541	180,510	319,786	25,729	56,544	-	1,927,265
Accrued interest receivables	-	-	-	-	-	-	3,505	3,505
Total financial assets	993,547	668,065	330,235	410,389	46,757	56,544	72,715	2,578,252
Financial liabilities								
Deposits	1,158,228	399,105	397,261	6,325	-	-	60,535	2,021,454
Interbank and money market items	15,162	49,840	17,364	3,295	11,936	-	6,182	103,779
Debt issued and borrowings	-	267	39,483	26,891	40,012	-	-	106,653
Other liabilities	-	-	-	-	-	-	5,005	5,005
Total financial liabilities	1,173,390	449,212	454,108	36,511	51,948	-	71,722	2,236,891
Difference	(179,843)	218,853	(123,873)	373,878	(5,191)	56,544	993	341,361

* Before deducting allowance for doubtful accounts amounting to Baht 187 million

** Net of deferred revenue

	The Bank							
	2015							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	Total
Financial assets								
Cash	-	-	-	-	-	-	38,737	38,737
Interbank and money market items *	2,663	211,842	7,037	-	-	-	25,164	246,706
Investments, net	-	127,947	117,262	64,367	15,889	-	8,396	333,861
Loans to customers **	1,000,120	317,015	169,025	262,824	15,481	57,197	-	1,821,662
Accrued interest receivables	-	-	-	-	-	-	4,107	4,107
Total financial assets	1,002,783	656,804	293,324	327,191	31,370	57,197	76,404	2,445,073
Financial liabilities								
Deposits	1,110,215	332,900	376,024	9,473	-	-	56,292	1,884,904
Interbank and money market items	14,916	88,676	2,564	22,125	7,208	-	10,229	145,718
Debt issued and borrowings	-	11	41,436	39,898	40,041	-	-	121,386
Other liabilities	-	-	-	-	-	-	6,700	6,700
Total financial liabilities	1,125,131	421,587	420,024	71,496	47,249	-	73,221	2,158,708
Difference	(122,348)	235,217	(126,700)	255,695	(15,879)	57,197	3,183	286,365

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Net of deferred revenue

As at 31 December 2016 and 2015, interest earning and interest bearing financial instruments were as follows:

	Consolidated					
	2016			2015		
	Average	Interest	Average	Average	Interest	Average
	(in million Baht)		interest rate (%)	(in million Baht)		interest rate (%)
Interbank and money market						
items, net (Assets)	259,100	4,206	1.6	276,279	3,687	1.3
Investments, net	563,621	12,827	2.3	519,383	12,873	2.5
Loans to customers *	1,886,227	105,323	5.6	1,805,271	105,826	5.9
Deposits	1,958,501	29,007	1.5	1,893,036	35,032	1.9
Interbank and money market items						
(Liabilities)	121,945	1,034	0.8	141,611	1,078	0.8
Debt issued and borrowings	114,001	3,932	3.4	117,540	3,512	3.0

	The Bank					
	2016			2015		
	Average	Interest	Average	Average	Interest	Average
	(in million Baht)		interest rate (%)	(in million Baht)		interest rate (%)
Interbank and money market						
items, net (Assets)	245,197	3,794	1.5	261,650	3,280	1.3
Investments, net	348,469	5,428	1.6	336,976	6,234	1.8
Loans to customers *	1,874,464	104,835	5.6	1,795,620	105,443	5.9
Deposits	1,953,179	29,002	1.5	1,887,646	35,074	1.9
Interbank and money market items						
(Liabilities)	124,748	1,049	0.8	145,866	1,085	0.7
Debt issued and borrowings	114,019	3,902	3.4	117,936	3,498	3.0

* Net of deferred revenue

5.3 Foreign exchange risk

Foreign exchange risk is the risk that occurs from changes in exchange rates which may affect the value of the financial instruments or may cause volatility in the Bank's earnings or fluctuations in value of the financial assets and liabilities.

It is the Bank's policy to manage foreign exchange risk by setting risk limits on foreign exchange risk exposures. These limits are net open position limits, open position by currency, management action triggers, and value at risk which are monitored on a daily basis and in compliance with the Bank of Thailand's regulations on foreign exchange.

As at 31 December 2016 and 2015, the Bank has financial assets and liabilities denominated in the various currencies as follows:

	(in million Baht)			
	Consolidated 2016			
	USD	EURO	YEN	Others
Financial assets				
Cash	495	166	102	279
Interbank and money market items *	29,992	375	452	2,302
Investments, net	14,431	2,264	23,154	1,226
Loans to customers **	102,157	2,428	217	12,269
Accrued interest receivables	250	15	-	7
Total financial assets	147,325	5,248	23,925	16,083
Financial liabilities				
Deposits	69,013	1,014	242	1,446
Interbank and money market items	2,468	247	-	-
Debt issued and borrowings	65,573	-	-	-
Other liabilities	702	-	-	14
Total financial liabilities	137,756	1,261	242	1,460
On-financial reporting items, net	9,569	3,987	23,683	14,623
Off-financial reporting items - contingencies				
(currency swap contracts)	(1,174)	(3,257)	(25,264)	(10,969)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

(in million Baht)

	Consolidated 2015			
	USD	EURO	YEN	Others
Financial assets				
Cash	501	172	102	291
Interbank and money market items *	43,575	411	574	2,757
Investments, net	14,552	246	367	1,050
Loans to customers **	106,346	1,784	309	13,116
Accrued interest receivables	282	4	-	9
Total financial assets	165,256	2,617	1,352	17,223
Financial liabilities				
Deposits	89,769	1,236	469	1,344
Interbank and money market items	15,926	622	1	-
Debt issued and borrowings	80,549	-	-	-
Other liabilities	755	-	-	12
Total financial liabilities	186,999	1,858	470	1,356
On-financial reporting items, net	(21,743)	759	882	15,867
Off-financial reporting items - contingencies				
(currency swap contracts)	28,553	(962)	(252)	(13,143)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

(in million Baht)

	The Bank 2016			
	USD	EURO	YEN	Others
Financial assets				
Cash	330	166	102	278
Interbank and money market items *	25,242	375	452	2,293
Investments, net	1,791	3	23,104	1,083
Loans to customers **	99,248	2,428	217	12,269
Accrued interest receivables	233	15	-	7
Total financial assets	126,844	2,987	23,875	15,930
Financial liabilities				
Deposits	63,359	1,014	242	1,441
Interbank and money market items	2,644	247	-	-
Debt issued and borrowings	66,302	-	-	-
Other liabilities	701	-	-	14
Total financial liabilities	133,006	1,261	242	1,455
On-financial reporting items, net	(6,162)	1,726	23,633	14,475
Off-financial reporting items - contingencies				
(currency swap contracts)	6,207	(1,784)	(25,329)	(11,050)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

(in million Baht)

	The Bank 2015			
	USD	EURO	YEN	Others
Financial assets				
Cash	322	172	102	278
Interbank and money market items *	37,962	401	574	2,575
Investments, net	3	3	-	898
Loans to customers **	102,950	1,784	309	12,128
Accrued interest receivables	260	4	-	5
Total financial assets	141,497	2,364	985	15,884
Financial liabilities				
Deposits	83,681	1,236	469	948
Interbank and money market items	15,976	622	1	-
Debt issued and borrowings	81,279	-	-	-
Other liabilities	754	-	-	1
Total financial liabilities	181,690	1,858	470	949
On-financial reporting items, net	(40,193)	506	515	14,935
Off-financial reporting items - contingencies				
(currency swap contracts)	29,400	(962)	(252)	(13,143)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

5.4 Equity risk

Equity risk is the risk arising from changes in the price of equities or common stock that may cause volatility in the Bank's earning or fluctuations in the value of the Bank's financial assets. The Bank and its subsidiaries have policies to manage the risk by maintaining long-term equity investments and investing in growth potential equities and/or those intended to support the business. The Bank has established the Policy that only companies within the Financial Group that are engaged in the financial business with specific supervisory bodies and those permitted to engage in portfolio management can initiate action with respect to equity investments, as allowed under applicable regulations. The Bank has closely managed and monitored market situations to provide information for management to monitor the risk to the Bank. (Further details of equity investments are provided under notes 10 and 11).

5.5 Liquidity risk

Liquidity risk is the risk that the Bank may not be able to meet its obligations as they fall due, because of an inability to realise assets or to cover funding requirements at an appropriate price, thus resulting in losses to the Bank.

In order to manage liquidity risk, the Bank has established a Liquidity Risk Management Policy which is approved by the Board of Directors. In addition, the Assets and Liabilities Committee ensures that its liquidity risk management complies with the said policy.

The Bank has implemented a system to monitor liquidity management on a daily basis in both Baht and foreign currencies by applying a number of risk management tools, such as net daily liquidity position report in both the remaining time to maturity and with behavioral adjustments, individual foreign currency position report. In addition, the Bank also determines relevant risk limits to be adopted to measure, monitor and control liquidity risk to remain at an acceptable level, which is further reported to the senior management of the Bank on a daily basis.

The Bank also conducts stress test on regular basis to estimate impact under each stress scenario as required by the Bank of Thailand and using scenarios developed by the Bank. The stress test results may result in the development of contingency funding plan. The contingency funding plan establishes appropriate action plans based on specific scenarios and assigns clear roles and responsibility to manage liquidity in the event of a given crisis.

As at 31 December 2016, the liquidity ratio (liquid assets to total deposits) stood at 28.8% on a bank-only basis (2015: 29.1%).

As at 31 December 2016 and 2015, financial assets and liabilities were classified according to their contractual maturity as follows:

(in million Baht)							
	Consolidated 2016						
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	40,489	40,489
Interbank and money market items*	32,435	213,128	5,347	4,087	2,446	-	257,443
Investments, net**	-	94,972	147,314	90,603	21,039	10,535	364,463
Loans to customers***	179,009	281,354	206,459	637,073	635,153	-	1,939,048
Accrued interest receivables	-	4,128	-	-	-	-	4,128
Total financial assets	211,444	593,582	359,120	731,763	658,638	51,024	2,605,571
Financial liabilities							
Deposits	1,210,353	399,800	402,314	13,805	-	-	2,026,272
Interbank and money market items	18,968	48,049	17,364	5,086	11,486	-	100,953
Debt issued and borrowings	-	1,181	39,483	26,162	40,012	-	106,838
Other liabilities	-	1,401	3,571	30	-	-	5,002
Total financial liabilities	1,229,321	450,431	462,732	45,083	51,498	-	2,239,065
Net liquidity gap	(1,017,877)	143,151	(103,612)	686,680	607,140	51,024	366,506

* Before deducting allowance for doubtful accounts amounting to Baht 187 million

** Investments of the life insurance subsidiary which are held primarily in relation to insurance contract liabilities, are not presented in the table

*** Net of deferred revenue

(in million Baht)

	Consolidated 2015						
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	38,979	38,979
Interbank and money market items*	28,228	218,054	6,926	6,753	1,196	-	261,157
Investments, net**	-	136,957	116,822	64,367	15,900	8,588	342,634
Loans to customers***	187,252	271,125	199,107	606,869	569,053	-	1,833,406
Accrued interest receivables	409	4,136	-	-	-	-	4,545
Total financial assets	215,889	630,272	322,855	677,989	586,149	47,567	2,480,721
Financial liabilities							
Deposits	1,163,151	333,449	379,579	14,550	-	-	1,890,729
Interbank and money market items	22,364	86,871	2,564	23,930	7,208	-	142,937
Debt issued and borrowings	-	61	14,898	66,164	40,041	-	121,164
Other liabilities	-	1,626	5,013	46	-	-	6,685
Total financial liabilities	1,185,515	422,007	402,054	104,690	47,249	-	2,161,515
Net liquidity gap	(969,626)	208,265	(79,199)	573,299	538,900	47,567	319,206

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Investments of the life insurance subsidiary which are held primarily in relation to insurance contract liabilities, are not presented in the table

*** Net of deferred revenue

(in million Baht)

	The Bank 2016						
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	40,317	40,317
Interbank and money market items *	29,292	212,444	2,353	-	-	-	244,089
Investments, net	-	95,189	147,308	90,603	21,028	8,948	363,076
Loans to customers**	170,478	281,354	206,369	633,911	635,153	-	1,927,265
Accrued interest receivables	-	3,505	-	-	-	-	3,505
Total financial assets	199,770	592,492	356,030	724,514	656,181	49,265	2,578,252
Financial liabilities							
Deposits	1,206,136	399,203	402,310	13,805	-	-	2,021,454
Interbank and money market items	21,344	48,049	17,364	5,086	11,936	-	103,779
Debt issued and borrowings	-	267	39,483	26,891	40,012	-	106,653
Other liabilities	-	1,404	3,571	30	-	-	5,005
Total financial liabilities	1,227,480	448,923	462,728	45,812	51,948	-	2,236,891
Net liquidity gap	(1,027,710)	143,569	(106,698)	678,702	604,233	49,265	341,361

* Before deducting allowance for doubtful accounts amounting to Baht 187 million

** Net of deferred revenue

(in million Baht)

	The Bank 2015						
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	38,737	38,737
Interbank and money market items *	23,381	216,519	4,453	2,353	-	-	246,706
Investments, net	-	127,947	117,262	64,367	15,889	8,396	333,861
Loans to customers**	179,554	271,092	198,863	603,558	568,595	-	1,821,662
Accrued interest receivables	-	4,107	-	-	-	-	4,107
Total financial assets	202,935	619,665	320,578	670,278	584,484	47,133	2,445,073
Financial liabilities							
Deposits	1,157,888	333,175	379,408	14,433	-	-	1,884,904
Interbank and money market items	25,145	86,871	2,564	23,930	7,208	-	145,718
Debt issued and borrowings	-	11	14,440	66,894	40,041	-	121,386
Other liabilities	-	1,615	5,039	46	-	-	6,700
Total financial liabilities	1,183,033	421,672	401,451	105,303	47,249	-	2,158,708
Net liquidity gap	(980,098)	197,993	(80,873)	564,975	537,235	47,133	286,365

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Net of deferred revenue

Loans to deposits ratio

As at 31 December 2016 and 2015, the loans to deposits ratio in the consolidated financial statements were as follows:

	(%)	
	2016	2015
Gross loans to deposits ratio (Consolidated financial statements)	95.7	97.0
Gross loans to deposits and B/E ratio (Consolidated financial statements)	95.7	97.0

5.6 Insurance risk

Risk of loss resulting from unexpected events, deviations from actuarial assumptions, the magnitude and timing of claims, policyholder behavior, expenses and mispricing.

Product design and mispricing risk

Product design and mispricing risk refers to potential defects in the development process of a particular insurance product, inadequate assessment of risk and/or inaccurate assumptions used to price insurance product.

All new products must be approved by the Product Approval Committee (PAC) which is composed of members of the subsidiary's Executive Management and other stakeholders. The PAC ensures the soundness of new products' pricing and design.

Pricing assumptions are regularly reviewed to incorporate the latest experience and reflect the prevailing economic and business environment.

Once a product launched, both performance and actuarial experience are monitored and reported on a regular basis to ensure appropriate actions are triggered if deemed necessary.

Underwriting risks

Underwriting risk arises from inaccurate assessment of the risks entailed in writing of an insurance policy.

The subsidiary has an underwriting process that classifies applicants into risk categories based on their medical history, health condition, occupation, etc. Coverage and premium can vary across categories, reflecting different levels of risk.

Mortality and morbidity risk

Mortality and morbidity risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced.

The subsidiary can be exposed to high claims from policyholders resulting from changes in their life and health expectancy or from catastrophic events, whether natural or man-made.

Claim trends are monitored on an ongoing basis. Exposure in excess of retention limits is ceded to reinsurers. Mortality and morbidity experience is monitored to ensure that the subsidiary's assumptions are appropriate.

Policyholder behavior risk

Risk that arises from policyholders' acts to discontinue/reduce contributions or surrender request prior to maturity of the contract, or to falsely obtain a particular insurance coverage or claims some benefit to which they are not otherwise entitled to.

Persistency is regularly monitored through reports and comprehensive analysis.

An underwriting process and claim management are also designed in place to avoid fraudulent behavior from policyholders.

Concentration of insurance risk

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon the subsidiary's insurance contract liabilities.

Most of the subsidiary's contracts are life insurance non-par contracts with guaranteed benefits. The amount of risk to which the subsidiary is exposed depends on the level of guarantees inherent in the contracts and the current interest rate. The changes in interest rate will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

As at 31 December 2016, the discount interest rates for the purpose of the liability adequacy test, in accordance with industry practice, is the weighted average of past eight quarters of the zero coupon Thailand government bond yield curve plus an illiquidity premium for various tenors as prescribed by the regulator. The illiquidity premium is in line with an industry practice (i.e. ranged between 27-49 basis points) as at end of the year 2016. Management monitors the sensitivity to changes in interest rates on an ongoing basis. A decrease of 75 basis points from current market interest rates would not trigger any liability adequacy test reserve.

Capital management of life insurance subsidiary

The subsidiary's capital management policy is to maintain a strong capital base to meet policyholders' obligations and the requirements of the Office of Insurance Commission, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth.

In accordance with the requirements of the Office of Insurance Commission, all insurers are required to maintain a minimum at least 140% of capital adequacy requirement (CAR) to meet policyholders' obligations. The CAR applies a risk-based approach to capital adequacy and is determined by the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer. It is the subsidiary's policy to hold capital levels in excess of CAR.

The subsidiary's objectives in managing capital are to safeguard the subsidiary's ability to continue as a going concern in order to protect policyholders and to provide returns for shareholders and benefits for the stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain as adjust the capital structure, the subsidiary may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares.

There were no changes in the subsidiary's approach to capital management during the year.

6 Fair value of assets and liabilities

The Bank and its subsidiaries have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports through to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Bank and its subsidiaries Audit Committee.

When measuring the fair value of an asset or a liability, the Bank and its subsidiaries use market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank and its subsidiaries recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2016.

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

6.1 Financial instruments measured at fair value

The fair value of financial instruments measured at fair value in the consolidated and the Bank statement of financial position were as follows:

(in million Baht)								
	Consolidated				The Bank			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
31 December 2016								
Financial assets								
Derivative assets	-	55,700	40	55,740	-	56,435	349	56,784
- Foreign exchange rate	-	36,637	-	36,637	-	37,372	-	37,372
- Interest rate	-	19,056	-	19,056	-	19,056	-	19,056
- Others	-	7	40	47	-	7	349	356
Trading securities	1,561	27,315	-	28,876	-	27,292	-	27,292
Available-for-sale securities	23,354	415,119	-	438,473	7,882	313,920	-	321,802
Financial liabilities								
Derivative liabilities	59	53,205	234	53,498	-	53,167	277	53,444
- Foreign exchange rate	-	37,520	-	37,520	-	37,485	-	37,485
- Interest rate	-	15,675	-	15,675	-	15,675	-	15,675
- Others	59	10	234	303	-	7	277	284

(in million Baht)								
	Consolidated				The Bank			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
31 December 2015								
Financial assets								
Derivative assets	-	56,508	38	56,546	-	57,674	34	57,708
- Foreign exchange rate	-	37,703	-	37,703	-	38,869	-	38,869
- Interest rate	-	18,805	-	18,805	-	18,805	-	18,805
- Others	-	-	38	38	-	-	34	34
Trading securities	294	20,821	-	21,115	-	20,808	-	20,808
Available-for-sale securities	21,321	360,879	-	382,200	8,126	290,975	-	299,101
Financial liabilities								
Derivative liabilities	5	58,932	-	58,937	-	58,813	34	58,847
- Foreign exchange rate	-	42,423	-	42,423	-	42,315	-	42,315
- Interest rate	-	16,498	-	16,498	-	16,498	-	16,498
- Others	5	11	-	16	-	-	34	34

The Bank and its subsidiaries determine Level 2 fair values for debt securities using quoted market prices for identical or similar instruments in inactive markets or other inputs that are observable market data.

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and its subsidiaries and counterparty when appropriate.

Level 3 fair values for simple over-the-counter derivative financial instruments are calculated based on Black-Scholes model. Assumptions and factors are adjusted according to the Bank and its subsidiaries' policy. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and its subsidiaries and counterparty when appropriate.

6.2 Financial instruments not measured at fair value

Fair value hierarchy of financial instruments which are not measured at fair value and for which there is a significant difference with carrying amount as at 31 December 2016 and 2015 were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2

31 December 2016

Financial assets

Derivative assets	2,851	2,984	2,851	2,984
Held-to-maturity securities	122,166	133,768	12,915	13,998

Financial liabilities

Deposits	2,026,272	2,026,336	2,021,454	2,021,518
Derivative liabilities	694	651	694	651

	(in million Baht)			
	Consolidated		The Bank	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2

31 December 2015

Financial assets

Derivative assets	851	834	851	834
Held-to-maturity securities	133,064	147,180	13,682	15,046

Financial liabilities

Deposits	1,890,729	1,891,037	1,884,904	1,885,211
Derivative liabilities	651	630	651	630

The following methods and assumptions are used by the Bank in estimating fair market values of financial instruments as disclosed herein:

Interbank and money market items (Assets):	Fair value calculated based on present value of estimated cash flows, using the current interest rate in the money market.
Derivatives:	The fair values of derivatives are obtained from quoted market prices in active markets. Fair values of derivatives in an illiquid market are obtained using an average price (quoted from several reliable sources), valuation technique and a benchmark price of instruments which have similar characteristics, as appropriate.
Investments:	The following methodologies are used to determine the fair value of securities held by the Bank. - The fair value of debt securities is estimated based on the Thai Bond Market Association's last average bid price. In situations where no auction prices are available, the fair value is estimated based on the last executed price. For debt securities with no active market price, the fair value is estimated based on the yield curve of debt securities plus a risk premium. - The bidding prices at The Stock Exchange of Thailand on the last business day of the year are used to estimate the fair value of listed private sector equity securities. - The fair value of unit trusts is estimated based on the net asset value at the reporting date. - The fair value of foreign debt and equity securities listed on foreign stock exchanges is estimated by using the bid prices at such exchanges as of the last business day of the year. The fair value of non-listed foreign debt and equity securities is determined based on values quoted by reliable international financial institutions.
Loans to customers and accrued interest receivables:	- For variable-rate loans that are repriced frequently and have no significant change in credit risk, fair values are based on carrying amount. - Fair values of other loans are estimated using discounted cash flow analyses, using market interest rates or the fair value of collateral. There is no significant difference with the carrying amount.
Deposits and interbank and money market items (Liabilities):	- The carrying amount disclosed for deposits which are payable on demand by the depositor, are equal to the fair value of such deposits. - Fair values for fixed-deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar deposits. - The carrying amount of interbank and money market items approximates their fair value.
Liabilities payable on demand:	The carrying amount of liabilities payable on demand approximates fair value.
Debt issued and borrowings:	- The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values. - Fair values of other borrowings are estimated using discounted cash flow analyses based on the Bank's current borrowing rates for similar types of borrowing arrangements.

