



*Transform to
the Next Experience*

Our Vision:

THE MOST ADMIRABLE BANK



CHATUCHAK GUIDE

Mobile Chatuchak Market navigation application featuring an innovative location-based technology.



SCB EASY APP

A new lifestyle banking platform experience to satisfy every user.

Answer every question
and respond to every need

We're everything for you



YOU TELL US

A mobile application designed to let customers express their level of satisfaction with in-branch experience, the Call Center, and other services.







Connecting every convenience

Toward a truly cashless society

* Photo Shot at Food Court, SCB Head Office

Let us be a companion on
your business journey

To a further destination

BusinessLinX

BUSINESS LINX

Build business alliances and connect
SMEs with new clients.



SCB MERCHANT MPOS

A digital payment application for
SME entrepreneurs.



* Photo Shot at SCB Business Center, 5th Floor CentralWorld



CONSULTING ROOM

Exclusive fund advisory service by experts customized to individual lifestyles.

Experience a new concept

Of personal wealth management



INVESTMENT ROOM

Enhance equity investment performance with expert assistance, in-depth information, and real time analytics.

BROADCAST ROOM

Investment seminars by leading gurus on every investment aspect facilitated by state-of-the-art technology.

Pass on the value

Create a better society for sustainable growth

TOO FAST TO SLEEP.SCB

24-hour Open space for a new generation community.

KAOKONLAKAO PROJECT

Be part of Thailand's public health development with this convergence donation campaign.



KHUN NAI ORM: The Series

Boost your knowledge and
financial discipline.

* Photo Shot at Too Fast To Sleep. SCB 2nd Floor, SCB Siam Square Branch



Enhance staff capabilities

To become the Bank for the digital world

FUTURE BANKING

Develop staff technology capabilities to meet customer needs in this ever-changing world.

TECHNOLOGY

Leverage new technologies to boost productivity.

SCB ACADEMY



CORE BANKING KNOWLEDGE

Advance your career confidently with knowledge on banking and financial products.

LEADERSHIP

Everyone is a leader who will grow together with the organization into a sustainable future.

CONTENTS

01

MESSAGE FROM
THE BOARD OF
DIRECTORS

18

02

BOARD OF DIRECTORS
AND SENIOR EXECUTIVE
OFFICERS

Board of Directors	22
Senior Executive Officers	30
Organization Structure	40

03

BUSINESS OVERVIEW

Thai Economy in 2017 and Outlook for 2018	44
Industry and Competition Review	46
Strategy and Business Overview of the Bank and its Subsidiaries	49
Awards and Achievement in 2017	64

04

RISK MANAGEMENT
AND RISK FACTORS

66

05

CORPORATE SOCIAL
RESPONSIBILITY

SCB Sustainability Report	82
Corporate Social Responsibility Committee Report	83

07

FINANCIAL
REPORTS

Board of Directors Responsibility for the Financial Statements	140
Audit Committee Report	141
Management Discussion and Analysis	145
Comparative Key Financial Statistics	161
Independent Auditor's Report	163
Financial Statements and Notes to the Financial Statements	169

06

CORPORATE
GOVERNANCE

Corporate Governance Report 2017	94
Internal Control and Risk Management	128
Related Party Transactions	132
The Nomination, Compensation and Corporate Governance Committee Report	134
The Executive Committee Report	136

08

SUPPLEMENTARY
INFORMATION

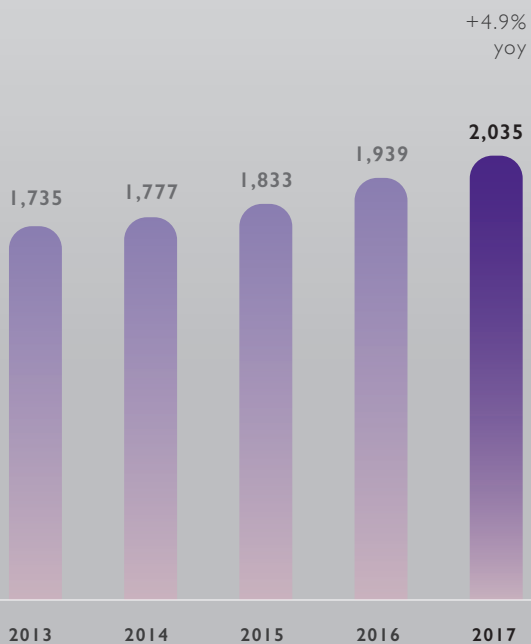
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2017 FINANCIAL HIGHLIGHTS