7 Maintenance of capital fund

The Bank and its subsidiaries, which are financial institutions, are subject to various capital and regulatory requirements of the Bank of Thailand. Under these capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and its subsidiaries must satisfy specific capital guidelines that involve, among others, quantitative measures of the Bank's and its subsidiaries' assets, liabilities and certain off-financial reporting items as calculated in accordance with regulatory practices. The Bank's and its subsidiaries' capital amounts and classifications are also subject to qualitative judgments by the Bank of Thailand as to components, risk weightings, and other factors. These capital and regulatory requirements are subject to change, as considered necessary by the Bank of Thailand.

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 17 December 2012, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2016 and 2015, the Consolidated Supervision group and the Bank's total capital funds can be categorised as follows:

<i>(in million Baht)</i>		
Basel III		
Consolidated Supervision		
	2016	2015
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	236,110	210,378
Disclosed reserves		
Other comprehensive income	16,709	12,069
Other owner changes items	(2,364)	(2,342)
Capital deduction items on CET1	(8,005)	(6,730)
Total Tier 1 capital	294,566	265,491
Tier 2 capital		
Subordinated debt	36,000	40,000
Allowance for classified assets of "normal" category	21,752	19,140
Total Tier 2 capital	57,752	59,140
Total capital funds	352,318	324,631

(in million Baht)

**Basel III
Consolidated Supervision**

2016 2015

Total risk weighted assets	1,986,927	1,880,484
Total capital / Total risk weighted assets (minimum 9.125%*)	17.7%	17.3%
Total Tier 1 capital / Total risk weighted assets (minimum 6.625%*)	14.8%	14.1%
Total Tier 1 common equity / Total risk weighted assets (minimum 5.125%*)	14.8%	14.1%
Total Tier 2 capital / Total risk weighted assets	2.9%	3.2%

* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019

Capital after deducting capital add-on arising from Single Lending Limit	351,110	321,596
Capital ratio after deducting capital add-on arising from Single Lending Limit	17.7%	17.1%

(in million Baht)

**Basel III
The Bank**

2016 2015

Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	218,192	198,492
Other comprehensive income	16,672	12,250
Capital deduction items on CET1	(6,872)	(5,654)
Total Tier 1 capital	280,108	257,204
Tier 2 capital		
Subordinated debt	36,000	40,000
Allowance for classified assets of "normal" category	21,165	19,140
Total Tier 2 capital	57,165	59,140
Total capital funds	337,273	316,344

(in million Baht)

	Basel III The Bank	
	2016	2015
Total risk weighted assets	1,933,848	1,841,506
Total capital / Total risk weighted assets (minimum 9.125%*)	17.4%	17.2%
Total Tier 1 capital / Total risk weighted assets (minimum 6.625%*)	14.5%	14.0%
Total Tier 1 common equity / Total risk weighted assets (minimum 5.125%*)	14.5%	14.0%
Total Tier 2 capital / Total risk weighted assets	2.9%	3.2%

* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019

Capital after deducting capital add-on arising from Single Lending Limit	336,083	314,196
Capital ratio after deducting capital add-on arising from Single Lending Limit	17.4%	17.1%

Disclosures of capital maintenance information under the Notification of the Bank of Thailand number Sor Nor Sor 6/2553 dated 18 June 2010, Consolidated Supervision, the Notification of the Bank of Thailand number Sor Nor Sor 7/2558 dated 8 May 2015, Capital Components for Locally - Registered Commercial Banks, the Notification of the Bank of Thailand number Sor Nor Sor 19/2555 dated 17 December 2012, Consolidated Supervision (#2), the Notification of the Bank of Thailand number Sor Nor Sor 4/2556 dated 2 May 2013, the Public Disclosures of Capital Maintenance for Commercial Banks and the Notification of the Bank of Thailand number Sor Nor Sor 5/2556 dated 2 May 2013, the Public Disclosures of Capital Maintenance for Financial Group, were as follows:

Location of disclosure	The Bank's website under Investor Relations section at http://www.scb.co.th/en/about-scb/investor-relations/financial-information/pillar
Date of disclosure	Within 4 months after the year end date as indicated in the notification.
Information as of	31 December 2016

The disclosure for the year ended 31 December 2016 will be provided on or before 30 April 2017 on the Bank's website as noted above.

Capital management

The Bank and its subsidiaries policies are to maintain a strong capital base so as to provide a cushion against future uncertainties, engender market confidence in the Bank's robustness and to support business growth. Further, the impact of the level of capital on shareholders' returns is also considered together with the need to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

The Bank and its subsidiaries have complied with BoT imposed capital requirements throughout the year and, as noted in the table above, its capital level is well in excess of the minimum requirements.

8 Interbank and money market items, net (Assets)

As at 31 December 2016 and 2015, interbank and money market items, net (Assets) were as follows:

(in million Baht)						
	Consolidated					
	Demand	2016 Time	Total	Demand	2015 Time	Total
Domestic items:						
Bank of Thailand and Financial Institutions						
Development Fund	14,667	181,545	196,212	14,100	160,500	174,600
Commercial banks	1,389	18,533	19,922	2,657	24,173	26,830
Specialised financial institutions*	-	3,293	3,293	-	6,682	6,682
Other financial institutions**	1,113	5,447	6,560	1,194	8,397	9,591
Total	17,169	208,818	225,987	17,951	199,752	217,703
Add accrued interest receivables	-	558	558	-	555	555
Less allowance for doubtful accounts	-	(107)	(107)	-	(163)	(163)
Total domestic items	17,169	209,269	226,438	17,951	200,144	218,095
Foreign items:						
US Dollar	11,668	15,485	27,153	5,886	32,578	38,464
Japanese YEN	452	-	452	574	-	574
Euro	360	15	375	387	24	411
Other currencies	2,786	125	2,911	3,430	14	3,444
Total	15,266	15,625	30,891	10,277	32,616	42,893
Add accrued interest receivables	-	7	7	-	6	6
Less allowance for doubtful accounts	-	(80)	(80)	-	(51)	(51)
Total foreign items	15,266	15,552	30,818	10,277	32,571	42,848
Total domestic and foreign items	32,435	224,821	257,256	28,228	232,715	260,943

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

(in million Baht)

	The Bank					
	Demand	2016 Time	Total	Demand	2015 Time	Total
Domestic items:						
Bank of Thailand and Financial Institutions						
Development Fund	14,667	181,545	196,212	14,100	160,500	174,600
Commercial banks	922	10,738	11,660	979	17,687	18,666
Specialised financial institutions*	-	3,293	3,293	-	6,682	6,682
Other financial institutions**	1,113	5,447	6,560	1,194	8,397	9,591
Total	16,702	201,023	217,725	16,273	193,266	209,539
<i>Add</i> accrued interest receivables	-	38	38	-	53	53
<i>Less</i> allowance for doubtful accounts	-	(107)	(107)	-	(163)	(163)
Total domestic items	16,702	200,954	217,656	16,273	193,156	209,429
Foreign items:						
US Dollar	8,995	13,589	22,584	2,899	29,965	32,864
Japanese YEN	452	-	452	574	-	574
Euro	360	15	375	377	24	401
Other currencies	2,783	125	2,908	3,258	14	3,272
Total	12,590	13,729	26,319	7,108	30,003	37,111
<i>Add</i> accrued interest receivables	-	7	7	-	3	3
<i>Less</i> allowance for doubtful accounts	-	(80)	(80)	-	(51)	(51)
Total foreign items	12,590	13,656	26,246	7,108	29,955	37,063
Total domestic and foreign items	29,292	214,610	243,902	23,381	223,111	246,492

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

9 Derivatives

Financial derivatives are financial instruments whose characteristics are derived from fair value of underlying assets, or from interest and exchange rates or indices. The following derivatives are used by the Bank:

- 1 Forward exchange contracts which are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.
- 2 Currency and interest rate swaps which are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies and may also involve the exchange of related interest payments.
- 3 Interest rate swaps which are agreements that involve the exchange of interest obligations for a specified period without exchanging the underlying or notional principal.
- 4 Equity derivatives which are agreements that determined values based on level of the underlying equity's price or price of equity group or Equity Index.
- 5 Credit derivatives which are agreements to buy or sell guarantees of credit risk related to the ability to repay underlying assets.
- 6 Commodity derivatives which are a purchase or a sale of an underlying product or the exchange of cash flow calculated from a reference volume of product multiplied by the agreed price within a period of time and conditions as agreed in the contract.

The Bank has implemented policies to manage the foreign exchange risk and interest rate risk arising from the volatility of foreign exchange rates and interest rates by using derivatives for serving the client's needs as well as the Bank's assets and liabilities management needs. The Bank controls the counterparty risks by setting-up the credit limits, and controls the market risk by setting-up limits for management action triggers, net open position, basis point value, value at risk and management stress triggers.

The total notional amount of the derivatives at the year end does not represent the risk exposure arising from derivative transactions. The risks arising from derivatives will depend on the changes in the price of each derivative type before maturity of the contract.

As at 31 December 2016 and 2015, the notional amounts of derivatives were as follows:

	(in million Baht)			
	Consolidated			
	2016			
	Notional amount			
	Less than	Within	More than	
	1 year	1 - 5 years	5 years	Total
Forward exchange contracts	1,197,917	16,364	16,706	1,230,987
Currency swap contracts	95,183	337,919	245,671	678,773
Interest rate swap contracts	466,192	1,114,235	376,037	1,956,464
Equity derivatives	3,784	260	-	4,044
Commodity derivatives	104	-	-	104

	(in million Baht)			
	Consolidated			
	2015			
	Notional amount			
	Less than	Within	More than	
	1 year	1 - 5 years	5 years	Total
Forward exchange contracts	1,050,053	15,810	19,021	1,084,884
Currency swap contracts	84,704	303,905	218,740	607,349
Interest rate swap contracts	454,372	1,035,926	348,931	1,839,229
Equity derivatives	1,018	760	-	1,778

	(in million Baht)			
	The Bank			
	2016			
	Notional amount			
	Less than	Within	More than	
	1 year	1 - 5 years	5 years	Total
Forward exchange contracts	1,199,494	16,364	16,706	1,232,564
Currency swap contracts	95,541	339,897	253,244	688,682
Interest rate swap contracts	466,192	1,114,235	376,487	1,956,914
Equity derivatives	5,816	519	-	6,335
Commodity derivatives	104	-	-	104

(in million Baht)

	The Bank			
	2015			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	Total
Forward exchange contracts	1,050,196	15,810	19,021	1,085,027
Currency swap contracts	85,065	305,764	228,987	619,816
Interest rate swap contracts	454,372	1,035,926	348,931	1,839,229
Equity derivatives	-	519	-	519

9.1 Trading book derivatives

As at 31 December 2016 and 2015, carrying amount and notional amount classified by type of risk were as follows:

(in million Baht)

Type of risk	Consolidated					
	2016			2015		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	36,637	37,520	1,807,039	37,703	42,423	1,618,171
Interest rate	19,056	15,675	1,858,306	18,805	16,498	1,715,019
Equity derivatives	40	296	4,044	38	16	1,778
Commodity derivatives	7	7	104	-	-	-
Total	55,740	53,498	3,669,493	56,546	58,937	3,334,968

(in million Baht)

Type of risk	The Bank					
	2016			2015		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	37,372	37,485	1,818,525	38,869	42,315	1,630,781
Interest rate	19,056	15,675	1,858,756	18,805	16,498	1,715,019
Equity derivatives	349	277	6,335	34	34	519
Commodity derivatives	7	7	104	-	-	-
Total	56,784	53,444	3,683,720	57,708	58,847	3,346,319

9.2 Banking book derivatives

As at 31 December 2016 and 2015, carrying amount and notional amount classified by type of risk were as follows:

(in million Baht)

Type of risk	Consolidated					
	2016			2015		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	2,851	694	102,721	851	651	74,062
Interest rate ⁽¹⁾	92	18	98,158	258	109	124,210
Total	2,943	712	200,879	1,109	760	198,272

(in million Baht)

Type of risk	The Bank					
	2016			2015		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	2,851	694	102,721	851	651	74,062
Interest rate ⁽¹⁾	92	18	98,158	258	109	124,210
Total	2,943	712	200,879	1,109	760	198,272

The carrying amount of derivative assets and liabilities comprises trading book derivatives are measured at fair value and banking book derivatives are measured on an accrual basis in accordance with the accounting policy disclosed in note 4.25.

⁽¹⁾ Carrying amount at the end of year for interest rate swap contracts held for banking book are accrued interest receivables or payables based on the contracts. Accrued interest receivables are presented as a part of "Other assets" and accrued interest payables are presented as a part of "Other liabilities" in the consolidated and the Bank's financial statements.

As at 31 December 2016 and 2015, the proportions, determined based on the notional amount of derivatives contracts divided by type of counterparty were as follows:

	(%)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Counterparty				
Financial institutions	74.41	71.91	74.07	71.66
Affiliated companies	-	-	0.46	0.38
Third parties	25.59	28.09	25.47	27.96

10 Investments, net

10.1 Classification of investments in securities

As at 31 December 2016 and 2015, the investments in securities of the Bank and its subsidiaries were classified as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
	Fair value	Fair value	Fair value	Fair value
Trading securities				
Government and state enterprise securities	27,291	20,690	27,269	20,677
Corporate debt securities	23	131	23	131
Domestic equity securities	1,562	294	-	-
Total	28,876	21,115	27,292	20,808
Available-for-sale securities				
Government and state enterprise securities	347,394	323,977	289,548	290,108
Corporate debt securities	31,952	23,569	-	-
Foreign debt securities	35,752	13,313	24,372	867
Domestic equity securities	19,292	18,479	6,817	8,126
Foreign equity securities	4,083	2,862	1,065	-
Total	438,473	382,200	321,802	299,101

(in million Baht)

	Consolidated		The Bank	
	2016 Cost / Amortised cost	2015 Cost / Amortised cost	2016 Cost / Amortised cost	2015 Cost / Amortised cost
Held-to-maturity securities				
Government and state enterprise securities	120,589	131,261	12,215	13,239
Corporate debt securities	36	36	423	443
Foreign debt securities	277	-	277	-
Other securities	1,300	1,803	-	-
Total	122,202	133,100	12,915	13,682
Less allowance for impairment	(36)	(36)	-	-
Total	122,166	133,064	12,915	13,682

(in million Baht)

	Consolidated		The Bank	
	2016 Cost	2015 Cost	2016 Cost	2015 Cost
General investments				
Domestic non-marketable equity securities	934	447	928	441
Foreign non-marketable equity securities	319	17	319	17
Total	1,253	464	1,247	458
Less allowance for impairment	(181)	(188)	(180)	(188)
Total	1,072	276	1,067	270
Total investments, net	590,587	536,655	363,076	333,861

10.2 Unrealised gains (losses) on available-for-sale securities and held-to-maturity securities

As at 31 December 2016 and 2015, unrealised gains (losses) on available-for-sale securities and held-to-maturity securities were as follows:

(in million Baht)

Type of securities	Consolidated							
	2016				2015			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised cost	Unrealised gains	Unrealised losses	Fair value
Available-for-sale securities	437,566*	5,484	(4,577)	438,473	378,632*	6,046	(2,478)	382,200
Held-to-maturity securities	122,166*	11,602	-	133,768	133,064*	14,116	-	147,180
Total	559,732	17,086	(4,577)	572,241	511,696	20,162	(2,478)	529,380

* Net of allowance for impairment

(in million Baht)

Type of securities	The Bank							
	2016				2015			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised cost	Unrealised gains	Unrealised losses	Fair value
Available-for-sale securities	319,721*	2,645	(564)	321,802	296,899*	2,646	(444)	299,101
Held-to-maturity securities	12,915*	1,083	-	13,998	13,682*	1,364	-	15,046
Total	332,636	3,728	(564)	335,800	310,581	4,010	(444)	314,147

* Net of allowance for impairment

10.3 Investments in companies with holding of 10% and upwards

As at 31 December 2016 and 2015, investments in mutual funds and financial services companies as well as other companies, other than subsidiaries and associate, of which the Bank and its subsidiaries hold 10% or more of the fund or the paid-up capital in each company, classified by industry, were as follows:

		(in million Baht)			
		Consolidated		The Bank	
	Number of companies	2016	2015	2016	2015
Mutual funds and financial services	2	-	-	-	-
Others	6 - 7	76	76	76	76
		76	76	76	76

10.4 Investments in companies with problems in their financial positions

As at 31 December 2016, the Bank and its subsidiaries held investments in a number of securities issued by companies with problems in their financial positions and operating results. The Bank and its subsidiaries have made a provision for diminution in the value of securities equal to the amount by which the cost exceeds the market value of respective securities. The aggregate cost of these securities is Baht 59 million (2015: Baht 71 million).

11 Investments in subsidiaries and associate, net

11.1 Type of investments in subsidiaries and associate

As at 31 December 2016 and 2015, the Bank and its subsidiaries had an investment in associate, net of any impairment provisions, as follows:

		Consolidated						
Type of business	Type of share	Direct and indirect shareholding		Investment value				
				Cost method		Equity method		
		2016	2015	2016	2015	2016	2015	
		(%)		(in million Baht)				
Associate								
Services								
Supernap (Thailand)								
Co., Ltd.	Data center	Ordinary	24.9	24.9	351	351	334	344
Less allowance for impairment					(17)	(7)	-	-
Total investments in associate, net					334	344	334	344

As at 31 December 2016 and 2015, the Bank had investments in subsidiaries and associate, net of impairment provisions, as follows:

Type of business	Type of share	The Bank		Investment value	
		Direct shareholding		Cost method	
		2016	2015	2016	2015
		(%)		(in million Baht)	
Subsidiaries					
Finance & Insurance					
VinaSiam Bank*	Banking	Ordinary	-	100.0	- 2,340
Cambodian Commercial Bank Ltd.	Banking	Ordinary	100.0	100.0	1,285 964
Rutchayothin Assets Management Co., Ltd.	Asset management	Ordinary	100.0	100.0	25 25
SCB Securities Co., Ltd.	Securities	Ordinary	100.0	100.0	2,207 2,107
SCB Asset Management Co., Ltd.	Asset management	Ordinary	100.0	100.0	222 222
Siam Commercial Leasing PCL**	Collection	Ordinary	99.4	99.4	1,533 9,976
SCB Life Assurance PCL	Life insurance	Ordinary	99.2	99.2	12,540 12,540
Services					
SCB Training Centre Co., Ltd.	Training center	Ordinary	100.0	100.0	390 390
Siam Phitiwat Co., Ltd. ***	Appraisal services	Ordinary	100.0	100.0	10 10
SCB Plus Co., Ltd.	Collection	Ordinary	100.0	100.0	1 1
Other					
Sor. Or. Kor. PCL***	Commercial	Ordinary	99.7	99.7	582 582
Indirect subsidiaries					
Mahisorn Co., Ltd.****	Property management	Ordinary	-	-	- -
Digital Ventures Co., Ltd.*****	Financial technology	Ordinary	-	-	- -
Associate					
Services					
Supernap (Thailand) Co., Ltd.	Data center	Ordinary	10.0	10.0	141 141
Total				18,936	29,298
Less allowance for impairment				(2,194)	(2,318)
Total investments in subsidiaries and associate, net				16,742	26,980

* On 17 December 2015, the State Bank of Vietnam granted to the Bank an establishment license for a foreign bank branch in Vietnam. On 24 December 2015, the Bank acquired an additional 67% interest in VinaSiam Bank for Baht 1,643 million, increasing its ownership from 33% to 100% of the issued and paid up share capital. The banking license of VinaSiam Bank was revoked on 30 December 2015. In 1Q'16, the Bank transferred all of the assets and liabilities of VinaSiam Bank to its newly established branch in Ho Chi Minh City, the Socialist Republic of Vietnam.

** The Company decreased in share capital during the year and it is under liquidation.

*** The Company is under liquidation

**** Subsidiary of SCB Plus Co., Ltd.

***** Newly established in 2016 and be a subsidiary of SCB Securities Co., Ltd.

All subsidiaries and associate were registered and operate in Thailand except for the Cambodian Commercial Bank Ltd., which registered and operate in Cambodia.

11.2 The summarised financial information of the associate was as follows:

(in million Baht)						
	Total assets	2016 (Unaudited) Total liabilities	Equity	Total assets	2015 (Audited) Total liabilities	Equity
Services	3,469	2,130	1,339	1,576	192	1,384
	3,469	2,130	1,339	1,576	192	1,384

(in million Baht)						
For the years ended 31 December						
	Revenue	2016 (Unaudited) Expenses	Net loss	Revenue	2015 (Audited) Expenses	Net loss
Finance*	-	-	-	87	347	(260)
Services	5	50	(45)	4	27	(23)
	5	50	(45)	91	374	(283)

(in million Baht)				
		VinaSiam Bank*		Supernap (Thailand) Co., Ltd.
For the years ended 31 December		2016	2015	2016 2015

Carrying amount of interests in associates

Group's share of:

- Loss from continuing operations	-	(86)	(10)	(3)
- Total comprehensive loss	-	(86)	(10)	(3)

* On 17 December 2015, the State Bank of Vietnam granted to the Bank an establishment license for a foreign bank branch in Vietnam. On 24 December 2015, the Bank acquired an additional 67% interest in VinaSiam Bank for Baht 1,643 million, increasing its ownership from 33% to 100% of the issued and paid up share capital. The banking license of VinaSiam Bank was revoked on 30 December 2015. In 1Q'16, the Bank transferred all of the assets and liabilities of VinaSiam Bank to its newly established branch in Ho Chi Minh City, the Socialist Republic of Vietnam.

As at 31 December 2016 and 2015, the Bank and a subsidiary have equity securities in companies received as a result of troubled debt restructuring, which represent more than 20% of the paid-up capital of each company. The Bank did not record these securities as investments in subsidiaries and associates. These investments were in Siam Media and Communication Co., Ltd. and S.G. Star Properties Limited. Their financial statements have reported balances which do not have a material impact on the Bank's financial statements.

11.3 Interest in unconsolidated structured entity arising in the normal course of business

The Bank and its asset management subsidiary have transactions with unconsolidated structured entities, through various activities such as involvement in establishment process, fund management, acting as the trustee, as well as providing source of funds. These structured entities are normally in the form of mutual funds.

The provision of funds is in the form of loans which are on normal business terms. These loans are managed in the same way as all other loans. The outstanding loans to these structured entities as of 31 December 2016 and 2015 amounted to Baht 6,037 million and Baht 6,169 million, respectively.

12 Loans to customers and accrued interest receivables, net

12.1 Classified by product as at 31 December 2016 and 2015

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
	2016	2015	2016	2015
Overdrafts	103,864	110,606	103,217	110,016
Loans	1,349,447	1,230,012	1,338,845	1,219,735
Bills	268,031	275,743	268,031	275,743
Finance leases	191,971	191,579	191,971	191,579
Others	49,292	48,064	48,758	47,187
Less deferred revenue	(23,557)	(22,598)	(23,557)	(22,598)
Total loans to customers, net	1,939,048	1,833,406	1,927,265	1,821,662
Add accrued interest receivables	4,128	4,545	3,505	4,107
Total loans to customers and accrued interest receivables, net	1,943,176	1,837,951	1,930,770	1,825,769
Less allowance for doubtful accounts				
- allowance established per BoT regulations				
- Individual approach	(44,063)	(48,374)	(43,339)	(47,152)
- Collective approach	(6,569)	(6,218)	(6,569)	(6,218)
- allowance established in excess of BoT regulations	(22,721)	(9,831)	(22,716)	(9,817)
Less revaluation allowance for debt restructuring	(4,004)	(354)	(4,004)	(354)
Total	1,865,819	1,773,174	1,854,142	1,762,228

12.2 Classified by currency and residential status of customers as at 31 December 2016 and 2015

(in million Baht)

	Domestic	Consolidated			Domestic	Total
		2016 Foreign	2015 Foreign	2015 Total		
Baht	1,795,790	26,187	1,821,977	1,691,013	20,838	1,711,851
US Dollar	39,234	62,923	102,157	79,544	26,802	106,346
Other currencies	1,289	13,625	14,914	14,738	471	15,209
Total			1,939,048			1,833,406

(in million Baht)

	Domestic	The Bank			Domestic	Total
		2016 Foreign	2015 Foreign	2015 Total		
Baht	1,786,916	26,187	1,813,103	1,683,653	20,838	1,704,491
US Dollar	39,234	60,014	99,248	78,706	24,244	102,950
Other currencies	1,289	13,625	14,914	13,750	471	14,221
Total			1,927,265			1,821,662

12.3 Classified by business type and quality of loan classification as at 31 December 2016 and 2015

(in million Baht)

	Consolidated											
	2016						2015					
	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total *	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total *
Agriculture and mining	14,676	170	86	62	172	15,166	15,710	364	144	78	206	16,502
Manufacturing and commercial	558,665	16,628	8,287	3,709	18,061	605,350	550,508	7,908	14,114	10,180	11,121	593,831
Real estate and construction	125,456	2,201	1,543	882	2,673	132,755	137,138	893	500	164	2,543	141,238
Utilities and services	319,793	610	2,481	626	1,776	325,286	249,231	958	1,598	317	2,020	254,124
Housing loans	500,840	10,672	4,736	3,128	2,493	521,869	476,562	9,756	4,680	2,648	1,366	495,012
Others	317,525	14,219	3,541	1,300	2,037	338,622	312,013	13,369	3,876	1,422	2,019	332,699
Total *	1,836,955	44,500	20,674	9,707	27,212	1,939,048	1,741,162	33,248	24,912	14,809	19,275	1,833,406

(in million Baht)

	The Bank											
	2016						2015					
	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total *	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total *
Agriculture and mining	14,621	170	86	62	172	15,111	15,304	340	144	78	44	15,910
Manufacturing and commercial	556,043	16,628	8,287	3,709	18,061	602,728	547,871	7,908	14,114	10,000	10,939	590,832
Real estate and construction	125,456	2,201	1,543	882	1,683	131,765	137,138	859	500	164	1,481	140,142
Utilities and services	319,608	610	2,481	626	1,776	325,101	248,716	957	1,598	317	1,865	253,453
Housing loans	500,794	10,672	4,736	3,128	2,493	521,823	476,541	9,755	4,680	2,648	1,366	494,990
Others	309,699	14,219	3,541	1,300	1,978	330,737	305,707	13,369	3,876	1,422	1,961	326,335
Total *	1,826,221	44,500	20,674	9,707	26,163	1,927,265	1,731,277	33,188	24,912	14,629	17,656	1,821,662

* Net of deferred revenue, excludes accrued interest receivables

12.4 Finance leases

As at 31 December 2016 and 2015, the Bank had finance leases as follows:

(in million Baht)								
	Consolidated and the Bank							
	2016				2015			
	Amount due				Amount due			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Total of gross investments								
in the lease	57,715	129,122	5,134	191,971	59,858	127,170	4,551	191,579
Less deferred revenue				(23,350)				(22,499)
Present value of the								
lease payments				168,621				169,080
Less allowance for								
doubtful accounts				(6,569)				(6,218)
Finance leases, net				162,052				162,862

12.5 Loans to listed companies identified for delisting

(in million Baht)								
	Consolidated and the Bank							
	2016				2015			
	No. of companies	Loans and accrued interest receivables*	Collateral	Amount of provision	No. of companies	Loans and accrued interest receivables*	Collateral	Amount of provision
Listed companies								
identified for delisting	4	12,724	5,914	8,721	2	2,377	1,807	469

* Including loans to financial institutions but excluding other expenses

12.6 Non-Performing Loans

As at 31 December 2016 and 2015, the Bank used the guidelines specified in the BoT's notification dated 3 August 2008 in determining Non-Performing Loans which consist of loans classified as sub-standard, doubtful, doubtful loss and loss under the BoT's guideline. The amounts were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Non-Performing Loans (net of allowance for doubtful accounts)	29,309	25,069	28,949	24,458
% of Non-Performing Loans to total loans (net)	1.4	1.3	1.4	1.2
Non-Performing Loans (gross)	57,593	58,996	56,544	57,197
% of Non-Performing Loans to total loans	2.7	2.9	2.6	2.8

As at 31 December 2016, Rutchayothin Assets Management Co., Ltd. which is a subsidiary of the Bank, had Non-Performing Loans of Baht 459 million (2015: Baht 465 million). However, the Non-Performing Loans based on principal of loan purchased from the Bank and its subsidiaries as at 31 December 2016 was Baht 990 million (2015: Baht 997 million).

12.7 Non-accrual loans

Non-accrual loans, gross (including loans to financial institutions) as at 31 December 2016 and 2015 were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Loans where recognition of income has been suspended*	55,129	50,717	54,074	49,661
% of loans where recognition of income has been suspended	2.6	2.5	2.5	2.5

* Non-accrual loans as announced by the Notification of the Bank of Thailand number Sor Nor Sor 21/2555

12.8 Classified assets

The Bank and its subsidiaries had classified assets as at 31 December 2016 and 2015 as follows:

(in million Baht)

	Consolidated 2016					Total
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	
Normal	1,840,936	217,558	-	-	20	2,058,514
Special Mention	44,618	-	-	-	2	44,620
Sub-Standard	20,698	-	-	-	17	20,715
Doubtful	9,707	-	-	-	5	9,712
Doubtful Loss	27,217	-	6,663	635	569	35,084
	1,943,176	217,558	6,663	635	613	2,168,645

(in million Baht)

	Consolidated 2015					Total
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	
Normal	1,745,381	207,306	-	-	20	1,952,707
Special Mention	33,495	-	-	-	3	33,498
Sub-Standard	24,985	-	-	-	4	24,989
Doubtful	14,809	-	-	-	4	14,813
Doubtful Loss	19,281	-	3,111	597	442	23,431
	1,837,951	207,306	3,111	597	473	2,049,438

* Net of deferred revenue

(in million Baht)

The Bank 2016						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
Normal	1,829,584	209,733	-	-	20	2,039,337
Special Mention	44,618	-	-	-	2	44,620
Sub-Standard	20,698	-	-	-	17	20,715
Doubtful	9,707	-	-	-	5	9,712
Doubtful Loss	26,163	-	4,762	632	455	32,012
	1,930,770	209,733	4,762	632	499	2,146,396

(in million Baht)

The Bank 2015						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
Normal	1,735,064	200,574	-	-	20	1,935,658
Special Mention	33,435	-	-	-	3	33,438
Sub-Standard	24,985	-	-	-	4	24,989
Doubtful	14,629	-	-	-	4	14,633
Doubtful Loss	17,656	-	3,285	594	442	21,977
	1,825,769	200,574	3,285	594	473	2,030,695

* Net of deferred revenue

12.9 Allowance for doubtful accounts

12.9.1 Loans classified by quality as at 31 December 2016 and 2015 (inclusive of accrued interest receivables)

Consolidated						
2016						
Loans and accrued interest receivables	Individual approach (All loans except for finance leases)			Collective approach (Finance leases)		
	Net amount		% used for setting the allowance	Net amount		Total
	used to set the allowance for doubtful accounts			used to set the allowance for doubtful accounts	Allowance for doubtful accounts***	
(in million Baht)			(in million Baht)			

Minimum allowance of
BoT regulations

- Normal	1,840,936	1,646,674*	1	16,388	155,903	2,796	19,184
- Special Mention	44,618	33,195*	2	664	9,626	2,336	3,000
- Sub-Standard	20,698	9,204**	100	9,204	895	450	9,654
- Doubtful	9,707	2,956**	100	2,956	416	197	3,153
- Doubtful Loss	27,217	14,851**	100	14,851	1,781	790	15,641
Total	1,943,176	1,706,880		44,063	168,621	6,569	50,632

Allowance established in
excess of BoT regulations

Total	22,721
	73,353

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

Consolidated						
2015						
Loans and accrued interest receivables	Individual approach (All loans except for finance leases)			Collective approach (Finance leases)		
	Net amount			Net amount		
	used to	%	Allowance for doubtful accounts***	used to set	Allowance	Total
	set the	used		the allowance	for	
	allowance	for setting		for doubtful	doubtful	
for doubtful	the	for doubtful		doubtful		
accounts	allowance	allowance	accounts	accounts***		
(in million Baht)			(in million Baht)			

Minimum allowance of

BoT regulations							
- Normal	1,745,381	1,536,211 *	1	15,295	156,698	2,855	18,150
- Special Mention	33,495	23,404 *	2	469	8,875	1,856	2,325
- Sub-Standard	24,985	14,087**	100	14,087	1,058	468	14,555
- Doubtful	14,809	7,801**	100	7,712	641	275	7,987
- Doubtful Loss	19,281	10,811**	100	10,811	1,808	764	11,575
Total	1,837,951	1,592,314		48,374	169,080	6,218	54,592

Allowance established in

excess of BoT regulations

Total

9,831

64,423

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

The Bank

2016

	Individual approach (All loans except for finance leases)			Collective approach (Finance leases)			Total
	Loans and accrued interest receivables	Net amount used to set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Net amount used to set the allowance for doubtful accounts	Allowance for doubtful accounts***	
	(in million Baht)			(in million Baht)			

Minimum allowance of

BoT regulations

- Normal	1,829,584	1,635,940 *	1	16,359	155,903	2,796	19,155
- Special Mention	44,618	33,195 *	2	664	9,626	2,336	3,000
- Sub-Standard	20,698	9,204**	100	9,204	895	450	9,654
- Doubtful	9,707	2,956**	100	2,956	416	197	3,153
- Doubtful Loss	26,163	14,156**	100	14,156	1,781	790	14,946
Total	<u>1,930,770</u>	<u>1,695,451</u>		<u>43,339</u>	<u>168,621</u>	<u>6,569</u>	49,908

Allowance established in

excess of BoT regulations

22,716

Total**72,624**

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

The Bank							
2015							
	Individual approach (All loans except for finance leases)				Collective approach (Finance leases)		
	Net amount		%	Allowance	Net amount		
Loans and accrued interest receivables	used to set the allowance for doubtful accounts		used for setting the allowance	for doubtful accounts***	used to set the allowance for doubtful accounts	Allowance for doubtful accounts***	Total
	(in million Baht)				(in million Baht)		
Minimum allowance of							
BoT regulations							
- Normal	1,735,064	1,526,918*	1	15,269	156,698	2,855	18,124
- Special Mention	33,435	23,386*	2	468	8,875	1,856	2,324
- Sub-Standard	24,985	14,087**	100	14,087	1,058	468	14,555
- Doubtful	14,629	7,621**	100	7,621	641	275	7,896
- Doubtful Loss	17,656	9,707**	100	9,707	1,808	764	10,471
Total	1,825,769	1,581,719		47,152	169,080	6,218	53,370
Allowance established in						9,817	
excess of BoT regulations							
Total						63,187	

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

Annual Report 2016

207

Following an assessment of the ultimate collectability of the Bank's consolidated loan portfolio, the management of the Bank and its subsidiaries believe that the allowance for doubtful accounts established was adequate as at 31 December 2016 and 2015 and in compliance with the BoT's guidelines, including an assessment for "Possible Impaired Loans", as directed by them. The aggregate allowance is based on both quantitative criteria noted above and qualitative criteria that reflects management judgment

12.9.2 Changes to the allowance for doubtful accounts

As at 31 December 2016 and 2015, the changes to the allowance for doubtful accounts were as follows:

(in million Baht)

	Consolidated 2016					Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss		
As at 1 January 2016	18,150	2,325	14,555	7,987	11,575	9,831	64,423
Bad debt and doubtful accounts	1,034	675	(4,901)	(4,834)	15,845	13,334	21,153
Bad debts written off	-	-	-	-	(11,779)	-	(11,779)
Others	-	-	-	-	-	(444)	(444)
As at 31 December 2016	19,184	3,000	9,654	3,153	15,641	22,721	73,353

(in million Baht)

	Consolidated 2015					Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss		
As at 1 January 2015	17,102	2,858	7,623	3,074	10,432	17,904	58,993
Transfer in	-	5	-	1	268	15	289
Bad debt and doubtful accounts	1,046	(539)	6,932	4,912	27,444	(7,931)	31,864
Bad debts written off	-	-	-	-	(26,594)	-	(26,594)
Others	2	1	-	-	25	(157)	(129)
As at 31 December 2015	18,150	2,325	14,555	7,987	11,575	9,831	64,423

(in million Baht)

	The Bank 2016						Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss			
As at 1 January 2016	18,124	2,324	14,555	7,896	10,471	9,817		63,187
Transfer in	-	1	-	91	403	10		505
Bad debt and doubtful accounts	1,031	675	(4,901)	(4,834)	15,851	13,333		21,155
Bad debts written off	-	-	-	-	(11,779)	-		(11,779)
Others	-	-	-	-	-	(444)		(444)
As at 31 December 2016	19,155	3,000	9,654	3,153	14,946	22,716		72,624

(in million Baht)

	The Bank 2015						Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss			
As at 1 January 2015	17,086	2,858	7,623	3,074	9,691	17,898		58,230
Bad debt and doubtful accounts	1,038	(534)	6,932	4,822	27,346	(7,924)		31,680
Bad debts written off	-	-	-	-	(26,566)	-		(26,566)
Others	-	-	-	-	-	(157)		(157)
As at 31 December 2015	18,124	2,324	14,555	7,896	10,471	9,817		63,187

13 Troubled debt restructuring

During the years ended 31 December 2016 and 2015, troubled debt restructuring was as follows:

(in million Baht)								
Types of debt restructuring	Consolidated and the Bank							
	Outstanding debts				Transferred assets			
	No. of accounts		Before debt restructuring		After debt restructuring		Types	Fair value
	2016	2015	2016	2015	2016	2015		2016 2015
Transfers of assets	17	1	116	125	116	125	Immovable properties	- -
Debt restructuring in various forms	1,123	2,383	15,234	15,510	15,179	15,491	Immovable properties	40 37
Changes of repayment conditions	24,432	28,701	21,398	21,082	21,293	20,982		
Total	25,572	31,085	36,748	36,717	36,588	36,598		

During the years ended 31 December 2016 and 2015, troubled debt restructuring compared with total loans including loans to financial institutions were as follows:

(in million Baht)				
	Consolidated			
	No. of accounts	2016 Outstanding debts	No. of accounts	2015 Outstanding debts
Troubled debt restructured during the years ended 31 December	25,572	36,748	31,085	36,717
Total loans including loans to financial institutions	1,240,967	2,160,734	1,209,336	2,045,257

(in million Baht)				
	The Bank			
	No. of accounts	2016 Outstanding debts	No. of accounts	2015 Outstanding debts
Troubled debt restructured during the years ended 31 December	25,572	36,748	31,085	36,717
Total loans including loans to financial institutions	1,111,312	2,140,503	1,101,009	2,026,343

The average term of troubled debt restructured as of 31 December 2016 is 10.0 years (2015: 11.1 years).

As at 31 December 2016 and 2015, the Bank and its subsidiaries had outstanding balances relating to troubled debt restructured loans as follows:

<i>(in million Baht)</i>			
	Consolidated and the Bank		
	2016	2015	
	No. of accounts	Outstanding debts	No. of accounts
		debts	Outstanding debts
Restructured loans which were classified as NPL	3,047	9,651	3,407
Restructured loans which were not classified as NPL	14,207	30,839	14,089
Total	17,254	40,490	17,496
			32,989

Supplementary information relating to restructured loans for the years ended 31 December 2016 and 2015 were as follows:

(in million Baht)			Annual Report 2016
	Consolidated and the Bank		
	2016	2015	
Interest income recognised in the statement of profit or loss and other comprehensive income	1,626	1,647	211

Revaluation allowance for debt restructuring

As at 31 December 2016 and 2015, the changes to the revaluation allowance for debt restructuring was as follows:

<i>(in million Baht)</i>		
	Consolidated and the Bank	
	2016	2015
As at 1 January	354	21
Increase during the year	3,650	333
As at December	4,004	354

14 Disclosure of the statement of cash flows of the asset management company

In accordance with the BoT's letter number Sor Nor Sor (01) Wor 3258/2543 dated 27 November 2000, relating to the regulations of the asset management company (AMC), the Bank is required to disclose the statements of cash flows of the AMC in the notes to the financial statements. The statements of cash flows of Rutchayothin Assets Management Co., Ltd. were as follows:

Rutchayothin Assets Management Co., Ltd. Statement of cash flows

(in million Baht)		
	For the year ended 31 December	
	2016	2015
	(Unaudited)	(Audited)
Cash flows from operating activities		
(Loss) profit before tax	(2)	270
<i>Adjustment for</i>		
Reversal of impairment loss on loans and debt securities	(6)	(36)
Net gain on investments	-	(1)
	(8)	233
Net interest expense	7	14
(Loss) profit from operations before changes in operating assets and liabilities	(1)	247
<i>(Increase) decrease in operating assets</i>		
Intercompany and money market items	22	(36)
Investments	7	33
Other assets	-	1
<i>Increase (decrease) in operating liabilities</i>		
Debt issued and short-term borrowing	(27)	(247)
Accrued expense	(1)	1
Net cash used in operating activities	-	(1)
Cash flows from investing activities		
Proceeds from sales of general securities	-	1
Net cash from investing activities	-	1
Net increase in cash	-	-
Cash at 1 January	-	-
Cash at 31 December	-	-

15 Properties for sale, net

As at 31 December 2016 and 2015, the changes to the properties for sale, net were as follows:

(in million Baht)				
	Consolidated 2016			
	Beginning balance	Additions	Disposals/ Decreases	Ending balance
Foreclosed assets				
Immovable assets	10,798	1,940	(1,042)	11,696
Movable assets	226	7,202	(7,039)	389
Total	11,024	9,142	(8,081)	12,085
Others	131	292	(269)	154
Total properties for sale	11,155	9,434	(8,350)	12,239
Less allowance for impairment	(597)	(58)	20	(635)
Total properties for sale, net	10,558	9,376	(8,330)	11,604

(in million Baht)				
	Consolidated 2015			
	Beginning balance	Additions	Disposals/ Decreases	Ending balance
Foreclosed assets				
Immovable assets	9,724	2,200	(1,126)	10,798
Movable assets	694	6,696	(7,164)	226
Total	10,418	8,896	(8,290)	11,024
Others	298	418	(585)	131
Total properties for sale	10,716	9,314	(8,875)	11,155
Less allowance for impairment	(995)	-	398	(597)
Total properties for sale, net	9,721	9,314	(8,477)	10,558

(in million Baht)

	The Bank			
	2016			
	Beginning balance	Additions	Disposals/ Decreases	Ending balance
Foreclosed assets				
Immovable assets	10,792	1,937	(1,040)	11,689
Movable assets	225	7,202	(7,038)	389
Total	11,017	9,139	(8,078)	12,078
Others	131	292	(269)	154
Total properties for sale	11,148	9,431	(8,347)	12,232
Less allowance for impairment	(594)	(58)	20	(632)
Total properties for sale, net	10,554	9,373	(8,327)	11,600

(in million Baht)

	The Bank			
	2015			
	Beginning balance	Additions	Disposals/ Decreases	Ending balance
Foreclosed assets				
Immovable assets	9,710	2,200	(1,118)	10,792
Movable assets	693	6,696	(7,164)	225
Total	10,403	8,896	(8,282)	11,017
Others	299	418	(586)	131
Total properties for sale	10,702	9,314	(8,868)	11,148
Less allowance for impairment	(991)	-	397	(594)
Total properties for sale, net	9,711	9,314	(8,471)	10,554

The losses on sales of properties for sale recognised in the consolidated profit or loss for the years ended 31 December 2016 and 2015 were Baht 484 million and Baht 1,085 million respectively, and for the Bank's profit or loss were Baht 482 million and Baht 1,085 million, respectively.