LOANS

(Consolidated, Baht billion)

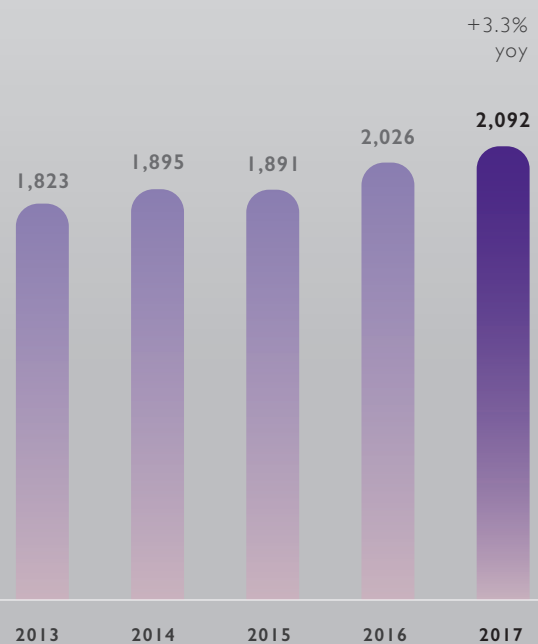
The 4.9% yoy overall loan growth was contributed by corporate and retail segments.



DEPOSITS

(Consolidated, Baht billion)

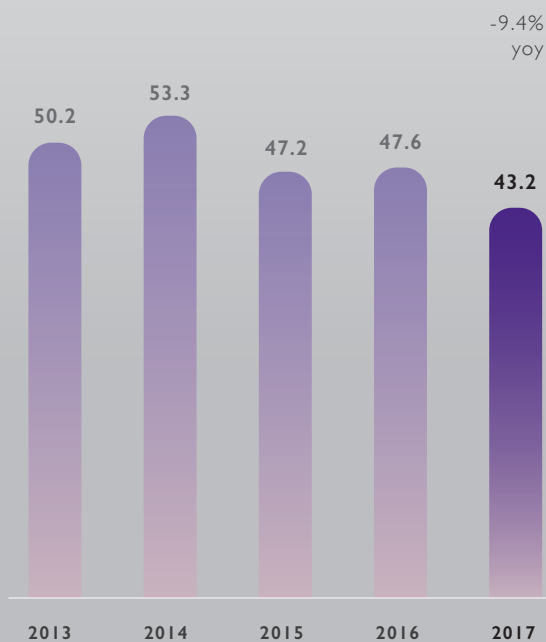
The 3.3% yoy deposit growth mainly came from higher savings and current deposits, following the Bank's strategy to increase the proportion of low cost deposits.



PROFITABILITY

(Consolidated, Baht billion)

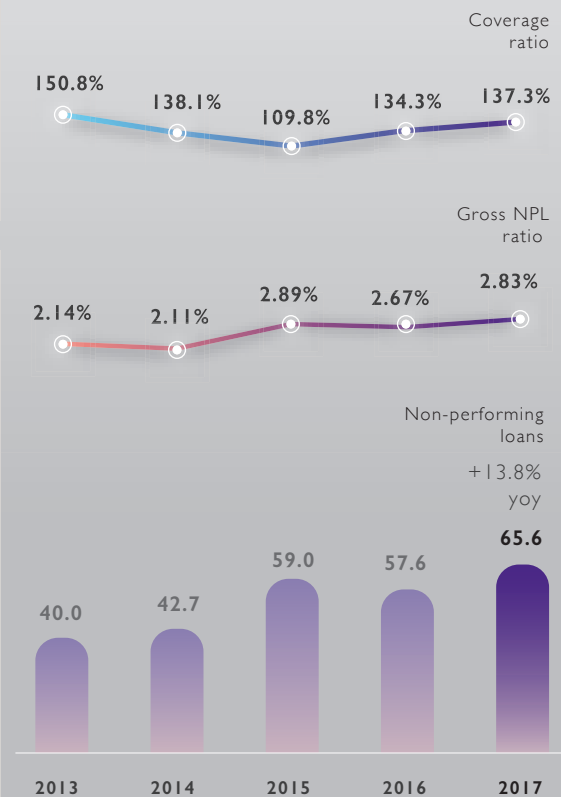
Net profit declined yoy due to higher provisions and higher operating expenses. However, net fee income and net interest income rose yoy.