Immovable assets for sale classified by internal appraisers as at 31 December 2016 and 2015 were as follows:

<i>(in million Baht)</i>				
	Consolidated		The Bank	
	2016	2015	2016	2015
Foreclosed assets				
Immovable assets				
Appraised by internal appraisers	11,696	10,798	11,689	10,792
Total	11,696	10,798	11,689	10,792

16 Premises and equipment, net

As at 31 December 2016 and 2015, the changes to the premises and equipment, net were as follows:

Consolidated										(in million Baht)
2016										
	Cost			Accumulated depreciation			Allowance			
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation	Disposals	Ending balance	for impairment	
Land										
Cost	5,858	-	(9)	5,849	-	-	-	-	(146)	
Appraisal *	13,435	-	(48)	13,387	-	-	-	-	-	
Premises and building improvements										
Cost	17,660	736	(66)	18,330	(8,228)	(409)	56	(8,581)	(176)	
Appraisal *	9,225	-	(5)	9,220	(1,489)	(367)	-	(1,856)	(17)	
Equipment	19,975	2,819	(1,484)	21,310	(16,781)	(1,472)	1,491	(16,762)	-	
Others	672	2,789	(3,131)	330	-	-	-	-	-	
Total	66,825	6,344	(4,743)	68,426	(26,498)	(2,248)	1,547	(27,199)	(339)	
									40,888	

* Appraisal values are based on valuations completed in 2015 for the Bank and its subsidiaries

Depreciation presented in the consolidated profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 2,248 million and Baht 2,216 million, respectively.

Consolidated										(in million Baht)		
2015												
Cost			Accumulated depreciation									
Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Transfer in from subsidiary	Ending balance	Beginning balance	Depreciation	Disposals	Transfer in from subsidiary	Ending balance	Allowance for impairment balance		
Land												
Cost	5,855	14	(11)	-	5,858	-	-	-	-	(146)	5,712	
Appraisal *	8,050	5,387	(2)	-	13,435	-	-	-	-	-	13,435	
Premises and building improvements												
Cost	17,272	723	(335)	-	17,660	(7,844)	(641)	257	-	(8,228)	(176)	9,256
Appraisal *	8,790	441	(6)	-	9,225	(1,207)	(283)	1	-	(1,489)	(17)	7,719
Equipment	18,769	1,654	(527)	79	19,975	(15,840)	(1,292)	427	(76)	(16,781)	-	3,194
Others	438	1,193	(960)	1	672	-	-	-	-	-	-	672
Total	59,174	9,412	(1,841)	80	66,825	(24,891)	(2,216)	685	(76)	(26,498)	(339)	39,988

* Appraisal values are based on valuations completed in 2015 for the Bank and its subsidiaries

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2016 amounted to Baht 22,025 million (2015: Baht 21,885 million).

(in million Baht)										
The Bank										
2016										
	Cost			Accumulated depreciation				Transfer in from subsidiary	Ending balance	Allowance for impairment
	Beginning balance	Additions/ Transfer in	Disposals/ out	Beginning balance	Depreciation	Disposals	Ending balance			
Land										
Cost	5,662	-	(8)	-	-	-	5,654	-	-	(145)
Appraisal *	12,792	-	(48)	-	-	-	12,744	-	-	-
Premises and building improvements										
Cost	17,127	707	(64)	-	(388)	54	17,770	-	(8,204)	(176)
Appraisal *	9,126	-	(5)	-	(363)	-	9,121	-	(1,829)	-
Equipment	18,881	2,763	(1,313)	79	(1,330)	1,270	20,410	(76)	(16,030)	-
Others	676	2,785	(3,130)	1	-	-	332	-	-	-
Total	64,264	6,255	(4,568)	80	(2,081)	1,324	66,031	(76)	(26,063)	(321)
										39,647

* Appraisal values are based on valuations completed in 2015

Depreciation presented in the Bank's profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 2,081 million and Baht 2,112 million, respectively.

(in million Baht)

The Bank
2015

	Cost			Accumulated depreciation			Allowance for impairment	Net balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation Disposals		
Land								
Cost	5,665	-	(3)	5,662	-	-	(145)	5,517
Appraisal *	7,478	5,316	(2)	12,792	-	-	-	12,792
Premises and building improvements								
Cost	16,808	645	(326)	17,127	(7,505)	(616)	(176)	9,081
Appraisal *	8,711	421	(6)	9,126	(1,189)	(278)	-	7,660
Equipment	17,728	1,601	(448)	18,881	(15,042)	(1,218)	-	2,987
Others	443	1,193	(960)	676	-	-	-	676
Total	56,833	9,176	(1,745)	64,264	(23,736)	(2,112)	(321)	38,713

* Appraisal values are based on valuations completed in 2015

The gross amount of the Bank's fully depreciated premises and equipment that were still in use as at 31 December 2016 amounted to Baht 21,267 million (2015: Baht 20,860 million).

The fair value of land and premises was determined by external independent property valuers with appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of land and premises was determined by the independent valuers using the market approach for land and the depreciated replacement cost approach for premises, all of which are categorised as Level 3 in the fair value hierarchy.

17 Goodwill and other intangible assets, net

As at 31 December 2016 and 2015, the changes to the goodwill and other intangible assets, net were as follows:

Consolidated										(in million Baht)
2016										
	Cost			Accumulated amortisation				Net		
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Amortisations	Disposals	Ending balance	impairment balance	
Goodwill	10,135	-	-	10,135	-	-	-	-	10,135	
Software licenses	6,112	1,186	(51)	7,247	(4,733)	(599)	39	(5,293)	(94)	
Software under installation	516	1,002	-	1,518	-	-	-	-	1,518	
Others	8	-	-	8	(7)	-	-	(7)	1	
Total	16,771	2,188	(51)	18,908	(4,740)	(599)	39	(5,300)	(94)	
									13,514	

Amortisation presented in the consolidated profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 599 million and Baht 501 million, respectively.

(in million Baht)

Consolidated

2015

	Cost		Transfer in from subsidiary		Ending balance		Beginning balance		Amortisations		Disposals		Transfer in from subsidiary		Ending balance		Net balance	
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out															
Goodwill	9,669	466	-	-	10,135	-	-	-	-	-	-	-	-	-	-	-	10,135	
Software licenses	5,532	665	(116)	31	6,112	(4,217)	(499)	7	(24)	(4,733)	1,379							
Software under installation	392	240	(116)	-	516	-	-	-	-	-	516							
Others	35	-	(27)	-	8	(5)	(2)	-	-	(7)	1							
Total	15,628	1,371	(259)	31	16,771	(4,222)	(501)	7	(24)	(4,740)	12,031							

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2016 amounted to Baht 3,634 million (2015: Baht 3,617 million).

(in million Baht)							
The Bank 2016							
	Cost		Accumulated amortisation				Net balance
	Beginning balance	Additions/ Transfer in	Transfer in from subsidiary	Ending balance	Beginning balance	Amortisations	Ending balance
Goodwill	804	-	466	1,270	-	-	-
Software licenses	5,228	1,122	-	6,350	(4,241)	(510)	(4,751)
Software under installation	459	937	-	1,396	-	-	-
Total	6,491	2,059	466	9,016	(4,241)	(510)	(4,751)
4,265							

Amortisation presented in the Bank's profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 510 million and Baht 424 million, respectively.

(in million Baht)							
The Bank 2015							
	Cost		Accumulated amortisation				Net balance
	Beginning balance	Additions/ Transfer in	Transfer in from subsidiary	Ending balance	Beginning balance	Amortisations	Ending balance
Goodwill	804	-	-	804	-	-	-
Software licenses	4,833	395	-	5,228	(3,817)	(424)	(4,241)
Software under installation	311	148	-	459	-	-	-
Total	5,948	543	-	6,491	(3,817)	(424)	(4,241)
2,250							

The gross amount of the Bank's fully amortised intangible assets that were still in use as at 31 December 2016 amounted to Baht 3,483 million (2015: Baht 3,494 million).

18 Assets pending transfer

As at 31 December 2016 and 2015, assets pending transfer were as follows:

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
	2016	2015	2016	2015
Pending for E-Banking receivables	1,076	1,168	1,076	1,168
Sundry receivables	707	561	778	646
Prepayment of option premium	336	309	336	309
Others	252	230	252	230
Total	2,371	2,268	2,442	2,353

19 Other assets, net

As at 31 December 2016 and 2015, other assets, net were as follows:

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
	2016	2015	2016	2015
Collateral per Credit Support Annex	13,467	19,602	13,467	19,602
Prepaid expenses	3,707	4,258	3,648	4,196
Securities business receivables and receivables from clearing house	3,168	2,945	-	-
Receivable from sales of NPL	2,564	1,870	2,564	1,870
Accrued interest on investment and interest rate derivatives	1,976	2,086	655	765
Accrued service income	836	849	2,175	2,006
Net inter-account balance	666	415	666	487
Others	4,741	5,277	2,456	3,167
Total	31,125	37,302	25,631	32,093

20 Deposits

20.1 Classified by product as at 31 December 2016 and 2015:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Demand	61,585	57,136	60,582	56,292
Savings	1,148,768	1,106,016	1,145,554	1,101,596
Fixed				
- Less than 6 months	201,141	221,323	200,544	221,014
- 6 months and less than 1 year	392,309	300,657	392,305	300,631
- Over 1 year	222,469	205,597	222,469	205,371
Total	2,026,272	1,890,729	2,021,454	1,884,904

20.2 Classified by currency and residence of customer as at 31 December 2016 and 2015

	(in million Baht)					
	Consolidated					
	2016		2015			
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,954,081	476	1,954,557	1,797,211	700	1,797,911
US Dollar	59,607	9,406	69,013	79,127	10,642	89,769
Other currencies	1,553	1,149	2,702	1,986	1,063	3,049
Total	2,015,241	11,031	2,026,272	1,878,324	12,405	1,890,729

	(in million Baht)					
	The Bank					
	2016		2015			
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,954,939	459	1,955,398	1,797,899	671	1,798,570
US Dollar	59,607	3,752	63,359	79,127	4,554	83,681
Other currencies	1,553	1,144	2,697	1,986	667	2,653
Total	2,016,099	5,355	2,021,454	1,879,012	5,892	1,884,904

21 Interbank and money market items (Liabilities)

As at 31 December 2016 and 2015, interbank and money market items (Liabilities) were as follows:

(in million Baht)

	Consolidated					
	Demand	2016 Time	Total	Demand	2015 Time	Total
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	-	17,830	17,830	-	22,110	22,110
Commercial banks	1,541	22,850	24,391	1,550	33,300	34,850
Specialised financial institutions*	88	32,483	32,571	1,577	46,165	47,742
Other financial institutions**	13,805	7,031	20,836	12,917	6,367	19,284
Total domestic items	15,434	80,194	95,628	16,044	107,942	123,986
Foreign items:						
US Dollar	677	1,791	2,468	3,295	12,631	15,926
Japanese Yen	-	-	-	1	-	1
Euro	247	-	247	622	-	622
Other currencies	2,610	-	2,610	2,402	-	2,402
Total foreign items	3,534	1,791	5,325	6,320	12,631	18,951
Total domestic and foreign items	18,968	81,985	100,953	22,364	120,573	142,937

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

(in million Baht)

	The Bank					
	Demand	2016 Time	Total	Demand	2015 Time	Total
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	-	17,830	17,830	-	22,110	22,110
Commercial banks	1,541	22,850	24,391	1,550	33,300	34,850
Specialised financial institutions*	88	32,483	32,571	1,577	46,165	47,742
Other financial institutions **	15,987	7,481	23,468	15,621	6,367	21,988
Total domestic items	17,616	80,644	98,260	18,748	107,942	126,690
Foreign items:						
US Dollar	853	1,791	2,644	3,345	12,631	15,976
Japanese Yen	-	-	-	1	-	1
Euro	247	-	247	622	-	622
Other currencies	2,628	-	2,628	2,429	-	2,429
Total foreign items	3,728	1,791	5,519	6,397	12,631	19,028
Total domestic and foreign items	21,344	82,435	103,779	25,145	120,573	145,718

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

22 Debt issued and borrowings

As at 31 December 2016 and 2015, debt issued and borrowings were as follows:

	Interest rate (%)	Year of maturity	Domestic	Consolidated				
				2016	2015			
				Foreign	Total	Domestic	Foreign	Total
(in million Baht)								
Bonds								
- US Dollar	3.38 - 3.50	2017 - 2019	-	65,573	65,573	-	80,549	80,549
- Baht	1.03 - 1.16	2017	267	-	267	-	-	-
Subordinated bonds								
- Baht	4.50 - 4.65	2022 - 2024	40,000	-	40,000	40,000	-	40,000
Structured notes								
- Baht	0.41 - 0.75	2017	914	-	914	508	-	508
Others			84	-	84	107	-	107
Total			41,265	65,573	106,838	40,615	80,549	121,164

	Interest rate (%)	Year of maturity	The Bank						
			Domestic	2016	2015		Domestic	Foreign	Total
				Foreign	Total	Foreign			
(in million Baht)									
Bonds									
- US Dollar	3.38 - 3.50	2017 - 2019	-	66,302	66,302	-	81,279	81,279	
- Baht	1.03 - 1.16	2017	267	-	267	-	-	-	
Subordinated bonds									
- Baht	4.50 - 4.65	2022 - 2024	40,000	-	40,000	40,000	-	40,000	
Others			84	-	84	107	-	107	
Total			40,351	66,302	106,653	40,107	81,279	121,386	

23 Provisions

As at 31 December 2016 and 2015, provisions were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Reserve for pension and gratuity	4,541	4,315	4,206	3,975
Reserve for reward points	2,579	2,569	2,575	2,563
Possible loss from legal cases	227	227	221	221
Provisions for commitments as off-financial reporting items	115	115	115	115
Others	-	2	-	2
Total	7,462	7,228	7,117	6,876

Pension and other post-retirement employee benefits

The Bank operates a number of pension and post-retirement benefit plans including both defined contribution plans and defined benefit plans. All defined benefit plans are unfunded.

Present value of unfunded obligations as at 31 December 2016 and 2015 were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Severance Payment (SP) benefits scheme	3,728	3,549	3,445	3,257
Other schemes	813	766	761	718
Total present value of unfunded obligations	4,541	4,315	4,206	3,975

Movement in the present value of the defined benefit obligations.

	(in million Baht)			
	Consolidated			
	2016		2015	
	SP	Others	SP	Others
Defined benefit obligations at 1 January	3,549	766	2,630	724
Included in profit or loss:				
Current service cost	287	34	279	45
Interest on obligation	124	27	119	29
Actuarial gain	-	-	-	(37)
	411	61	398	37
Included in other comprehensive income				
Actuarial loss	-	-	619	9
	-	-	619	9
Others				
Transfer out	-	-	(4)	-
Benefits paid	(232)	(14)	(94)	(4)
	(232)	(14)	(98)	(4)
Defined benefit obligations at 31 December	3,728	813	3,549	766

(in million Baht)

	The Bank			
	2016		2015	
	SP	Others	SP	Others
Defined benefit obligations at 1 January	3,257	718	2,394	685
Included in profit or loss:				
Current service cost	252	30	251	40
Interest on obligation	116	25	110	28
Actuarial gain	-	-	-	(37)
	368	55	361	31
Included in other comprehensive income				
Actuarial loss	-	-	586	3
	-	-	586	3
Others				
Transfer in (out)	30	-	(4)	-
Benefits paid	(210)	(12)	(80)	(1)
	(180)	(12)	(84)	(1)
Defined benefit obligations at 31 December	3,445	761	3,257	718

Actuarial losses recognised in other comprehensive income arising from:

(in million Baht)

	Consolidated		The Bank	
	2016	2015	2016	2015
Financial assumptions	-	247	-	231
Experience adjustment	-	60	-	37
Other	-	321	-	321
Total	-	628	-	589

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

	Consolidated and the Bank	
	2016	2015
	<i>(%)</i>	
Discount rate	3.6	3.6
Future salary growth	5.5 - 10.0	5.5 - 10.0
Medical cost trend rate	4.0 - 4.8	4.0 - 4.8
Price inflation rate	3.0	3.0
Gold price inflation rate	3.5	3.5

Assumptions regarding future mortality have been based on published statistics and mortality tables.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
Defined benefit obligations at 31 December 2016	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(528)	645	(490)	599
Future salary growth (1% movement)	449	(387)	409	(352)

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
Defined benefit obligations at 31 December 2015	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(501)	611	(466)	570
Future salary growth (1% movement)	427	(367)	390	(335)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Post-employee benefit expenses included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 were as follows:

(in million Baht)				
	Consolidated		The Bank	
	2016	2015	2016	2015
Recognised in profit or loss:				
Defined contribution plans	1,010	949	897	834
Defined benefit plans	472	435	423	392
Total post-employment benefit expenses	1,482	1,384	1,320	1,226
Recognised in other comprehensive income:				
Actuarial losses recognised in the year	-	628	-	589

24 Liabilities under insurance contracts

As at 31 December 2016 and 2015, liabilities under insurance contracts were as follows:

(in million Baht)		
	Consolidated	
	2016	2015
SCB Life Assurance PCL		
Long-term technical reserves	215,958	183,717
Short-term technical reserves	1,036	1,062
Total	216,994	184,779

Liabilities under insurance contracts for SCB life Assurance PCL are calculated as described in note 4.28.

Long-term technical reserves

	<i>(in million Baht)</i>	
	Consolidated	
	2016	2015
At 1 January	183,717	150,702
Reserve increase from new and inforce policies in the year	43,720	42,548
Reserve released for benefit payments, lapse and cancellation in the year	(11,479)	(9,533)
At 31 December	215,958	183,717

25 Liabilities pending transfer

As at 31 December 2016 and 2015, liabilities pending transfer were as follows:

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
	2016	2015	2016	2015
Pending for payment E-banking	5,430	6,472	5,430	6,472
Other payables	4,802	1,538	4,795	1,550
Others	3,239	3,535	3,203	3,457
Total	13,471	11,545	13,428	11,479

Annual Report 2016

233

26 Other liabilities

As at 31 December 2016 and 2015, other liabilities were as follows:

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
	2016	2015	2016	2015
Accrued expenses	19,053	18,164	15,761	14,571
Other payable per Credit Support Annex	9,573	1,667	9,573	1,667
Interest payable	5,014	6,789	5,029	6,810
Securities business payables and payables to clearing house	2,892	2,640	-	-
Withholding tax payable	675	722	546	603
Margin deposits	965	236	942	213
Others	1,430	2,182	1,084	1,939
Total	39,602	32,400	32,935	25,803

27 Share capital

All preference shares had a period of 10 years, which expired on 10 May 2009. Hence, rights of preference shareholders has been the same as those of the ordinary shareholders since then.

Holders of preference shares are entitled to convert the shares they hold into ordinary shares, with the conversion ratio of 1:1. The holders of ordinary shares and preferred shares are entitled to receive dividends as declared, and are entitled to one vote per share at the shareholders' meeting of the Bank.

28 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserves

Under the Public Companies Act, the Bank and its subsidiaries, which are public companies are required to set aside as a legal reserve at least 5% of their net profit, net of accumulated deficit brought forward (if any), until the reserve is not less than 10% of the registered capital. The legal reserve is not available for dividend distribution.

According to the Civil and Commercial Code, subsidiaries which are private companies must appropriate to a reserve fund at each distribution of dividend at least 5% of the profit arising from the business of the Company until the reserve fund reaches 10% of the capital of the Company. Such reserve fund is not available for distribution as dividend.

Other reserves

Fair value changes in available-for-sale investments

The fair value changes in available-for-sale investments account comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

Currency translation differences

The currency translation differences account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Valuation surplus

The valuation surplus account comprises the cumulative net change in the valuation of premises included in the financial statements at valuation until such premises are sold or otherwise disposed of.

Movements in reserves

Movements in reserves are shown in the statement of changes in equity.

29 Dividends

The Board of Director Meeting held on 23 August 2016 passed a resolution approving an interim dividend payment in respect of the half-year result of 2016 of Baht 1.50 per share, amounting to Baht 5,099 million. The dividend was paid to shareholder on 16 September 2016.

At the annual general meeting of the shareholders of the Bank held on 5 April 2016, the shareholders approved the appropriation of dividend of Baht 4.00 per share, amounting to Baht 13,597 million. The dividend was paid to shareholders on 3 May 2016.

The Board of Director Meeting held on 25 August 2015 passed a resolution approving an interim dividend payment in respect of the half-year result of 2015 of Baht 1.50 per share, amounting to Baht 5,099 million. The dividend was paid to shareholder on 18 September 2015.

At the annual general meeting of the shareholders of the Bank held on 2 April 2015, the shareholders approved the appropriation of dividend of Baht 4.50 per share, amounting to Baht 15,296 million. The dividend was paid to shareholders on 30 April 2015.

30 Assets pledged as collateral and under restriction

As at 31 December 2016 and 2015, assets pledged as collateral and under restriction were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Investments				
Securities pledged as collateral for repurchase	21,570	42,636	21,570	42,636
Others	43,550	35,191	167	272
Total	65,120	77,827	21,737	42,908

31 Contingencies

As at 31 December 2016 and 2015, contingencies were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Avals to bills	9,505	5,754	9,505	5,754
Guarantees of loans	19,442	248	18,627	110
Liability under unmatured import bills	10,403	8,228	10,403	8,228
Letters of credit	24,152	27,775	23,961	27,567
Other contingencies				
- Amount of unused bank overdrafts	165,963	156,991	165,176	156,255
- Other guarantees	165,493	178,458	164,386	176,498
- Receivables / payables from investments	3,972	7,383	3,474	7,383
- Others	28,526	38,132	23,526	35,584
Total	427,456	422,969	419,058	417,379

As at 31 December 2016, the Bank had commitments of Baht 3 million, in connection with finance companies whose operations were closed down permanently by the Ministry of Finance on 8 December 1997 (2015: Baht 3 million).

32 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank and its subsidiaries if the Bank and its subsidiaries have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and its subsidiaries and the party are subject to common control or common significant influence. Related parties may be individuals or juristic entities.

The Bank has business transactions with related parties or persons. Interest rate for staff loans under the staff welfare scheme is charged in accordance with the Bank's regulations for such loans. Interest rate and other pricing for other related parties are at the same rate as in the normal course of business with the same business conditions as general customers. For other income and expenses are charged at market price as normal business or the price as stipulated in the agreement. Transactions with related parties or persons were as follows:

32.1 Loans, deposits, borrowings and contingencies

Loans, deposits, borrowings and contingencies to related parties or persons as at 31 December 2016 and 2015 were as follows:

	<i>(in million Baht)</i>							
	2016				2015			
	Loans*	Deposits	Borrow- ings	Contin- gencies	Loans*	Deposits	Borrow- ings	Contin- gencies
Associate	1,907	378	-	-	-	692	-	-
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	2	-	-	-	1
Major shareholders (more than 10% ownership)	-	10,372	-	-	-	8,216	-	-
Entities in which the directors, management or close members of their families have significant influence	88	514	178	106	11	655	1	107
Directors and key executive officers	169	1,166	13	-	122	712	19	-
Total	2,164	12,430	191	108	133	10,275	20	108

* Net of provision (1%)

(in million Baht)

	The Bank							
	2016				2015			
	Loans*	Deposits	Borrow-ings	Contin-gencies	Loans*	Deposits	Borrow-ings	Contin-gencies
Subsidiaries								
Finance & Insurance	-	2,126	2,140	14,938	-	2,012	1,727	13,151
Others	-	145	-	-	-	460	-	-
Total subsidiaries	-	2,271	2,140	14,938	-	2,472	1,727	13,151
Associate	1,907	378	-	-	-	692	-	-
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	2	-	-	-	1
Major shareholders (more than 10% ownership)	-	10,372	-	-	-	8,216	-	-
Entities in which the directors, management or close members of their families have significant influence	88	514	178	106	11	655	1	107
Directors and key executive officers	169	1,166	13	-	122	712	19	-
Total	2,164	14,701	2,331	15,046	133	12,747	1,747	13,259

* Net of provision (1%)

32.2 Income and expenses

Significant income and expenses between the Bank and its subsidiaries, associate and related companies for the years ended 31 December 2016 and 2015 were as follows:

(in million Baht)

	Consolidated							
	2016				2015			
	Income Interest	Others	Expenses Interest	Others	Income Interest	Others	Expenses Interest	Others
Associate	-	10	6	-	-	-	4	-
Major shareholders	-	-	143	23	-	4,289	226	22

(in million Baht)

	The Bank							
	2016				2015			
	Income		Expenses		Income		Expenses	
	Interest	Others	Interest	Others	Interest	Others	Interest	Others
Subsidiaries	7	12,617	55	2,702	14	12,909	89	2,499
Associate	-	10	6	-	-	-	4	-
Major shareholders	-	-	143	23	-	4,289	226	22

On 24 September 2015, the Bank sold 9,070,600 common shares held by the Bank in the Siam Cement Public Company Limited to the Crown Property Bureau, which is a related party. The selling price was based on prevailing market prices to reflect an arm's length basis. Sales proceeds amounted to Baht 4.5 billion and a gain on investment of Baht 4.3 billion has been recorded in 2015.

33 Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, holding the position of Executive Vice President or higher.

The Bank has not paid benefits to directors and executives other than the benefits that are normally paid such as meeting allowances, reward, salary, bonus, cost of living allowance, transportation charges and fringe benefits according to the Bank's regulations.

(in million Baht)

For the year ended 31 December	Consolidated		The Bank	
	2016	2015	2016	2015
Short-term employee benefits	1,686	1,617	1,389	1,335
Post-employment benefits	95	49	93	46
Total	1,781	1,666	1,482	1,381

34 Operating leases

Leases as lessee

The Bank and its subsidiaries lease a number of branch offices rental, foreign exchange booths, ATM rental areas, cars and office equipment under operating lease. The leases typically run for an average period of 5 years, with an option to renew the lease after maturity date.

The branch offices rental, foreign exchange booths, ATM rental areas, cars, and office equipment were entered into many years ago as combined leases of land, buildings, vehicles, and equipment which were classified to operating leases. The rent paid to the lessors are adjusted to market rentals at regular intervals, and the Bank and its subsidiaries do not have an interest in the residual value of the rental assets. As a result, it was determined that substantially all of the risks and rewards of the rental assets are with the lessors.

(a) *Future minimum lease payments*

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows.

		(in million Baht)			
Type of lease	Period	Consolidated		The Bank	
		2016	2015	2016	2015
Land and/or premises	Within 1 year	2,046	1,974	1,951	1,850
	1 - 5 years	1,668	1,617	1,520	1,576
	Over 5 years	219	192	219	192
Equipment	Within 1 year	163	83	163	82
Vehicles	Within 1 year	214	209	206	196
	1 - 5 years	562	617	551	599
	Over 5 years	80	-	80	-

(b) *Amount recognised in profit or loss*

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Lease expense	2,658	2,502	2,658	2,513

35 Operating segments

As at 31 December 2016 and 2015, operating segments were as follows:

Information on the Bank's operating model and business segments is set out in the annual report. Specifically, the Bank has four main lines of business: the Corporate Segment which serves corporate and commercial customers; the SME Segment which serves SME customers; the Retail Segment which serves individuals and small businesses; and the Special Business Function which is responsible for NPL resolution. In addition, the Bank has three major subsidiaries: SCB Securities Co., Ltd., SCB Asset Management Co., Ltd. and SCB Life Assurance PCL.

In the information provided below, the results of subsidiaries together with the income from the Banks' investments, interbank and money market, that is not allocated to a specific business unit, are presented under the "Life Insurance" and "Others" column. The results of the Special Business unit are allocated back to the line of business from which the workout assets were transferred. With respect to fee income earned by subsidiaries, it is allocated to the appropriate line of business (Corporate Segment, SME Segment or Retail Segment) in the Management Discussion and Analysis that accompanies the financial statements but is stated under "Life Insurance" and "Others" in the analysis below. Finally, operating expenses are both direct and indirect business expenses of each line of business as well as allocation of common expenses to these businesses.

The Bank has determined that the Chief Operating Decision Maker is the Executive Committee. Financial information of the business segments measured on a basis that is consistent with internal reporting was as follows:

	(in million Baht)					
	Consolidated					
<i>For the year ended 31 December 2016</i>	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	Total
Net interest income	16,503	14,794	44,671	8,061	4,420	88,449
Net fees income & dividend and other income	9,501	6,206	26,351	3,197	(370)	44,885
Total operating income	26,004	21,000	71,022	11,258	4,050	133,334
Total operating expenses	(8,281)	(5,334)	(36,021)	(2,679)	671	(51,644)
Profit before impairment loss and income tax	17,723	15,666	35,001	8,579	4,721	81,690
Impairment loss and income tax						(34,021)
Net profit						47,669

(in million Baht)

<i>For the year ended 31 December 2015</i>	Consolidated					Total
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	
Net interest income	15,847	14,573	41,577	7,154	3,683	82,834
Net fees income & dividend and other income	10,035	6,318	26,192	3,784	8,095	54,424
Total operating income	25,882	20,891	67,769	10,938	11,778	137,258
Total operating expenses	(7,334)	(5,352)	(33,644)	(2,438)	(29)	(48,797)
Profit before impairment loss and income tax	18,548	15,539	34,125	8,500	11,749	88,461
Impairment loss and income tax						(41,221)
Net profit						47,240

(in million Baht)

	Consolidated 2016					Total
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	
Investment in associate	-	-	-	-	334	334
Loans*	708,683	364,940	856,276	7,351	1,798	1,939,048
Total assets	806,011	332,260	835,864	248,340	690,548	2,913,023
Total liabilities	580,158	172,850	1,348,848	223,144	253,725	2,578,725

(in million Baht)

	Consolidated 2015					Total
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	
Investment in associate	-	-	-	-	344	344
Loans*	640,876	357,193	824,319	5,487	5,531	1,833,406
Total assets	740,022	331,048	804,400	212,491	686,348	2,774,309
Total liabilities	604,406	159,619	1,203,067	191,053	308,471	2,466,616

* Net of deferred revenue

36 The financial position and results of operations classified by domestic and foreign business

36.1 As at 31 December 2016 and 2015, the financial position classified by domestic and foreign business was as follows:

(in million Baht)

	Consolidated							
	2016				2015			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Total assets	2,871,674	89,275	(47,926)	2,913,023	2,704,384	112,710	(42,785)	2,774,309
Interbank and money market items, net (Assets)	247,262	10,188	(194)	257,256	233,400	27,620	(77)	260,943
Investments, net *	587,405	3,516	-	590,921	536,129	870	-	536,999
Loans to customers and accrued interest receivables, net	1,847,244	18,575	-	1,865,819	1,746,380	26,794	-	1,773,174
Deposits	2,015,822	10,450	-	2,026,272	1,877,221	13,508	-	1,890,729
Interbank and money market items (Liabilities)	99,356	1,791	(194)	100,953	130,383	12,631	(77)	142,937
Debt issued and borrowings	41,265	65,573	-	106,838	40,615	80,549	-	121,164

Annual Report 2016

243

(in million Baht)

	The Bank							
	2016				2015			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Total assets	2,627,878	81,296	(47,732)	2,661,442	2,497,559	102,575	(42,708)	2,557,426
Interbank and money market items, net (Assets)	238,481	5,421	-	243,902	224,735	21,757	-	246,492
Investments, net *	376,302	3,516	-	379,818	359,974	867	-	360,841
Loans to customers and accrued interest receivables, net	1,838,463	15,679	-	1,854,142	1,739,314	22,914	-	1,762,228
Deposits	2,016,678	4,776	-	2,021,454	1,877,909	6,995	-	1,884,904
Interbank and money market items (Liabilities)	101,988	1,791	-	103,779	133,087	12,631	-	145,718
Debt issued and borrowings	40,351	66,302	-	106,653	40,107	81,279	-	121,386

* Includes net investments in subsidiaries and associate

36.2 The results of operations classified by domestic and foreign business for the years ended 31 December 2016 and 2015 were as follows:

(in million Baht)

	Consolidated							
	2016				2015			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Interest income	121,387	3,451	(2,395)	122,443	121,298	3,576	(2,412)	122,462
Interest expense	(32,990)	(3,399)	2,395	(33,994)	(38,532)	(3,508)	2,412	(39,628)
Net interest income	88,397	52	-	88,449	82,766	68	-	82,834
Net fees and service income	28,336	78	-	28,414	27,022	53	-	27,075
Other operating income	16,381	90	-	16,471	27,290	59	-	27,349
Other operating expenses	(73,870)	(302)	-	(74,172)	(78,447)	(73)	-	(78,520)
Profit before tax	59,244	(82)	-	59,162	58,631	107	-	58,738

(in million Baht)

	The Bank							
	2016				2015			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Interest income	113,291	3,248	(2,395)	114,144	114,007	3,438	(2,412)	115,033
Interest expense	(32,986)	(3,383)	2,395	(33,974)	(38,578)	(3,497)	2,412	(39,663)
Net interest income	80,305	(135)	-	80,170	75,429	(59)	-	75,370
Net fees and service income	31,679	17	-	31,696	30,703	(11)	-	30,692
Other operating income	11,379	76	-	11,455	20,703	46	-	20,749
Other operating expenses	(71,615)	(223)	-	(71,838)	(76,154)	5	-	(76,149)
Profit before tax	51,748	(265)	-	51,483	50,681	(19)	-	50,662

37 Interest income

Interest income included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
	2016	2015	2016	2015
Interbank and money market items	4,206	3,687	3,794	3,280
Investments and trading transactions	597	501	597	501
Investments in debt securities	12,230	12,372	4,831	5,733
Loans	94,844	95,729	94,356	95,346
Hire-purchase and finance leases	10,479	10,097	10,479	10,097
Others	87	76	87	76
Total	122,443	122,462	114,144	115,033

38 Interest expense

Interest expense included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

	<i>(in million Baht)</i>			
	Consolidated		The Bank	
	2016	2015	2016	2015
Deposits	20,225	26,463	20,220	26,505
Interbank and money market items	1,034	1,078	1,049	1,085
Contributions to Deposit Protection Agency	8,810	8,584	8,810	8,584
Debt issued				
- Subordinated debentures	1,835	1,830	1,835	1,830
- Others	2,010	1,624	2,039	1,653
Borrowings	59	43	-	-
Others	21	6	21	6
Total	33,994	39,628	33,974	39,663

39 Net fees and service income

Net fees and service income included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

(in million Baht)				
	Consolidated		The Bank	
	2016	2015	2016	2015
Fees and service income				
- Acceptances, avals and guarantees	1,645	1,272	1,629	1,258
- ATM, Debit cards, Credit Cards and other banking electronic	11,965	12,099	11,980	12,115
- Others	20,769	19,333	23,000	22,151
Total fees and service income	34,379	32,704	36,609	35,524
Fees and service expense	(5,965)	(5,629)	(4,913)	(4,832)
Net fees and service income	28,414	27,075	31,696	30,692

40 Net trading income

Net trading income included in profit or loss for years ended 31 December 2016 and 2015 was as follows:

(in million Baht)				
	Consolidated		The Bank	
	2016	2015	2016	2015
Gain on trading and foreign exchange transactions				
- Foreign currencies and foreign currency related derivatives	5,161	7,520	5,228	7,126
- Interest rate related derivatives	1,223	402	1,223	402
- Debt securities	85	326	13	258
- Equity securities	245	66	83	13
- Others	-	1	-	1
Total	6,714	8,315	6,547	7,800

41 Net gain on investments

Net gain on investments included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

<i>(in million Baht)</i>				
	Consolidated		The Bank	
	2016	2015	2016	2015
Gain (loss) on sales				
- Available-for-sale securities	2,685	9,732	1,254	8,946
- Held-to-maturity securities	(191)	(188)	-	-
- General investments	2	-	2	-
Total	2,496	9,544	1,256	8,946
Gain (loss) on impairment				
- Available-for-sale securities	10	4	10	4
- General investments	-	(2)	-	(2)
- Investments in subsidiaries and associate	29	(156)	13	(357)
Total	39	(154)	23	(355)
Net gain on investments	2,535	9,390	1,279	8,591

Annual Report 2016

42 Impairment loss on loans and debt securities

247

Bad debt, doubtful accounts and loss on debt restructuring included in profit or loss for the years ended 31 December 2016 and 2015 were as follows:

<i>(in million Baht)</i>				
	Consolidated		The Bank	
	2016	2015	2016	2015
Interbank and money market items	(26)	(22)	(26)	(22)
Available-for-sale securities	-	(35)	-	(35)
Held-to-maturity securities	-	(19)	-	(19)
Loans to customers *	18,815	29,759	18,817	29,762
Loss on debt restructuring	3,739	40	3,739	40
Total	22,528	29,723	22,530	29,726

* Includes bad debt recovery

43 Income tax

Income tax recognised in profit or loss

(in million Baht)				
For the year ended 31 December	Consolidated		The Bank	
	2016	2015	2016	2015
Current tax expense				
Current year	12,081	11,374	9,865	9,183
Deferred tax expense				
Movements in temporary differences	(588)	124	(547)	142
Total income tax expense	11,493	11,498	9,318	9,325

Income tax recognised in other comprehensive income

(in million Baht)						
For the year ended 31 December	Consolidated					
	Before tax	2016 Tax benefit	Net of tax	Before tax	2015 Tax benefit (expense)	Net of tax
Investments	(2,641)	531	(2,110)	(7,906)	1,484	(6,422)
Derivatives	(136)	27	(109)	(4)	1	(3)
Premises and equipment	(53)	11	(42)	5,823	(1,165)	4,658
Provisions	-	-	-	(628)	126	(502)
Total	(2,830)	569	(2,261)	(2,715)	446	(2,269)

(in million Baht)						
For the year ended 31 December	The Bank					
	Before tax	2016 Tax benefit	Net of tax	Before tax	2015 Tax benefit (expense)	Net of tax
Investments	(122)	24	(98)	(6,271)	1,232	(5,039)
Derivatives	(51)	10	(41)	-	-	-
Premises and equipment	(53)	11	(42)	5,728	(1,146)	4,582
Provisions	-	-	-	(589)	118	(471)
Total	(226)	45	(181)	(1,132)	204	(928)

Reconciliation of effective tax rate

For the year ended 31 December	Consolidated			
	2016		2015	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax expense		<u>59,162</u>		<u>58,738</u>
Income tax using the Thai corporation tax rate	20.0	11,832	20.0	11,748
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(339)		(250)
Total	19.4	11,493	19.6	11,498

For the year ended 31 December	The Bank			
	2016		2015	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax expense		<u>51,483</u>		<u>50,662</u>
Income tax using the Thai corporation tax rate	20.0	10,297	20.0	10,132
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(979)		(807)
Total	18.1	9,318	18.4	9,325

Annual Report 2016

249

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for the accounting periods which begins on or after 1 January 2016.

Deferred tax

Deferred tax assets and liabilities as at 31 December 2016 and 2015 were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Deferred tax assets	410	66	8	2
Deferred tax liabilities	(2,328)	(3,141)	(2,186)	(2,772)
Net	(1,918)	(3,075)	(2,178)	(2,770)

Movements in deferred tax assets and liabilities during for the years ended 31 December 2016 and 2015 were as follows:

(in million Baht)

	Consolidated			
	At	(Charged) / Credited to:		At
	1 January	Profit	Other	31 December
	2016	or loss	comprehensive	2016
			income	
Deferred tax assets				
Derivative assets	130	(69)	10	71
Investments	340	(5)	116	451
Investments in subsidiaries and associate	409	-	-	409
Loans to customers and accrued interest receivables	160	464	-	624
Properties for sale	119	8	-	127
Premises and equipment	1	-	-	1
Other intangible assets	84	(26)	-	58
Other assets	317	104	-	421
Derivative liabilities	279	2	(122)	159
Provisions	1,443	74	-	1,517
Liabilities under insurance contracts	36	8	-	44
Other liabilities	673	29	-	702
Total	3,991	589	4	4,584
Deferred tax liabilities				
Derivative assets	(311)	(5)	139	(177)
Investments	(1,206)	(12)	415	(803)
Loans to customers and accrued interest receivables	(449)	(52)	-	(501)
Premises and equipment	(5,061)	49	11	(5,001)
Other intangible assets	(16)	16	-	-
Other assets	(23)	3	-	(20)
Total	(7,066)	(1)	565	(6,502)
Net	(3,075)	588	569	(1,918)

		Consolidated			
		(Charged) / Credited to:			
	At 1 January 2015	Profit or loss	Other comprehensive income	Retained earnings	At 31 December 2015
<i>Deferred tax assets</i>					
Derivative assets	-	32	-	98	130
Investments	231	(134)	243	-	340
Investments in subsidiaries and associate	376	33	-	-	409
Loans to customers and accrued interest receivables	103	57	-	-	160
Properties for sale	199	(80)	-	-	119
Premises and equipment	1	-	-	-	1
Other intangible assets	113	(29)	-	-	84
Other assets	10	307	-	-	317
Deposits	108	(108)	-	-	-
Derivative liabilities	28	6	245	-	279
Provisions	1,444	(127)	126	-	1,443
Liabilities under insurance contracts	33	3	-	-	36
Other liabilities	703	(30)	-	-	673
Total	3,349	(70)	614	98	3,991
<i>Deferred tax liabilities</i>					
Derivative assets	(66)	(1)	(244)	-	(311)
Investments	(2,463)	16	1,241	-	(1,206)
Loans to customers and accrued interest receivables	(400)	(49)	-	-	(449)
Premises and equipment	(3,861)	(35)	(1,165)	-	(5,061)
Other intangible assets	(21)	5	-	-	(16)
Other assets	(32)	9	-	-	(23)
Other liabilities	(1)	1	-	-	-
Total	(6,844)	(54)	(168)	-	(7,066)
Net	(3,495)	(124)	446	98	(3,075)

		The Bank		
		(Charged) / Credited to:		
	At 1 January 2016	Profit or loss	Other comprehensive income	At 31 December 2016
<i>Deferred tax assets</i>				
Derivative assets	130	(69)	10	71
Investments	90	-	23	113
Investments in subsidiaries and associate	409	-	-	409
Loans to customers and accrued interest receivables	160	464	-	624
Properties for sale	119	7	-	126
Other intangible assets	84	(34)	-	50
Other assets	300	103	-	403
Provisions	1,375	49	-	1,424
Other liabilities	650	26	-	676
Total	3,317	546	33	3,896
<i>Deferred tax liabilities</i>				
Investments	(699)	3	1	(695)
Loans to customers and accrued interest receivables	(449)	(52)	-	(501)
Premises and equipment	(4,917)	48	11	(4,858)
Other assets	(22)	2	-	(20)
Total	(6,087)	1	12	(6,074)
Net	(2,770)	547	45	(2,178)

	At 1 January 2015	The Bank (Charged) / Credited to:			At 31 December 2015
		Profit or loss	Other comprehensive income	Retained earnings	
Deferred tax assets					
Derivative assets	-	32	-	98	130
Investments	213	(137)	14	-	90
Investments in subsidiaries and associate	376	33	-	-	409
Loans to customers and accrued interest receivables	103	57	-	-	160
Properties for sale	198	(79)	-	-	119
Other intangible assets	113	(29)	-	-	84
Other assets	-	300	-	-	300
Deposits	99	(99)	-	-	-
Provisions	1,378	(121)	118	-	1,375
Other liabilities	690	(40)	-	-	650
Total	3,170	(83)	132	98	3,317
Deferred tax liabilities					
Investments	(1,933)	16	1,218	-	(699)
Loans to customers and accrued interest receivables	(401)	(48)	-	-	(449)
Premises and equipment	(3,735)	(36)	(1,146)	-	(4,917)
Other assets	(31)	9	-	-	(22)
Total	(6,100)	(59)	72	-	(6,087)
Net	(2,930)	(142)	204	98	(2,770)

44 Basic earnings per share

Basic earnings per share in the consolidated and the Bank's financial statements for the years ended 31 December 2016 and 2015 were calculated as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2016	2015	2016	2015
Profit attributable to ordinary shareholders of the Bank (basic)	47,612	47,182	42,165	41,337
Number of ordinary and preference shares outstanding	3,399	3,399	3,399	3,399
Earnings per share (basic) (in Baht)	14.01	13.88	12.40	12.16

45 Events after the reporting period

- 45.1 At the Board of Director Meeting held on 28 February 2017 passed a resolution approving an annual dividend payment in respect of the result of 2016. This resolution will be approved by the annual general meeting of the shareholders of the Bank on 11 April 2017.
- 45.2 On 26 January 2017, the Bank issued bond, with due in 2022, in the amount of USD 400 million. Interest is payable semi-annually at a fixed interest rate of 3.20% per annum.
- 45.3 On 13 January 2017, the Bank registered the conversion of 89,925 preference shares to 89,925 ordinary shares with the Ministry of Commerce.