ASSET QUALITY

(Consolidated, Baht billion, %)

NPL coverage ratio rose to 137.3%, while the NPL ratio increased slightly yoy.



01

MESSAGE FROM THE BOARD OF DIRECTORS



Dr. Vichit Suraphongchai
Chairman of the Executive
Committee

Mr. Anand Panyarachun
Chairman of the Board

Mr. Arthid Nanthawithaya
President and
Chief Executive Officer

Dear Fellow Shareholders,

In 2017, the Thai economy registered a higher-than-expected GDP growth of 3.9 percent and has shown clear signs of recovery. Major economies around the world also experienced a rebound in unison with the overall labor market fully recovering to the level above the pre-crisis peak of 2008. International trade has accelerated on the back of the global economic expansion which has directly benefited Asian exporters including Thailand. Thai export sector grew at a fast clip of 9.9 percent across the board and was the key reason behind higher GDP growth in 2017. In addition, recovery in the export sector also helped revive private investment after a 3-year period of contraction. However, the effect of export growth has not yet fully passed through to the labor market and thus household consumption failed to keep pace with the export expansion.

2017 has been another challenging year for the financial services sector, with constant external factors. Today's competition is no longer limited to banks as global technology companies, including Telecom and FinTech, have begun to offer financial services in their product platforms, blurring the line of the banking industry. The shift towards mobile banking and electronic banking among customers has reduced the need for traditional banking channels but come with heightened cyber security risk which requires higher vigilance in financial transactions. Moreover, advancement of new technologies, such as Blockchain, necessitates the players to on constant alert to learn and integrate new technologies into their product and service development. Apart from regulatory changes, Thailand's transition towards a cashless society which is supported by the government's national e-payment program has put direct pressure on fee income of banks with a trend of narrower margins. Given these factors, commercial banks must change the way they do business to maintain their relevance, keep their customers, and survive in the future.

The Bank continued to push ahead with the SCB Transformation program in 2017, commenced in mid-2016 driven by a vision to becoming "the Most Admired Bank", with an emphasis on foundation transformation to achieve the key strategic objective of being technology-driven.

The Bank invested in: (1) technology platform capabilities to accommodate all types of business requirements for new customer experiences, (2) big data analytics to develop and deliver products and services that truly meet customer needs, and (3) people management to equip SCB people with skills and insights to operate in the new financial and banking landscape.

2017 Financial Results

Net profit in consolidated amounted to Baht 43,152 million in 2017, a decrease of 9.4% yoy from Baht 47,612 million in the previous year. Lower net profit was primarily due to higher prudential provisions set aside to align expected loss principles with new accounting standards to take effect in 2019 as well as an 11.6% rise in operating expenses. Higher expenses were mainly a consequence of the Bank's investment in digital banking technology to expand the customer base through digital platforms, such as mobile banking platform, and new payment technologies, such as QR code payment, as part of its digitization strategy.

Total income increased by 2.2% from 2016. Net interest income grew by 4.4% yoy to Baht 92,310 million, driven by higher loan interest income from a 4.9% yoy loan growth despite an interest rate cut of 0.25% in 2017. Non-interest income totaled Baht 43,903 million, a decrease of 2.2% yoy because of lower net insurance income and investment income. Net fee income rose 6.7% yoy from stronger mutual fund business, higher bancassurance fee, and higher net trading and FX income.

As of December 31, 2017, the Bank's gross NPL ratio was at 2.83%, an increase from 2.67% at the end of 2016, driven by higher NPLs in the SME portfolio and mortgage loans for small business while NPLs in the corporate sector declined. The Bank set aside loan loss provisions of Baht 25,067 million or 1.26% of the total loans in 2017, causing the coverage ratio to rise to 137.3% at the end of 2017 from 134.3% at the same period in 2016.

The Bank maintained a solid capital base with its total consolidated capital under Base III as high as 17.7% of total risk-weighted assets and 15.6% common equity Tier I capital at the end of 2017.