46 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Bank and its subsidiaries' operations, which become effective for annual financial periods beginning on or after 1 January 2017, are set out below. The Bank and its subsidiaries do not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 104 (revised 2016)	Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 15 (revised 2016)	Operating Leases - Incentives
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2016)	Customer Loyalty Programmes

TFRS**Topic**

TFRIC 14 (revised 2016)	TAS 19 (revised 2016) <i>Employee Benefits</i> - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
FAP Announcement no. 5/2559	Accounting guidance for derecognition of financial assets and financial liabilities
FAP Announcement no. 91/2559	Accounting guidance for insurance business to designate financial instruments as financial instruments measured at fair value through profit or loss

The Bank and its subsidiaries have made a preliminary assessment of the potential initial impact on the consolidated and the Bank's financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

SUPPLEMENTARY INFORMATION

8

SUPPLEMENTARY INFORMATION

CAPITAL STRUCTURE

Securities

Registered capital, as at December 31, 2016, stood at Baht 70,000 million, comprising:

3,416,174,272	ordinary shares	par value 10 Baht
3,583,825,728	preferred shares	par value 10 Baht

Paid-up capital, as at December 31, 2016, stood at Baht 33,992 million, comprising:

3,395,301,898	ordinary shares	par value 10 Baht
3,890,300	preferred shares	par value 10 Baht

Details of Securities

SCB's securities listed on the Stock Exchange of Thailand (SET) are as follows:

1. Ordinary shares
2. Preferred shares

1. Ordinary shares

Number	3,395,301,898 shares as at December 31, 2016
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Co., Ltd.
Trading	Traded on both main board and foreign board: - Using the symbol SCB on the main board - Using the symbol SCB-F on the foreign board

2. Preferred shares

Number	3,890,300 shares as at December 31, 2016
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Co., Ltd.
Preferred share features	Preferential rights of preferred shares were valid for 10 years, starting from the date the Ministry of Finance made an initial payment for the preferred shares to the Bank, and expired on May 10, 2009. Therefore, the rights of holders of preferred shares are now the same as those of the holders of ordinary shares. Shareholders can convert preferred shares to ordinary shares in accordance with the conversion schedule and method determined by the Bank. Preferred shares can be converted to ordinary shares at the ratio of 1:1. Conversion price: None Conversion schedule: On a quarterly basis on March 31, June 30, September 30 and December 31 of each year. - For conversion on March 31, application must be submitted during March 16-30. - For conversion on June 30, application must be submitted during June 15-29. - For conversion on September 30, application must be submitted during September 15-29. - For conversion on December 31, application must be submitted during December 16-30. If the conversion date falls on a non-business day of the Bank, the conversion date shall be the last business day immediately preceding such non-business day.

Exercise procedure

(1) Any holder of preferred shares may obtain a form of conversion notice at Thailand Securities Depository Company Limited or a securities company which is a broker for securities trading.

(2) Any holder of preferred shares may, within business hours, file a conversion notice with Thailand Securities Depository Company Limited or a securities company that is a broker for securities trading.

(3) Documents required for conversion are:

1. Form of conversion notice as prescribed by the Bank;
2. Preferred share certificates or any substitute thereof (as prescribed by the SET).
3. In case of an individual, a copy of valid national identity card, foreigner identity card or passport (as the case may be), which must be certified as a true and correct copy by the owner of such card or passport. In case of a juristic person, a copy of Affidavit, certifying its juristic person status issued by Ministry of Commerce no more than 1 year prior to the date of submission of the said conversion notice, together with a copy of valid national identity card of the director who has authority to sign on behalf of such juristic person, certified as a true and correct copy by the owner of such card.

Place for exercise

(1) Thailand Securities Depository Co., Ltd. or
(2) Broker

Future Share Issuance Obligation

The Bank has no future share issuance obligation.

Shareholding through Thai NVDR Co., Ltd (NVDR)

As at December 31, 2016, the Bank's registered and paid-up shares amounted to 3,399,192,198 shares, of which 193,128,783 ordinary shares (5.68% of total shares and 5.68% of total ordinary shares) were held through NVDR, which held no preferred shares. NVDR has declared its abstention from attending and voting at shareholder meetings, except for any shareholder meeting that involves the delisting of shares from the SET on the agenda. Investors can check the number of the Bank's shares held through NVDR on the website of the Stock Exchange of Thailand at www.set.or.th/nvdr

Note: An NVDR, or non-voting depositary receipt, is a trading instrument evidencing the investor's entitlement to benefits associated with underlying shares listed on SET. Thai NVDR Co., Ltd. is a juristic person holding shares on behalf of foreign investors. This legal structure allows foreign investors investing through Thai NVDR Co., Ltd. to not be restricted by the foreign ownership limit.

Policy on Rights Issue

The Bank has no plan to issue new shares to existing shareholders.

Shareholders

Principal shareholders (as at December 30, 2016)

No.	Name	Ordinary shares	Preferred shares	Total shares	Percentage of shares
1	VAYUPAK MUTUAL FUND 1	785,798,200	-	785,798,200	23.12
2	BUREAU OF THE CROWN PROPERTY AND GROUP	781,079,058	-	781,079,058	22.98
3	THAI NVDR COMPANY LIMITED	193,128,783	-	193,128,783	5.68
4	STATE STREET BANK EUROPE LIMITED	186,499,769	-	186,499,769	5.49
5	LITTLEDOWN NOMINEES LIMITED	174,947,995	-	174,947,995	5.15
6	CHASE NOMINEES LIMITED	141,589,631	-	141,589,631	4.17
7	THE BANK OF NEW YORK MELLON	52,824,918	-	52,824,918	1.55
8	SOCIAL SECURITY OFFICE	51,080,500	-	51,080,500	1.50
9	STATE STREET BANK AND TRUST COMPANY	39,390,075	-	39,390,075	1.16
10	NORTRUST NOMINEES LIMITED-NT0 SEC LENDING THAILAND CL AC	38,841,991	-	38,841,991	1.14
11	OTHERS	950,120,978	3,890,300	954,011,278	28.07
TOTAL ISSUED SHARE CAPITAL		3,395,301,898	3,890,300	3,399,192,198	100.00
THAI SHAREHOLDERS		2,286,468,942	3,667,977	2,290,136,919	67.37
FOREIGN SHAREHOLDERS		1,108,832,956	222,323	1,109,055,279	32.63

Remark: Ministry of Finance holds 3,071,786 ordinary shares, representing 0.09% of total share capital.

Dividend Payment PolicyDividend Payment Policy of the Bank

The Bank has a policy to pay dividends at a rate between 30-50% of reported consolidated net profits in any year when the Bank, after deduction of all legal and other reserves, reports profits, provided that there is no accumulated loss and the Bank can maintain sufficient capital funds as required by law.

In 2016, the dividend from the Bank's 2015 operating results was paid to holders of the Bank's ordinary and preferred ordinary shares at the rate of Baht 5.50 per share, equivalent to Baht 18,696 million or 39.6% of the Bank's 2015 consolidated net profit. The dividend payment from the Bank's 2016 operating results will be proposed for approval at the Annual General Meeting of Shareholders in April 2017.

Dividend Payment Policy of Subsidiaries

Where the Bank has full control over a subsidiary and where such subsidiary is not a SET-listed company, the dividend payment policy is to pay dividends at the maximum amount from the net profits after appropriation for legal reserves, or at an appropriate lower payout after considering the business requirements of the subsidiary.

In case a subsidiary is a SET-listed company or a company over which the Bank does not have full control, the dividend

payment policy shall be in accordance with the policy announced by such company, including the applicable laws, rules and regulations. In addition, where the dividend payment policy of a subsidiary is subject to regulatory approval, then the regulators may limit the payout ratio. For example, the dividend payment of SCB Life Assurance PCL is subject to the requirements stipulated by, and the approval from, the Office of Insurance Commission (OIC).

Debt Securities

At the end of 2016, debt issued was as follows:

	Amount	Interest rate	Year of maturity
Senior Unsecured Notes	USD 1,100 million	3.375%	September 2017
Senior Unsecured Notes	USD 750 million	3.50%	April 2019
Subordinated Debenture No. 1/2012*	Baht 20,000 million	4.5%	2022
Subordinated Debenture No. 2/2012*	Baht 20,000 million	4.65%	2024

* The issuer has the right to early redemption.

Investments of Siam Commercial Bank PCL in Other Companies

As of December 31, 2016 the Bank owned 10% or more of the issued shares of the following companies.

No.	Company name and address	Type of business	Type of shares	Issued and paid-up capital (Baht)	Paid-up shares	Number of shares	Percentage of ownership*	Amount* (Baht)
1	CAMBODIAN COMMERCIAL BANK LTD. 26 Monivong Rd., Sangkat Phsar Thmei 2, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia Tel: 001-855 (23) 426-145, 213-601-2 Fax: 001-855 (23) 426-116	Banking	Ordinary	US\$57,500,000	575,000	575,000	100.000%	1,284,364,385
2	RATCHAYOTHIN ASSET MANAGEMENT CO., LTD. 9 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2544-2477 Fax: 0-2544-2165	Asset management	Ordinary	25,000,000	2,500,000	2,500,000	100.000%	25,000,000
3	SCB PLUS CO., LTD. 1060 Tower 3, 9 th -10 th Floor, Siam Commercial Bank PCL, New Phetchaburi Rd., Makkasan, Ratchathewi, Bangkok 10400 Tel: 0-2792-3800 Fax: 0-2255-1565	Collection company	Ordinary	1,000,000	100,000	100,000	100.000%	1,000,000
4	SCB TRAINING CENTRE CO., LTD. SCB Head Office Bldg., 9 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2544-1702,1704,1707 Fax: 0-2544-1701	Training center	Ordinary	549,000,000	5,490,000	5,490,000	100.000%	389,504,400
5	MAHISORN CO., LTD. ⁽¹⁾ SCB Park Plaza Bldg., Tower East, 2 nd Floor, 18 - 19 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2937-5400 Fax: 0-2937-5438	Property (building) management	Ordinary	66,949,000	669,490	669,490	100.000%	88,164,875
6	SCB SECURITIES CO., LTD. SCB Park Plaza Bldg., Tower 3 East, 20 th - 21 st Floor, RCP Tower G Floor, 19 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2949-1000 Fax: 0-2949-1001	Securities	Ordinary	2,100,000,000	240,000,000	240,000,000	100.000%	2,207,396,410
7	DIGITAL VENTURES CO., LTD. ⁽²⁾ 96 Mahanakorn CUBE Tower, 2 nd floor (L2-02), Narathiwas Ratchanakharin Rd., Silom, Bang Rak, Bangkok 10500 Tel: 02-061-6166	Venture capital	Ordinary	103,750,000	4,000,000	4,000,000	100.000%	103,750,000
8	SCB ASSET MANAGEMENT CO., LTD. SCB Park Plaza Bldg., Tower 1 West, 7 th -8 th Floor, 18 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2949-1500 Fax: 0-2949-1501	Asset management	Ordinary	100,000,000	20,000,000	20,000,000	100.000%	221,573,983
9	SCB LIFE ASSURANCE PCL. Siam Commercial Bank PCL (Chidlom), Bldg. 1, 4 th -10 th Floor, 1060 New Petchaburi Rd., Makkasan, Ratchathewi, Bangkok 10400 Tel: 0-2655-4000 Fax: 0-2256-1666	Life insurance	Ordinary	665,000,000	66,500,000	65,948,600	99.171%	12,539,502,275

No.	Company name and address	Type of business	Type of shares	Issued and paid-up capital (Baht)	Paid-up shares	Number of shares	Percentage of ownership*	Amount* (Baht)
10	SIAM PHITIWAT CO., LTD. ⁽³⁾ SCB Park Plaza Bldg., Tower A Zone A West, 3 rd Floor, 18 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2795-1800	Appraisal service	Ordinary	10,000,000	1,000,000	1,000,000	100.000%	10,000,000
11	SOR.OR.KOR PCL. ⁽³⁾ (The Siam Industrial Credit PCL) 9 Siam Commercial Bank PCL, Head Office, Ratchayothin, 19 th Floor, Zone C, Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2544-2301-4 Fax: 0-2544-3317	Commercial	Ordinary	-	597,423,062	595,883,972	99.742%	582,731,604
12	SIAM COMMERCIAL LEASING PCL. ⁽³⁾ SCB Park Plaza Bldg., Tower 2 West, 22 nd Floor, 18 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2949-1800 Fax: 0-2949-1900	Collection company	Ordinary	5,677,975,020	567,797,502	564,336,277	99.390%	1,533,329,032
13	SIAM SAT NETWORK CO.,LTD. ^{(2) (3)} SCB Park Plaza Bldg., Tower 2 West, 21 st Floor 18 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900	Satellite service	Ordinary	112,500,000	11,250,000	9,182,012	81.618%	-
14	SIAM TECHNOLOGY SERVICE CO.,LTD. ^{(1) (3)} SCB Park Plaza Bldg., Tower 1 West, 18 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900	Consultant	Ordinary	30,000,000	3,000,000	2,249,993	75.000%	1
15	SIAM MEDIA AND COMMUNICATION CO., LTD. ⁽³⁾ SCB Park Plaza Bldg., Tower 2 West, 17 th - 22 nd Floor, 18 Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900	Holding company	Ordinary	700,000,000	7,000,000	2,333,800	33.340%	1
16	SUPERNAP (THAILAND) CO., LTD. ⁽¹⁾ 18-19 SCB Park Plaza Tower East, Ratchadaphisek Rd., Chatuchak, Chatuchak, Bangkok 10900 Tel: 0-2544-2301 Fax: 0-2544-3317	Data center	Ordinary	1,410,000,000	200,000,000	50,000,000	25.000%	352,500,000
17	NATIONAL ITMX CO., LTD. 5/13 Moo 3, Chaengwattana Rd., Khlongkluea, Pakkret, Nonthaburi 11120 Tel: 0-2558-7555 Fax: 0-2558-7566	Payment system service provider	Ordinary	50,000,000	500,000	99,000	19.800%	13,775,030
18	THAI U.S. LEATHER CO., LTD. ⁽³⁾ 39/98 Rama II Rd., Bangkrachao, Muang, Samut Sakhon 74000 Tel: (034) 490-082-7	Industry	Ordinary	193,750,000	25,000,000	2,500,000	10.000%	19,375,000
19	NAVUTI CO., LTD. 920/4 Moo 7, Mae Fah Luang, Mae Fah Luang, Chiang Rai 57110 Tel: (053) 767-015 Fax: (053) 767-077	Agribusiness	Ordinary	60,000,000	600,000	60,000	10.000%	6,000,000
20	THAI OBAYASHI CORP., LTD. 161 Nantawan Bldg., 11 th Floor, Soi Mahadlek Luang 3 Ratchadamri Rd., Lumphini, Pathum Wan, Bangkok 10330 Tel: 0-2252-5200 Fax: 0-2252-5200	Construction	Ordinary	10,000,000	20,000	2,000	10.000%	61,753,160

Remarks

* In case of indirect investment by any affiliate of the Bank in which the Bank holds more than 30% of shares, the figures will depict the total percentage of shareholding and investment value of the Bank and its affiliates (under Section 258 of Securities and Exchange Act.).

⁽¹⁾ Company held jointly by the Bank and a Bank affiliate in which the Bank holds more than 30% of shares.

⁽²⁾ Company held by a Bank affiliate in which the Bank holds more than 30% of shares.

⁽³⁾ Discontinued operations, or in process of dissolution or liquidation.

Information on Directors and Executives of the Bank as of 31 December 2016

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
1. Mr. Anand Panyarachun - Chairman of the Board (Independent Director)	84	- B.A. (Hons.) in Law, Trinity College, University of Cambridge, U.K.	0.01%	None	1992-2012 2008-2015	Past positions - Chairman, Chiang Mai Night Bazaar Co., Ltd. - Director, Siam Commercial Foundation Current positions 1989-Present - Chairman, Eastern Star Real Estate PCL 1990-Present - Chairman, Cambridge Thai Foundation Under the Patronage of Her Majesty the Queen 1996-Present - UNICEF Ambassador in Thailand 1996-Present - Chairman of International Advisory Board, The Carlos P. Romulo Foundation 1999-Present - Honorary International Advisor, the Governors of Dulwich College, London, U.K. 2000-Present - Member of the Advisory Council of Transparency International 2003-Present - Trustee, U Thant Institute 2003-Present - Fellow, Dulwich College, London, U.K. 2006-Present - Consultant, Chevron Asia South Co., Ltd. 2009-Present - Chairman, Green Globe Institute 2013-Present - Advisor to the Board, Anti-Corruption Organization of Thailand 2015-Present - Honorary Chairman, Operation Smile Foundation 2016-Present - Chairman of the Advisory Council, Vidyasirimedhi Institute of Science and Technology

He does not hold any current position as chairman or executive director or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
2. Dr. Vichit Suraphongchai	71	- B.Sc. (Engineering), Chulalongkorn University	-	None		Past positions
- Director		- M.Sc. (Engineering), University of California, Berkeley, U.S.			2006-2012	- Member, Mahidol University Council
- Chairman of the Executive Committee		- M.B.A. (Management), Graduate School of Management, UCLA, U.S.			2008-2015	- Director, Siam Commercial Foundation
		- Ph.D., Graduate School of Management, UCLA, U.S.				Current positions
		- Role of the Chairman Program, Thai Institute of Directors Association			1997-Present	- Advisor, The Bureau of the Crown Property
					1999-Present	- Director, Kempinski AG
					2006-Present	- Director, CPB Equity Co., Ltd.
					2006-Present	- Executive Director, The Tio Chew Association of Thailand
					2006-Present	- Vice Chairman, Peiing School Board
					2007-Present	- Honorary Member of the Board of Governors, Amata Spring Country Club
					2009-Present	- Chairman, X-Zell Biotech Co., Ltd
He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.						