Developments in Corporate Governance Practices

Corporate governance is an ongoing commitment at SCB. The Bank strongly believes that effective, transparent, and accountable management is the key to building trust and confidence among shareholders, investors, stakeholders and all related parties. The Bank was rated "Excellent" which is the highest level in the 2017 CG assessment of Thai Listed Companies by the Thai Institute of Directors Association (IOD), a recognition that the Bank has earned every year since 2005. In addition, the Bank received a full score of 100 points on the Annual General Meeting Checklist by the Thai Investors Association in which the Bank has been in the 99-100 tier for nine consecutive years.

To further improve its corporate governance practices, the Bank has adopted the corporate governance code for listed companies 2017 (CG Code) issued by the Securities and Exchange Commission. In the changing business context, the CG Code will serve as guiding principles for the Board to steer the Bank towards sustainable growth. Fighting corruptions of all forms is also high on the Bank's agenda.

The Bank has joined the "Thailand's Private Sector Collective Action Coalition Against Corruption (CAC) and was re-certified on November 10, 2017. These endeavors underline the Bank's steadfast determination to uphold the corporate governance principles in all areas of its operations.

2018 Outlook

The Bank forecasts that the Thai economy will maintain its growth momentum of 4.0% in 2018, fueled by continued growth in the export sector from global economic expansion, strength in the tourism industry, and higher government spending. Particularly, public investment in major infrastructure projects is expected to double along with spending on the Eastern Economic Corridor (EEC) development project and the economic stimulus measures for low-income earners. Furthermore, private investment is expected to pick up as exports recover. However, household spending will be under pressure from low agricultural prices and household debts which still remain high despite a declining trend. Major risks to the Thai economy will be uncertainties in global politics and economic policies, Thai baht appreciation, and tightening global liquidity conditions following the Federal Reserve's contractionary monetary policy which may send shockwaves to counterparty countries with high foreign debts and raise the risk of asset-price corrections including Thai equities

which had rallied last year. Nonetheless, risk to the overall economic stability will be mild given the high level of foreign exchange reserves and strong financial positions of major companies.

2018 Strategy

2018 will mark a major shift in the Thai banking industry influenced by changing consumer behavior, new financial technologies, and changing government and regulatory policies. Agility will therefore be the Bank's business imperative to prepare for impending uncertainties and intensified competition. Going forward in 2018, the Bank will continue to pursue the key strategy underpinning the SCB Transformation initiative which is to become a technology-driven organization that leverages its technology capabilities to reduce costs, grow revenue, and deliver great customer experiences. SCB's "Going Upside Down" strategy rests on 5 strategic pillars: (1) Lean the Bank, reducing the cost to service and increasing agility through digital technologies, (2) Digital Acquisition to deepen relationships with existing customer and attract new customers, especially digital users, (3) High-Margin Lending, (4) Data Capabilities, developing and embracing data analytics across the organization, and (5) New Business Model, operating as a platform to deliver new experiences and create value for every segment.

The Bank will continue to invest in technology infrastructure and leverage advanced technologies, including blockchain, artificial intelligence (AI), machine learning, and cloud computing, to design products and services that create value to customers. The Bank also places importance on cyber security so that customers can use the Bank's digital platforms with complete confidence. The Bank will also continue to invest in people and build a good corporate culture based on its belief that relationships between staff and customers must still be nurtured even with increased digitization in customer service. Therefore, the Bank will focus on "shifting the paradigm" of SCB people at all levels and fostering the culture of agility and customer centricity.

The Siam Commercial Bank is committed to becoming "the Most Admired Bank" by balancing our value propositions to all stakeholders from customers, employees, shareholders, regulators, to the society. We envision SCB to be the bank of choice for our customers, a caring employer for our staff, an attractive investment for our shareholders and investors, a prudent bank for our regulators, and a responsible corporate citizen for our society and environment. We believe that this is the right path for SCB with 111 years of success to grow sustainably together with the Thai society.

21



(Mr. Anand Panyarachun)
Chairman of the Board



(Dr. Vichit Suraphongchai)
Chairman of the Executive
Committee



(Mr. Arthid Nanthawithaya)
President and
Chief Executive Officer

**MR. ANAND
PANYARACHUN**

Chairman of the Board
and Independent Director

Mr. Panyarachun completed his Bachelor of Arts (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. Panyarachun 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. Panyarachun 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 2003 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. Panyarachun has been the Board Chairman of the Siam Commercial Bank since 2007. He 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 Foundation.

**DR. VICHIT
SURAPHONGCHAI**

Director and Chairman of the
Executive Committee

Dr. Suraphongchai 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 a Master's Degree and a Ph.D. in business administration from the University of California, Los Angeles, U.S.

Dr. Suraphongchai commenced his long and illustrious career in banking in 1977 at Bangkok Bank PCL. He later 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 1999, he joined SCB as Chairman of the Executive Committee and Director of the Bank.

Throughout his tenure as Director and Chairman of the Executive Committee, Dr. Suraphongchai has demonstrated exemplary visionary leadership, guiding SCB Group towards the successful transformation of its business model that greatly contributes to the buoyant growth of the Bank with an emphasis on the adaptation to the era of technology.



**DR. CHIRAYU
ISARANGKUN NA AYUTHAYA**

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

Dr. Isarangkun Na Ayuthaya 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. Isarangkun Na Ayuthaya has been Director-General of the Crown Property Bureau. In 2016, he was appointed by a royal command to also assume the prestigious position of Lord Chamberlain of the Bureau of the Royal Household.

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



**KHUNYING JADA
WATTANASIRITHAM**

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

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

In addition to her position as Director of the Bank, Khunying Wattanasiritham 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 holds positions in several academic and non-profit organizations.



MR. PRASAN CHUAPHANICH

Independent Director and
Chairman of the Audit Committee

Mr. Chuaphanich obtained a Bachelor of Accounting (Second-Class Honors) and a Diploma in Auditing from the Faculty of Commerce and Accountancy, 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 at Harvard Business School, U.S. Mr. Chuaphanich has more than 35 years of experience in the accounting profession, including being a former Executive Chairman at PricewaterhouseCoopers Thailand.

Mr. Chuaphanich has been the Chairman of the Bank's Audit Committee since 2015. Currently, he also holds key positions in various organizations, such as Expert Member on Accounting of the Office of Insurance Commission (OIC), Chairman of Board of the Thai Institute of Directors Association (IOD), Member of Thailand's Private Sector Collective Action against Corruption Committee (CAC), Expert Member on Accounting of the Public Sector Audit and Evaluation Committee, and Independent Director and Member of the Audit Committee of PTT Global Chemical PCL and Advanced Info Services PCL.



DR. KULPATRA SIRODOM

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

Dr. Sirodom earned a B.B.A. (First-Class Honors) in finance from Thammasat University as a recipient of the King's 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. Sirodom held the position of Dean of the Faculty of Commerce and Accountancy, Thammasat University, during 2010-2013. In addition to her position as Director of the Siam Commercial Bank, she holds key positions in several organizations, including Independent Director and Chairperson of the Audit Committee of Thai President Foods PCL, Independent Director and the Member of the Audit Committee of President Bakery PCL and the Erawan Group PCL, Independent Director and Chairperson 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 Expert Member of the Private Investments in State Undertakings Policy Committee, Expert Member on Finance of the Public Sector Audit and Evaluation Committee, and Director of Thai Listed Companies Association. Dr. Sirodom also serves at a number of academic and non-profit organizations.

MR. EKAMOL KIRIWAT

Independent Director and
Member of the Audit Committee

Mr. Kiriwat holds a Bachelor's Degree (Magna Cum Laude) in economics from Dartmouth College, U.S., and an M.B.A. Degree (finance) from Harvard Business School, U.S.

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



MRS. KANNIKAR CHALITAPORN

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

Mrs. Chalitaporn 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 at Unilever Thailand for 32 years. During her years at Unilever, she played a critical role in dramatically increasing its market share and profitability in Thailand by applying modern marketing concepts.

Mrs. Chalitaporn was appointed Director of the Bank in 2002 and President in 2007-2015. She 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.

In addition to her position as Director of the Siam Commercial Bank, Mrs. Chalitaporn currently serves as Vice Chairperson and Chief Advisor to the Executive Committee of Osotspa Co., Ltd. and Advisor of Index Living Mall Co., Ltd.

MR. KRIRK VANIKKUL

Independent Director and
Member of the Executive Committee

Mr. Vanikkul 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 from the Institute of Legal Education, Thai Bar Association.