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)				
3. Dr. Chirayu Isarangkun Na Ayuthaya - Director - Chairman of the Nomination, Compensation and Corporate Governance Committee	74	- B. Sc. (Hons.) in Economics, London School of Economics, University of London, U.K. - Ph. D. (Economics), Australian National University, Australia - Role of the Chairman Program, Thai Institute of Directors Association	-	None		Past positions				
					1987-2016	- Grand Chamberlain, Bureau of the Royal Household				
					2008-2016	- Director, Siam Commercial Foundation				
					Current positions					
					1987-Present	- Director and Director-General, The Crown Property Bureau				
					1987-Present	- Chairman, Deves Insurance PCL				
					1988-Present	- Treasurer, Foundation for Promotion of Supplementary Occupation and Related Techniques of Her Majesty Queen Sirikit				
					1990-Present	- Director, Phra Dabos Foundation				
					1991-Present	- Secretary General, Queen Sirikit Park Foundation				
					1992-Present	- Secretary General, Royal Project Foundation				
					1992-Present	- Secretary General, Sai Jai Thai Foundation				
					1998-Present	- Director, Chaipattana Foundation				
					1999-Present	- Chairman, Baanboun Vetchakij Co., Ltd.				
					2001-Present	- Director, Siriraj Foundation				
					2002-Present	- Chairman, Isarakun Foundation				
					2006-Present	- Chairman, CPB Equity Co., Ltd.				
					2006-Present	- Chairman, The Crown Property Bureau Foundation				
					2007-Present	- Director, Navuti Co., Ltd.				
					2007-Present	- Chairman, The Siam Cement PCL				
					2012-Present	- Chairman, The National Institute of Development Administration Council (NIDA)				
2016-Present	- Lord Chamberlain, Bureau of the Royal Household									

He does not hold any current position as chairman, or exective director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
4. Khunying Jada Wattanasiritham - Independent Director - Chairman of the Corporate Social Responsibility Committee - Member of the Nomination, Compensation and Corporate Governance Committee	71	- B.A. (Natural Sciences and Economics), University of Cambridge, U.K. - M.A. (Natural Sciences and Economics), University of Cambridge, U.K. - M.A. (Economic Development), Williams College, U.S. - Director Certification Program, Thai Institute of Directors Association - Monitoring the Internal Audit Function, Thai Institute of Directors Association - Monitoring the Quality of Financial Reporting, Thai Institute of Directors Association - Successful Formulation and Execution of Strategy, Thai Institute of Directors Association	-	None	2011-2013 2011-2013 2003-2014 2013-2014 2008-2016	Past positions - Chairman, Thai Institute of Directors Association - Expert Member of the Board of Directors, Government Pension Fund Director, The Kenan Institute Asia - Director of the Corporate Social Responsibility Institute (CSRI), Stock Exchange of Thailand - Director, Siam Commercial Foundation Current positions - Director, Siam Piwat Co., Ltd. - Vice Chairman, Ramathibodi Foundation - Member, Srinakharinwirot University Council - Chairman, SCB Life Assurance PCL - Independent Director, Minor International PCL - Chairman, Chubb Samaggi Insurance PCL - Vice Chairman, Prince Mahidol Foundation - Chairman, SiamParagon Development Co., Ltd. - Director, Royal Paragon Enterprise Co., Ltd. - Member, The National Institute of Development Administration Council (NIDA) - Director, Cambridge Thai Foundation Under the Patronage of Her Majesty the Queen - Director and Treasurer, Thai Red Cross Society - Chairman, Bliss Foundation - Director, Anti-Corruption Organization of Thailand - Chairman, The Kenan Institute Asia - Chairman, SiamCommercial Foundation

She does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
5. Mr. Prasan Chuaphanich - Independent Director - Chairman of the Audit Committee	64	- B.Acc. (2nd Class Hons.) in Accounting, Chulalongkorn University - Diploma in Auditing, Chulalongkorn University - Executive Management Program, Ivey School of Business, University of Western Ontario, Canada - Leading Professional Services Firms, Harvard Business School, U.S. - Director Certification Program, Thai Institute of Directors Association - Finance Institutions Governance Program, Thai Institute of Directors Association	-	None	2008-2012 2011-2014 2011-2014 2013-2014 2013-2015 2014-2015 2012-2016 2013-2016	Past positions - Executive Chairman, Pricewaterhouse Coopers Co., Ltd. - Vice President, Federation of Accounting Professions Under the Royal Patronage of His Majesty the King - Chairman of Auditing Standards Committee, Federation of Accounting Professions Under the Royal Patronage of His Majesty the King - Member of Advisory Committee, ASEAN CG Scorecard Project, Thai Institute of Directors Association - Independent Director, Nam Heng Concrete (1992) Co., Ltd. - Member, Sub-Committee on the Reform of International Economy and Other Economic Matters, National Reform Council - President, Faculty of Commerce and Accountancy, Chulalongkorn University Alumni Association - Executive Board, Faculty of Commerce and Accountancy, Chulalongkorn University Current positions - Expert Member, General Insurance Fund, Ministry of Finance - Independent Director, Thai Solar Energy PCL - President, Federation of Accounting Professions Under the Royal Patronage of His Majesty the King - Member of the Audit Committee, Office of Insurance Commission - Expert Member on Accounting, Insurance Commission - Member, Anti-Dumping and Subsidies Committee under the Ministry of Commerce - Member of Advisory Committee on Corporate Governance and Policy, Thai Institute of Directors Association - Director and Chairman of the Audit Committee, Thai Institute of Directors Association - Member of Thailand's Private Sector Collective Action Against Corruption Certification Committee - Member of the Finance and Property Committee, King Mongkut's University of Technology Thonburi - Director, OIC Advanced Insurance Institute - Independent Director and Member of the Audit Committee, PTT Global Chemical PCL - Member of the Mahidol University Internal Audit Committee, Mahidol University Council

He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
6. M.R. Disnadda Diskul - Director	77	- B. Sc. (Business Administration), Indiana University (Bloomington), U.S. - Role of the Chairman Program, Thai Institute of Directors Association	-	None		Past positions - Director, Japan-America Institute of Management Science (Hawaii, U.S.) - Director and Secretary-General, The Mae Fah Luang Foundation Under Royal Patronage - Director, Prostheses Foundation of Her Royal Highness the Princess Mother - Chairman, Prince Damrong Rajanupab and Momjao Jongjitthanom Disakul Foundation - Director, Siam Commercial Foundation 1985-2016 - Director, Volunteer Doctors Foundation of Her Royal Highness the Princess Mother - Director, Elephant Reintroduction Foundation Current positions - Director, Navuti Co., Ltd. 1989-Present - Director, Breast Foundation Under the Patronage of Her Royal Highness the Princess Mother - Chairman, East Asia Development Foundation - Director, Navutayayu Co., Ltd. 2003-Present - Chairman, Royal Initiative Discovery Institute - Director and Secretary-General, Royal Initiative Discovery Foundation 2011-Present - Chairman, Rakkaew Foundation - Advisor, The Crown Property Bureau 2011-Present - Director, King Rama IV Foundation 2012-Present - Vice Chairman, Development Foundation 2014-Present - Vice Chairman, Prostheses Foundation of Her Royal Highness the Princess Mother 2015-Present - Chairman, The Mae Fah Luang Foundation Under Royal Patronage 2015-Present - Member, National Water Board 2016-Present - Advisor, Volunteer Doctors Foundation of Her Royal Highness the Princess Mother

He does not hold any current position as chairman, or exective director, or authorized director, or all of the
aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
7. Dr. Kulpatra Sirodorn - Independent Director - Member of the Audit Committee - Member of the Corporate Social Responsibility Committee	60	- B.B.A. (1 st Class Hons.) in Finance, Thammasat University - M.B.A. (Finance), West Virginia University, U.S. - Ph.D. (Finance), University of Pittsburgh, U.S. - Director Certification Program, Thai Institute of Directors Association - Audit Committee Program, Thai Institute of Directors Association	-	None	2011-2012 2010-2013 2012-2013 2013-2015 2006-2016 2010-2016 2013-2016	Past positions - Director, Asia Pacific Advisory Council - Dean, Faculty of Commerce and Accountancy, Thammasat University - Director, Global Foundation for Management Education - Full-Time Member of the Department of Finance, Faculty of Commerce and Accountancy, Thammasat University - Director, H.R.H. Prince Pichitchirapa Devakul Foundation - Member of the Risk Management Sub-Committee, Government Pension Fund - Member of the Sub-Performance Agreement Committee, The Comptroller General's Department Current positions - Independent Director and Chairman of the Audit Committee, Thai President Food PCL - Independent Director and Member of the Audit Committee, President Bakery PCL - Member of Operation Committee, The Professor Sangvian Indaraviaya Foundation - Independent Director, Thai Wacoal PCL - Advisor, The Federation of Accounting Professions - Chairman of the Audit Committee, Thai Wacoal PCL - Expert Member, Sri Pathum University Council - Expert Member, Investment Risk Management Sub-Committee, Social Security Fund - Member, Southeast Bangkok College Council - Expert Member, Private Investments in State Undertakings Policy Committee - Chairman of the Corporate Governance Committee, Thai Wacoal PCL - Arbitrator, Office of the Securities and Exchange Commission - Independent Director, Total Industrial Services Co., Ltd. - Independent Director, Thailand Securities Depository Co., Ltd. - Independent Director, Thailand Clearing House Co., Ltd. - Director, Siam Commercial Foundation

She does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
8. Mr. Ekamol Kiriwat - Independent Director - Member of the Audit Committee	71	- A.B. (Magna Cum Laude) in Economics, Dartmouth College, U.S. - M.B.A. (Finance), Harvard Graduate School of Business Administration, U.S. - Director Certification Program, Thai Institute of Directors Association	-	None	2004-2015 2015-Present	Past positions - Chairman, K.C. Property PCL Current positions - Independent Director, Property Perfect PCL
He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.						

9. Mr. Krirk Vanikkul - Independent Director - Member of the Audit Committee*	62	- LL.B., (2 nd Class Hons.), Chulalongkorn University - Barrister-at-Law, Thai Bar Association - BA in Jurisprudence (Hons.Oxon), Oxford University, U.K. - Barrister-at-Law, Middle Temple, U.K. - Advanced Management Program (AMP), Harvard University, U.S. - Director Certification Program, Thai Institute of Directors Association - Chartered Director Course, Thai Institute of Directors Association - Improving the Quality of Financial Reporting, Thai Institute of Directors Association - Advanced Executive Program, Capital Market Academy - Thailand Insurance Leadership Program, OIC Advanced Insurance Institute	0.00%	None	2009-2014 2012-2015 2014-2015 2014-2015 2015-2016 2015-Present 2015-Present 2016-Present	Past positions - Deputy Governor, Financial Institutions Stability, Bank of Thailand - Chairman, Real Estate Information Center - Chairman, Government Housing Bank - Member of the Council of State, Office of the Council of State - Director and Chairman of the Audit Committee, Agro Enterprise Co., Ltd. Current positions - Independent Director, Italian-Thai Development PCL - Expert Director, Office of Knowledge Management and Development (Public Organization) - Independent Director, Osotspa Co., Ltd.
--	----	--	-------	------	---	---

He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

*Mr. Krirk Vanikkul resigned as a member of the Audit Committee, and was appointed as a member of the Executive Committee, effective on January 1, 2017

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
10. Dr. Taweesak Koanantakool - Independent Director - Member of the Audit Committee*	63	- B.Sc. (Electrical Engineering), Imperial College, University of London, U.K. - Ph.D. (Electrical Engineering), Imperial College, University of London, U.K. - Role of the Chairman Program, Thai Institute of Directors Association - Director Certification Program, Thai Institute of Directors Association	-	None	2010-2016	Past positions - President, National Science and Technology Development Agency Current positions - Vice Chairman, Member of the Executive Committee, and Member of the Risk Management Committee, Internet Thailand PCL - Director, Internet Foundation for the Development of Thailand - Director and Chairman of the Executive Committee, Tradesiam Co., Ltd. - Chairman, T-Net Co., Ltd. - Member, National Reform Steering Assembly - Director, Information Technology Projects Under the Initiative of H.R.H.Princess Maha Chakri Sirindhorn Foundation - Expert Member and Member of the Mahidol University Internal Audit Committee, Mahidol University Council - Member, Khon Kaen University Council

* Dr. Taweesak Koanantakool resigned as a member of the Audit Committee, and was appointed as a member of the Executive Committee, effective on January 1, 2017

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
11. Mr. Weerawong Chittmittrapap	58	- LL.B., Chulalongkorn University - LL.M., University of Pennsylvania Law School, U.S. - Barrister-at-Law, Thai Bar Association - Director Certification Program, Thai Institute of Directors Association - The Executive Director Course - Thai Institute of Directors Association - Advanced Executive Program, Capital Market Academy	-	None		Past positions - Independent Director, Nok Airlines PCL - Independent Director, Minor International PCL - Director, WC&P Holding Co., Ltd. - Chairman, Weerawong, Chinnawat and Peangpanor Limited (Formerly White & Case (Thailand) Limited) - Independent Director and Member of the Audit Committee, GMM Grammy PCL - Independent Director and Member of the Audit Committee, Thai Airways International PCL - Independent Director and Member of the Audit Committee, Golden Land Property Development PCL - Independent Director, Frasers and Neave Limited, Singapore
						Current positions - Independent Director, Berli Jucker PCL - Director, Sarasinee Co., Ltd. - Director, Punnakhate Co., Ltd. - Director, Pitchayarat Co., Ltd. - Director, National Power Supply PCL - Director, Yaksa Co., Ltd. - Independent Director and Chairman of the Nomination, Compensation and Corporate Governance Committee, SCB Life Assurance PCL - Director, Frasers Centrepoint Limited, Singapore - Director and Chairman of the Audit Committee, Thai Airways International PCL - Director, Thai Listed Companies Association - Independent Director and Member of the Audit Committee, Bangkok Dusit Medical Services PCL - Director, Big C Supercenter PCL

He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
12. Dr. Ekniti Nitithanprapas	45	- B.A. (Economics) (Hons.), Thammasat University	-	None	2010-2012	Past positions - Minister, Office of Economic and Financial Affairs, The Fiscal Policy Office
- Member of the Nomination, Compensation and Corporate Governance Committee		- M.A. (Economics / Policy Economics), University of Illinois at Urbana-Champaign, U.S.			2012-2014	- Deputy Director-General, The Fiscal Policy Office
		- Ph.D. (Economics / Macroeconomics and International Finance), Claremont Graduate University, U.S.			2014-2015	- Financial Policy Advisor, The Fiscal Policy Office
						Current positions
		- Director Certification Program, Thai Institute of Directors Association			2015-Present	- Director General, State Enterprise Policy Office
		- Financial Statements for Directors, Thai Institute of Directors Association			2015-Present	- Chairman, National Credit Bureau Co., Ltd.
		- Role of the Nomination & Governance Committee Program, Thai Institute of Directors Association			2015-Present	- Director, IRPC PCL
					2016-Present	- Member of Risk Management Committee, IRPC PCL

He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
13. Mr. Kan Trakulhoon - Independent Director - Member of the Nomination, Compensation and Corporate Governance Committee	61	- B.Sc. (Electrical Engineering) (1st Class Hons.), Chulalongkorn University - M.S. (Engineering), Georgia Institute of Technology, U.S. - M.S. (Management), Georgia Institute of Technology, U.S. - Advanced Management Program (AMP), Harvard University, U.S. - Director Certification Program, Thai Institute of Directors Association	-	None	Past positions 2006-2015 - President, Siam Cement PCL 2004-2016 - Chairman, SCG Legal Counsel Limited 2015-2016 - Director, Advanced Info Service PCL Current positions 2006-Present - Director, Siam Cement PCL 2016-Present - Chairman and Chairman of the Leadership and Compensation Committee, Advanced Info Service PCL	
He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.						

He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
15. Mrs. Kannikar Chalitaporn - Director - Member of the Executive Committee - Member of the Corporate Social Responsibility Committee	69	- B.B.A. (Business), University of Colorado, U.S. - Advanced Management Program (AMP), Harvard University, U.S. - Role of the Chairman Program, Thai Institute of Directors Association	0.00%	None	2003-2012 2007-2015 2007-2015 2009-2015 2012-2016	Past positions - Advisory Director, MasterCard International (Asia Pacific Region) - Advisor to the Voluntary Blood Donors Committee, National Blood Center, Thai Red Cross Society - Member of the Recruitment and Promotion of Voluntary Blood Donors Committee, Thai Red Cross Society - Director, Mrigadayavan Palace Foundation - Advisor to the Fund Raising Sub-Committee, The Kidney Foundation of Thailand Current positions 2008-Present - Director, Siam Commercial Foundation 2015-Present - Advisor, Index Living Mall Co., Ltd. 2016-Present - Vice Chairman and Chief Advisor to the Executive Committee, Osotspa Co., Ltd.
She does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.						
16. Mr. Arthid Nanthawittaya - President and Chief Executive Officer - Member of the Executive Committee - Member of the Corporate Social Responsibility Committee	49	- B.A. (Economics), Chulalongkorn University - M.B.A. (Finance), Sasin Graduate Institute of Business Administration - Director Accreditation Program, Thai Institute of Directors Association - Advanced Executive Program, Capital Market Academy - Leadership Program, Office of the Attorney General - Leadership Program, Urban Green Development Institute - National Defense Course, Thailand Energy Academy	-	None	2009-2015 2009-2015 2009-2015 2014-2015 2015-Present	Past positions - Chairman, SCB Securities Co., Ltd. - Director and Chairman of the Investment Committee, SCB Life Assurance PCL - Vice Chairman, Vinasiam Bank - Director, CAT Telecom PCL Current positions 2015-Present - Director, Siam Commercial Foundation
He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.						

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
17. Mrs. Kittiya Todhanakasem - Senior Executive Vice President, Chief Financial Officer - Member of the Executive Committee	58	- Bachelor of Business Administration in Accounting (Honors), Thammasat University - M.B.A. in Accounting, University of Illinois, Urbana-Champaign, U.S. - Director Accreditation Program (DAP 45) Thai Institute of Directors (IOD) - Director Certification Program (DCP 76/2006), Thai Institute of Directors (IOD) - National Defence College, National Defence Course for Joint State-Private Sectors (NCD 21) - Executive Program 13, Capital Market Academy - Top Executive Program in Commerce and Trade (TEPCoT 6), Commerce Academy - Role of the Nomination and Governance Committee (RNG), Thai Institute of Directors (IOD) - Role of Chairman Program (RCP), Thai Institute of Directors (IOD)	-	None	1997 - 2016	Past positions - First Senior Executive Vice President- Managing Director, Financial Management Group, Krungthai Bank PCL

She does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
18. Mr. Colin Dinn - Senior Executive Vice President, Chief Technology Officer - Member of the Executive Committee	64	- Old Swan Technical College, U.K. - Anfield Comprehensive, U.K.	-	None	2010 - 2016	Past positions - Executive Vice President, Operations and Program Delivery, ANZ Bank
He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.						
19. Mr. Anucha Laokwansatit - Senior Executive Vice President, Chief Risk Officer - Member of the Executive Committee	55	- Bachelor of Finance, San Francisco State University, U.S. - M.B.A. in Financial and International Business, University of Chicago, U.S. - Director Certification Program, Thai Institute of Directors - C.F.A., CFA Institute	-	None	1999 - 2015	Past positions - General Manager & Chief Investment Officer, AIA Current positions 2015 - Present - Chairman, SCB Asset Management Co., Ltd. 2015 - Present - Director, SCB Life Assurance PCL 2016 - Present - Director and Chairman of the Investment Committee, Digital Ventures Co., Ltd.
He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.						

He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
22. Mrs. Wallaya Kaewrungruang* - Senior Executive Vice President, Chief Legal and Control Officer - Member of the Executive Committee	54	- LL.B., Chulalongkorn University - Barrister-at-Law, Institute of Legal Education of Thai Bar Association - LL.M. in Business Law, Chulalongkorn University - LL.M. in International Banking Law, Boston University, U.S. (Scholarship) - Thai Listed Companies Association, Corporate Secretary Development Program - Public Director Institute (PDI), Corporate Governance for Directors and Senior Executives of State Enterprises and Public Organizations - Thai Institute of Directors Association (IOD), Financial Institution Governance Program (FGP) - The Securities and Exchange Commission, Compliance Knowledge for Head of Compliance - National Defense College, National Defense Course for Joint State-Private Sectors (NCD) - Office of the Administrative Court, Administrative Justice for Executives Course (AJE) - The Program for Senior Executives on Justice Administration (BYS)	-	None	2005 - 2014	Past positions - Senior Executive Vice President, Managing Director, Compliance & Legal Management Group, Krungthai Bank PCL

She is responsible for Board's support as a company secretary and does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

* The Board of Directors has appointed Mrs. Wallaya Kaewrungruang as company secretary to support the Board with respect to statutory and supervisory requirements, good corporate governance as well as other duties and responsibilities as specified in the Bank's Corporate Governance Policy. The company secretary reports functionally to the chairman of the Board of Directors and operationally to the president. Functions of the company secretary are available on the Bank's website (www.scb.co.th) under the sequence of menu headings "About SCB," "Corporate Governance," and then "Company Secretary."

[illegible]

Name & position	Age (yrs)	Academic degrees & training programs	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years (Position & company)
25.Dr. Arak Sutivong - First Executive Vice President, Chief Strategy Officer	43	- Bachelor of Science in Electrical & Computer Engineering, Carnegie University, U.S. - Master of Science in Electrical & Computer Engineering, Carnegie University, U.S. - Ph. D. in Electrical Engineering, Stanford University, U.S. - Advanced Management Program, Wharton School, University of Pennsylvania, U.S. - Top Executive Program in Commerce and Trade, Commerce Academy	-	None	Past positions 1997 - 2005 - Engineering Manager, Qualcomm Incorporated, U.S. 2005 - 2006 - Technical Expert, True Corporation 2006 - 2010 - Engagement Manager, McKinsey & Company	

He does not hold any current position as chairman, or executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Information on Executives' Directorships in Other Companies as of December 31, 2016

Information on Executives' Directorships in Other Companies as of December 31, 2016

NO.	NAME	POSITION	COMPANY
1	Mr. Sarunthorn Chutima SEVP, Head of Special Business	Director Director Director Director Chairman/Managing Director Director Director Director President of Cooperative	Nantawan Management Company Ltd. Nantawan Company Ltd. Don Muang International Airport Hotel Company Ltd. Primus Co.,Ltd Ratchayothin Asset Management Company Ltd. Kamthieng Development Company Ltd. Rattana Court Company Ltd. Sarapee Kasikam Co.,Ltd. SCB Staff Savings Co-Operative Ltd.
2	Mrs. Kittiya Todhanakasem SEVP, Chief Financial Officer	Director	The Office of SMEs Promotion (OSMEP)
3	Ms. Phanporn Kongyingyong FEVP, Head of Retail Segment and Branch Network	Director	SCB Life Assurance PCL
4	Mr. Narong Srichukrin FEVP, Head of Wealth Segment, Head of Products and Head of RB & SSME Solutions	Director Director Director	SCB Plus Co., Ltd. SCB Life Assurance PCL Digital Ventures Co., Ltd.
5	Mrs. Apiphan Charoenanusorn FEVP, Head of Operations	Director and Member of the Audit Committee Managing Director Managing Director Liquidator Chairman	SCB Asset Management Co., Ltd. Siam Commercial Leasing PCL SCB Plus Co., Ltd. Sor.Or.Kor. PCL SCB Training Centre Co., Ltd.
6	Mr. Krieng Wongnongtaey FEVP, Head of Audit	Liquidator	Siam Multimedia Co., Ltd.
7	Dr. Ellen Nora Ryan FEVP, Head of Group Risk Strategy	Director	SCB Asset Management Co., Ltd.
8	Mr. Pongsit Chaichutpornasuk FEVP, Head of Financial Crime	Director	TOT Public Company Ltd.
9	Mr. Kamalkant Ishwalel Agarwal FEVP, Head of International Banking	Director Chairman of Liquidation Committee Director	ASEAN Finance Corporation Ltd. Vinasiam Bank Cambodian Commercial Bank Ltd.