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

In addition to his position as Director of the Siam Commercial Bank, Mr. Vanikkul also serves as Expert Director for the Office of Knowledge Management and Development (public organization), Independent Director and Member of the Audit Committee of L.P.N. Development PCL, and Independent Director of Osotspa Co., Ltd.



DR. THAWEESAK KOANANTAKOOL

Independent Director and
Member of the Executive Committee

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

He has held several key positions in the public sector, including Member of National Reform Steering Assembly, 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. Koanantakool was widely recognized 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.

Presently, Dr. Koanantakool also holds key positions in several organization such as Chairman of the Executive Board of Electronic Government Agency, Expert Member on Information Technology of the Public Sector Audit and Evaluation Committee, Member of the National Economic Reform Committee, and Member of the National Economic and Social Development Board.

MR. WEERAWONG CHITTMITTRAPAP

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

Mr. Chittmittrapap earned a Bachelor of Laws from Chulalongkorn University and a Master of Laws 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. Chittmittrapap 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., Independent Director of Nok Airlines PCL and Minor International PCL, Independent Director and Member of the Audit Committee of GMM Grammy PCL and Thai Airways International PCL.

Mr. Chittmittrapap presently serves as Independent Director and Chairman of the Nomination, Compensation and Corporate Governance Committee of SCB Life Assurance PCL, Independent Director of Berli Jucker PCL, and Independent Director and Member of the Audit Committee of Bangkok Dusit Medical Services PCL.



DR. EKNITI NITITHANPRAPAS

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

Dr. Nitithanprapas earned a Bachelor's Degree in economics (Honors) from Thammasat University under a scholarship from the Thammasat Economics Association. He went on to receive a Master's 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) of the Royal Thai Embassy in the United Kingdom and Europe, and senior advisor at the World Bank in Washington, D.C.

In addition to his position as Director of the Siam Commercial Bank, Dr. Nitithanprapas 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.



MR. KAN TRAKULHOON

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

Mr. Trakulhoon 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) at Harvard University, U.S.

Mr. Trakulhoon possesses a wealth of professional experience as a top executive of leading organizations, including as President and Chief Executive Officer of Siam Cement PCL and Director of Kubota Corporation (Japan). He also currently serves on key national panels of Thailand, including on the National Strategy Committee as Expert Member, the National Administration Reform Committee, the National Competitiveness Development Committee, the National Council on Research and Innovation Policy, the Eastern Economic Corridor Policy Committee, the National Intellectual Property Policy Committee, and the National Strategic Administration Committee as Advisor.

In addition to his position as Director of the Siam Commercial Bank, Mr. Trakulhoon presently is Director of Siam Cement PCL, Chairman of Advanced Info Service PCL, and Independent Director of Intouch Holding PCL and Bangkok Dusit Medical Services PCL.

MR. CHAKKRIT PARAPUNTAKUL

Director and Member of the Corporate Social
Responsibility Committee

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

Mr. Parapuntakul has broad work experience in the public sector and state-owned enterprises in a number of key positions including Director-General of the Public Debt Management Office; Director-General of the Treasury Department; and Director, Chairman of the Audit Committee and Member of the Internal Control and Risk Management Committee of Credit Guarantee and Investment Facility (CGIF) established by the Asian Development Bank (ADB). He also served on the boards of several private companies, including Chairman of ASEAN Potash Mining PCL and Director of PTT Exploration and Production PCL.

In addition to his position as Director of the Siam Commercial Bank, Mr. Parapuntakul currently serves as Deputy Permanent Secretary of the Ministry of Finance, President of Federation of Accounting Professions under the Royal Patronage of His Majesty the King, Independent Director and Chairman of the Audit Committee of MPG Corporation PCL, and Independent Director of Esso (Thailand) PCL.



**MR. ARTHID
NANTHAWITHAYA**

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

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

Mr. Nanthawithaya commenced his career at Siam Commercial Bank's Treasury Department in 1994, before 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. Nanthawithaya re-joined the Siam Commercial Bank in 2008 as Senior Executive Vice President, Corporate Banking Group.

He was appointed Chief Executive Officer and Vice Chairman of the Executive Committee of the Bank in 2015 and the President and Chief Executive Officer in 2016.