NO.	NAME	POSITION	COMPANY
10	Ms. Vorada Thangsurbkul FEVP, Investment Banking Coverage	Chairman of Audit Committee	SCB Securities Co., Ltd.
11	Mr. Kiradit Arromdee FEVP, Head of Credit Risk Management	Director	Saimake Co.,Ltd.
12	Mr. Wasin Saiyawan FEVP, Head of Commercial Banking Solutions	Independent Director	SCB Asset Management Co., Ltd.
13	Mr. Suthipat Serirat FEVP, Head of Investment Banking and Capital Markets	Independent Director	SCB Securities Co., Ltd.
14	Mrs. Pimolpa Suntichok FEVP, Head of Multi-Corporate Segment	Director	Tris Corporation Ltd.
15	Mr. Arak Sutivong FEVP, Chief Strategy Officer	Director	Digital Ventures Co., Ltd.
16	Ms. Saranya Vajakul EVP, Head of Financial Planning and Analysis	Director and Member of the Audit Committee Director	SCB Asset Management Co., Ltd. SCB Plus Co., Ltd.
17	Mr. Rungsi Vongkitbuncha EVP, Corporate Segment - MNC Division	Director	UD Drugstore (2001) Co., Ltd.
18	Mr. Somkiat Kuvichitsuwan EVP, Branch Network Upcountry Division	Director	SCB Staff Savings Co-Operative Ltd.
19	Mr. Aphisak Kiewkarnkha EVP, Head of Group Treasury	Director	Cambodian Commercial Bank Ltd.
20	Mr. Artapong Porndhiti EVP, Investment Banking 2	Director	Premium Management and Consultant Company Ltd.
21	Mr. Ekkapol Apinun EVP, Litigation Division	Director Director Director Director	SCB Plus Co., Ltd. Mahisorn Co., Ltd. SCB Training Centre Co., Ltd. Siam Pitiwat Co., Ltd.

NO.	NAME	POSITION	COMPANY
22	Mr. Paiboon Tangkanokpairoj EVP, Medium Business Division	Director	Siam Pitiwat Co., Ltd.
23	Mrs. Metinee Jongsaliswang EVP, Multi-Corporate Segment 5 Division	Director	Kumo Business Service Co., Ltd.
24	Mr. Arapat Sangkharat EVP, Retail Segment Strategy Division	Director	San Francisco and Co., Ltd.
25	Ms. Lalitphat Toranavikrai EVP, Private Banking RM Division	Director	The Crestcent Co., Ltd.
26	Mrs. Virasana Boonyasai EVP, Corporate Account Special Business Division	Director	Ratchayothin Asset Management Co.,Ltd.
27	Mrs. Siribunchong Uthayophas EVP, Head of Corporate Office	Director Director	Kler Kaew Korkij Co., Ltd. Krabingern Food Co., Ltd.
28	Ms. Vipasiri Chantanumat EVP, Corporate Segment - Thai 2	Director	VP Professional Co., Ltd.

Note: The above executives do not hold any current position as chairman, executive director, authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Positions held in management of the subsidiary, associated and related companies under the name of Board Directors

Name of Director		Subsidiary company										Associated company		Related company	
		The Cambodian Commercial Bank Co., Ltd.	Rutchayothin Assets Management Co., Ltd.	SCB Plus Co., Ltd.	SCB Training Centre Co., Ltd.	Mahisorn Co., Ltd.	SCB Securities Co., Ltd.	Digital Ventures Co., Ltd.	SCB Asset Management Co., Ltd.	SCB Life Assurance PCL	Siam Phitiwat Co., Ltd. ⁽¹⁾	Sor.Or.Kor PCL ⁽¹⁾	Siam Commercial Leasing PCL ⁽¹⁾	Supernap (Thailand) Co., Ltd.	Navuti Co., Ltd.
1	Mr. Anand Panyarachun														
2	Dr. Chirayu Isarangkun Na Ayuthaya														
3	Khunying Jada Wattanasiritham								X						
4	Mom Rajawongse Disnadda Diskul														
5	Dr. Vichit Suraphongchai														
6	Mrs. Kannikar Chalitaporn														
7	Assoc. Prof. Dr. Kulpatra Sirodom														
8	Mr. Ekamol Kiriwat														
9	Mr. Prasan Chuaphanich														
10	Mr. Weerawong Chittmittrapap								//						
11	Mr. Krirk Vanikkul														
12	Mr. Chakkrit Parapuntakul														
13	Dr. Ekniti Nitithanprapas														
14	Mr. Thaweesak Koanantakool														
15	Mr. Kan Trakulhoon														
16	Mr. Arthid Nanthawithaya						X								
17	Mr. Sarunthorn Chutima		X												
18	Mrs. Kittiya Todhanakasem														
19	Mrs. Wallaya Kaewrungruang														
20	Mr. Anucha Laokwansatit						//	X	//						
21	Mr. Jens Lottner														
22	Mr. Colin Dinn														
23	Mr. Patiphan Lerdprasertsiri	//													

Remark : x = Chairman // = Director / = Liquidator

⁽¹⁾ = Discontinued operations, being in process of dissolution or in process of liquidation

Directors of Subsidiary Companies

Name of Director	Subsidiary Company											
	The Cambodian Commercial Bank Ltd.	Rutchayothin Assets Management Co., Ltd.	SCB Plus Co., Ltd.	SCB Training Centre Co., Ltd.	Mahisorn Co., Ltd.	SCB Securities co., Ltd.	Digital Ventures Co., Ltd.	SCB Asset Management Co., Ltd.	SCB Life Assurance PCL	Siam Phitiwat Co., Ltd. ⁽¹⁾	Sor.Or.Kor. PCL ⁽¹⁾	Siam Commercial Leasing PCL ⁽¹⁾
1 Khunying Jada Wattanasiritham									X			
2 Mr. Weerawong Chittmittrapap									//			
3 Mr. Verachai Tantikul									//			
4 Mr. Arthid Nanthawithaya							X					
5 Mr. Sarunthorn Chutima		X										
6 Mr. Anucha Loakwansatit							//	X	//			
7 Mrs. Apiphan Charoenanusorn			X	X	X			//			/	/
8 Ms. Phanporn Kongyingyong									//			
9 Mr. Kamalkant Agarwal	//											
10 Dr. Ellen Nora Ryan						//		//				
11 Mr. Suthipat Serirat						X						
12 Ms. Vorada Thangsurbkul						//						
13 Mr. Wasin Saiyawan						//						
14 Ms. Sutapa Amornvivat								//				
15 Mr. Arak Sutivong							//					
16 Mr. Narong Srichukrin			//				//		//			
17 Ms. Saranya Vajakul			//					//				
18 Mr. Aphisak Kiewkarnkha	//					//						
19 Mr. Ekkapol Apinun			//	//	//					/	/	/
20 Mrs. Virasana Boonyasai		//										
21 Mr. Chalitti Nuangchamnong						//		//				
22 Mr. Nuttavuth Punpugdee					//							

Name of Director		Subsidiary Company											
		The Cambodian Commercial Bank Ltd.	Rutchayothin Assets Management Co., Ltd.	SCB Plus Co., Ltd.	SCB Training Centre Co., Ltd.	Mahisorn Co., Ltd.	SCB Securities co., Ltd.	Digital Ventures Co., Ltd.	SCB Asset Management Co., Ltd.	SCB Life Assurance PCL	Siam Phitiwat Co., Ltd. ⁽¹⁾	Sor.Or.kor. PCL ⁽¹⁾	Siam Commercial Leasing PCL ⁽¹⁾
23	Mr. Somphop Amonrattanasak		//		//					/			
24	Mr. Patiphan Lerdprasertsiri	//											
25	Mr. Sakesom Srirungruangdeja									/			
26	Mr. Teerapon Tansatcha				//	//							
27	Ms. Darakorn Pipatanakul				//								
28	Mr. Na Bhengbhasang Krishnamra	X											
29	Mr. Yothin Pibulkasetkij	//											
30	Mr. Permpoon Krairiksh	//											
31	Mr. Montree Chotikapracal										/		
32	Ms. Amorntip Chansrichawla								//				
33	Mr. Thana Thienachariya						//						
34	Mr. Dhiramesr Sasiraweeroj											/	
35	Mr. Siriwat Vongjarukorn						//						
36	Mr. Utid Tamwatin								//				
37	Mr. Smith Banomyong							//					
38	M.L. Thongmakut Thongyai				//								
39	Mrs. Pachana Rujirek	//											
40	Ms. Patcharin Sungsuwan			//									
41	Mrs. Sasitorn Chaowai				//								

Remark : x = Chairman // = Director / = Liquidator

⁽¹⁾ = Discontinued operations, being in process of dissolution or in process of liquidation

Report of Holdings of SCB Ordinary Shares by SCB Directors and Members of Senior Management

	Name	as at 31 Dec 2016			as at 31 Dec 2015			Change: increase / (decrease)
		Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) *	Total	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) *	Total	
1.	Mr. Anand Panyarachun Chairman of the Board and Independent Director	58,127	402,966	461,093	58,127	402,966	461,093	-
2.	Dr. Vichit Suraphongchai Director and Chairman of the Executive Committee	-	-	-	-	-	-	-
3.	Dr. Chirayu Isarangkun Na Ayuthaya Director and Chairman of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
4.	Khunying Jada Wattanasiritham Independent Director, Chairman of the Corporate Social Responsibility Committee, and Member of the Nomination Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
5.	Mr. Prasan Chuaphanich Independent Director and Chairman of the Audit Committee	-	-	-	-	-	-	-
6.	M.R. Disnadda Diskul Director	-	-	-	-	-	-	-
7.	Dr. Kulpatra Sirodom Independent Director, Member of the Audit Committee, and Member of the Corporate Social Responsibility Committee	-	-	-	-	-	-	-
8.	Mr. Ekamol Kiriwat Independent Director and Member of the Audit Committee	-	-	-	-	-	-	-
9.	Mr. Krirk Vanikkul Independent Director and Member of the Audit Committee	-	50,480	50,480	-	50,480	50,480	-
10.	Dr. Thaweesak Koanantakool Independent Director and Member of the Audit Committee	-	-	-	-	-	-	-
11.	Mr. Weerawong Chittmittrapap Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
12.	Mr. Kan Trakulhoon Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-

Name	as at 31 Dec 2016			as at 31 Dec 2015			Change: increase / (decrease)
	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) *	Total	Number of shares held by a director or a senior management member	Number of shares held by (a) related person(s) *	Total	
13. Dr. Ekniti Nitithanprapas Director and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
14. Mr. Chakkrit Parapuntakul Director and Member of the Corporate Social Responsibility Committee	-	-	-	-	-	-	-
15. Mrs. Kannikar Chalitaporn Director, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	53,000	-	53,000	53,000	-	53,000	-
16. Mr. Arthid Nanthawithaya President and Chief Executive Officer, Member of the Executive Committee and Member of the Corporate Social Responsibility Committee	-	-	-	-	-	-	-
17. Mr. Sarunthorn Chutima Senior Executive Vice President, Head of Special Business	1,040	4,310	5,350	1,040	4,310	5,350	-
18. Mrs. Wallaya Kaewrungruang Senior Executive Vice President, Chief Legal and Control Officer	-	-	-	-	-	-	-
19. Mr. Anucha Laokwansatit Senior Executive Vice President, Chief Risk Officer	-	-	-	-	-	-	-
20. Dr. Jens Lottner Senior Executive Vice President, Chief Transformation Officer	-	-	-	-	-	-	-
21. Mr. Colin Richard Dinn Senior Executive Vice President, Chief Technology Officer	-	-	-	-	-	-	-
22. Mrs. Kittiya Todhanakasem Senior Executive Vice President, Chief Financial Officer	-	-	-	-	-	-	-

Remark

* Related person(s) of directors or senior management members include(s):

- (1) Spouse or a minor child of a director or senior management member.
- (2) A juristic person in which aggregate shareholding by a director or senior management member and (1) exceeds 30 percent of the total number of voting rights of such juristic person.
- (3) A juristic person in which aggregate shareholding by a director or senior management member and (1) and (2) exceeds 30 percent of the total number of voting rights of such juristic person.
- (4) A juristic person in which a person described under (3) holds its shares and its shareholders in all levels of downward shareholding, beginning from the shareholder in the juristic person under (3), providing that shareholding in each level exceeds 30 percent of the total number of voting rights of the juristic person in the immediate lower level.

BANKING NETWORK

as at December 31, 2016

Area Office	46 Offices
Branch, all nationwide	1,170 Branches
Bangkok and its vicinity	524 Branches
Upcountry	646 Branches
Overseas Branch	5 Branches
Affiliated Bank	4 Branches
Representative Office	2 Branches
Business Relationship Center: Medium Business	42 Centers
Business Relationship Center: Small Business	37 Centers
International Trade Service Center	47 Centers
Foreign Exchange Service Center	109 Centers
Bangkok	56 Centers
Tourist locations, Upcountry	53 Centers
ATM	9,745 Machines
Bangkok	2,835 Machines
Upcountry	6,910 Machines

Overseas Branches

Hong Kong Branch

General Manager: Mr. Theerapan Nunthapolpat
 Address: Suite 3209, 32/F, Jardine House,
 1 Connaught Place, Central,
 Hong Kong
 Telephone: +852-2524-4085
 Fax: +852-2845-0293
 Swift: SICOHKHH
 E-Mail: theerapa@scb.co.th

Singapore Branch

General Manager: Ms. Thira Nuntametha
 Address: 61 Robinson Road #10-03, Robinson
 Centre, Singapore 068893
 Telephone: +65-6536-4338
 Fax: +65-6536-4728
 Swift: SICOSGSG
 E-Mail: thira.nuntametha@scb.co.th

Vientiane Branch

General Manager: Mr. Kanok Sakunkhoo
 Address: 117 Lanexang-Samsenthai Road,
 Ban Sisaket, Muang Chanthaburi,
 Vientiane, Lao People
 Telephone: +856-21-213-501
 Fax: +856-21-213-502
 Swift: SICOLALA
 E-Mail: kanok@scb.co.th

Cayman Islands Branch

General Manager: Ms. Chau Man Lai
 Address: P.O. Box 705 George Town,
 Grand Cayman, Cayman Islands
 Telephone: +852-2524-4085
 Fax: +852-2845-0293
 Swift: SICOKYKY
 E-Mail: wendy.chau@scb.co.th

Ho Chi Minh Branch

General Director: Ms. Saranya Skontanarak
 Address: Room 605-609, floor 6, Kumho
 Asiana Plaza, Saigon, 39 Le Duan
 Street, District 1, Ho Chi Minh City,
 Vietnam
 Telephone: +848-6285-6600
 Fax: +848-3822-6550
 Swift: SICOVNVX
 E-Mail: saranya.skontanarak@scb.co.th

Representative Office**Beijing Representative Office**

Chief Representative: Mr. Tatchapong Thamputthipong
 Address: Room#1565,15F China World Tower3,
 No.1 Jianguomenwai Ave., Chaoyang
 District, Beijing 100004, P.R. China
 Telephone: +86-10-5737-2681
 E-Mail: tatchapong.thamputthipong@scb.co.th

Yangon Representative Office

Chief Representative: Ms. Vitita Theeraporn
 Address: 17/A Kabar Aye Pagoda Road,
 Golden Valley Ward II, Bahan
 Township, Yangon, Myanmar
 Telephone: +95-1-540-229
 Fax: +95-1-543-667
 E-Mail: vitita.theeraporn@scb.co.th

Affiliated Bank**Cambodian Commercial Bank Head Office - Phnom Penh**

Director and General Manager: Mrs. Pachana Rujirek
 Address: 26 Monivong Road, Sangkat
 Phsar Thmei 2, Khan Daun Penh,
 Phnom Penh, Cambodia
 Telephone: +855-23-213-601, +855-23-213-602
 Fax: +855-23-426-116
 Swift: SICOKHPP
 E-Mail: pachana.rujirek@scb.co.th

Cambodian Commercial Bank - Battambang Branch

Branch Manager: Mr. Chhin Chou
 Address: 116/117 20 Ausapher Village,
 Svay Por, Battambang, Cambodia
 Telephone: +855-53-953-313 to 5
 Fax: +855-53-952-266
 E-Mail: chhin.chou@ccb.com.kh

Cambodian Commercial Bank - Siem Reap Branch

Branch Manager: Mr. Suriyah Termlertmanuswong
 Address: No. 130 Sivatha Road, Mondol 1,
 Sangkat Svay Dangcum, Siem Reap
 District, Siem Reap Province,
 Cambodia
 Telephone: +855-63-964-392
 Fax: +855-63-380-154
 E-Mail: suriyah@ccb.com.kh

Cambodian Commercial Bank - Sihanoukville Branch

Branch Manager: Mr. Sophy Nuon
 Address: 242 Ekareach Street, Sangkat 2,
 Khan Mittapeab, Sihanoukville
 Province, Cambodia
 Telephone: +855-34-934-777
 Fax: +855-34-934-999
 E-Mail: sophy.nuon@ccb.com.kh

REFERENCE INFORMATION

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED

Type of business	Banking
Company registration number	0107536000102
Head office	
Address:	9 Ratchadapisek Road, Jatujak, Bangkok 10900
Website:	www.scb.co.th
Tel:	66 2 544-1000
Fax:	66 2 937-7721
SCB Call Center:	66 2 777-7777
SCB Business Call Center	66 2 722-2222

Registrar

Ordinary and Preferred Shares	The Thailand Securities Depository Company Limited 93 Ratchadapisek Road, Dindaeng, Dindaeng, Bangkok 10400 Tel: 0-2009-9000 Fax: 0-2009-9476
-------------------------------	---

Siam Commercial Bank Subordinated Debentures No. 1/2012, due in 2022, where the issuer has the right to redeem prior to maturity	Siam Commercial Bank Public Company Limited 9 Ratchadapisek Road, Jatujak, Bangkok 10900, Thailand Tel: 66 2544-1111 Fax: 66 2544-2658
--	---

Siam Commercial Bank Subordinated Debentures No. 2/2012, due in 2024, where the issuer has the right to redeem prior to maturity	Siam Commercial Bank Public Company Limited 9 Ratchadapisek Road, Jatujak, Bangkok 10900, Thailand Tel: 66 2544-1111 Fax: 66 2544-2658
--	---

Senior Unsecured Notes USD 400 million 3.9% due November 2016	Deutsche Bank Luxembourg SA 2 Boulewarde Konrad Adenauer L-1115 Luxembourg Luxembourg
--	--

Senior Unsecured Notes USD 1,100 million 3.375% due September 2017	Deutsche Bank Luxembourg SA 2 Boulewarde Konrad Adenauer L-1115 Luxembourg Luxembourg
---	--

Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
New York, New York 10005
United States

Senior Unsecured Notes USD 750 million 3.5% due April 2019	Deutsche Bank Trust Company Americas 60 Wall Street, 16 th Floor New York, New York 10005 United States
---	---

Fiscal Agent

Senior Unsecured Notes

USD 400 million 3.9% due November 2016

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Senior Unsecured Notes

USD 1,100 million 3.375% due September 2017

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong
Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
New York, New York 10005
United States

Senior Unsecured Notes

USD 750 million 3.5% due April 2019

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Auditor

Mr. Winid Silamongkol

or Mr. Charoen Phosamritlert

or Ms. Pantip Gulsantithamrong

Certified Public Accountant (Thailand) Registration No. 3378
Certified Public Accountant (Thailand) Registration No. 4068
Certified Public Accountant (Thailand) Registration No. 4208

KPMG Phoomchai Audit Ltd.

Empire Tower, 50th-51st Floor,

1 South Sathorn Road, Yannawa, Sathorn, Bangkok 10120, Thailand

Tel: 0-2677-2000

Fax: 0-2677-2222

Summary of Specified Items Per Form 56-2

Topic	Page
1. Policy and business overview	12, 34-35, 40-44
2. Nature of business performance	38-49
3. Risk factors and risk management	52-62
4. General information	262-263, 295-296
5. Shareholders	258-261
6. Dividend policy	260-261
7. Management structure	34-35, 79-95
8. Corporate governance	65-95
9. Corporate social responsibility	Refer to Sustainability Report
10. Internal control and risk management	69-70, 72-73, 99-101
11. Related transactions	70-72
12. Financial information	120-121, 127-139
13. Management discussion and analysis (MD&A)	102-117

Siam Commercial Bank Public Company Limited
Company Registration Number 0107536000102
9 Ratchadapisek Road, Jatujak, Bangkok 10900, Thailand

TEL : +66-2544-1000/FAX : +66-2937-7721
SCB CALL CENTER +66-2777-7777
TELEX 82876 SIAMCOM TH / 20492 SIAMBNK TH SWIFT BIC SICOTHBK

www.scb.co.th |      SCB Thailand