02

SENIOR EXECUTIVE OFFICERS

**MRS. KITTIYA TODHANAKASEM**

Senior Executive Vice President, Chief Financial Officer

Mrs. 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 appointed to be Senior Executive Vice President and 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 Chairman of Krungthai Card PCL, Chairman of the Board of Executive Directors at Krungthai Panich Insurance PCL and Director at Krungthai-AXA Life Insurance PCL. Currently, she is Chairman of SCB Abacus, Director at SCB Life Assurance PCL and Director at the Office of SMEs Promotion (OSMEP).

DR. VICHIT SURAPHONGCHAI

Chairman of the Executive Committee
(see page 22 for the profile)

MR. ARTHID NANTHAWITHAYA

President and Chief Executive Officer
(see page 29 for the profile)



MR. ANUCHA LAOKWANSATIT, CFA

Senior Executive Vice President,
Chief Risk Officer

Mr. 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. in June 2015 and as Chairman of the Board of SCB Asset Management Ltd. in July 2015. In February 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. Laokwansatit 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.



MRS. WALLAYA KAEWRUNGRUANG

Senior Executive Vice President,
Chief Legal and Control Officer

Mrs. Kaewrungruang is a veteran in the field of financial law. With over 33 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 the Bank, Mrs. Kaewrungruang 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 KrungThai 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.


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 digital de-coupling to meet 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.

Mr. Dinn's prior regional roles included Managing Director of a financial services technology multinational running greater-China business and consulting services for the Asia-Pacific region; Head of Technology Strategy for a super-regional business.


DR. JENS LOTTNER

Senior Executive Vice President, Chief Transformation Officer

Dr. 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.


MR. THANA THIENACHARIYA

Senior Executive Vice President, Chief Marketing Officer

Mr. Thienachariya has been appointed to the position of Senior Executive Vice President, Chief Marketing Officer of Siam Commercial Bank in 2017. Previously, he served as Acting Chief Marketing Officer and Chairman of the Executive Committee of Digital Ventures, a subsidiary of the Bank, in 2016.

Prior to joining the Bank, he had served as a director of Singha Estate PCL and SF Corporation PCL during 2013-2016. He held a position of chief executive officer of the broadcast business of GMM Grammy PCL from 2012-2013. In addition, he was chief commercial officer of Total Access Communication (DTAC) during 2010-2011.

Mr. Thienachariya 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. SARUNTHORN CHUTIMA

Senior Executive Vice President, Head of Special Business

Mr. 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.


MS. PHANPORN KONGYINGYONG

Senior Executive Vice President,
Chief People Officer

Ms. Kongyingyong is a Senior Executive Vice President serving as the Chief People Officer. She had worked at American Express (Thailand) for 12 years before joining GE in 1995 to take on a wide range of roles across several units within the group, including GE Capital (Thailand), GE Capital Auto Lease PCL, GE Money Retail Bank, and GE Money Asia. She joined Siam Commercial Bank in 2009 as an Executive Vice President to work in Branch Network for the Retail Banking Group and was subsequently promoted to First Executive Vice President to head the Retail Segment and Branch Network in 2015. She was appointed the Chief People Officer in April 2017. Ms. Kongyingyong holds a B.B.A degree in accounting as well as an executive M.B.A. from Assumption University.


DR. ARAK SUTIVONG

Senior Executive Vice President,
Chief Strategy Officer and Company Secretary

Dr. Sutivong holds a Ph.D. in Electrical Engineering from Stanford University, California, U.S. and M.S. and B.S. in Electrical and Computer Engineering from Carnegie Mellon University, Pennsylvania, U.S. Dr. Sutivong is currently the Chief Strategy Officer of the SCB Group, responsible for overall strategy and business development for the Bank, Company Secretary, and a board member of SCB Asset Management.

Dr. Sutivong joined SCB in 2010. He was appointed as Senior Executive Vice President and Chief Strategy Officer in April 2017 and the Company Secretary in December 2017. Prior to joining SCB, Dr. Sutivong had over 10 years of experience with leading multi-national corporations. He was with McKinsey & Company in the Southeast Asia Office, where he had advised clients on strategy and corporate finance across multiple industries including telecommunication, technology, energy, and government, and prior to that with Qualcomm Inc., California, U.S. where he led wireless telecommunication R&D and had co-authored over 50 U.S. patents.

**MR. SARUT RUTTANAPORN**

Senior Executive Vice President,
Head of Retail Segment and Branch Network

Mr. Ruttanaporn is a Senior Executive Vice President serving as the Head of Retail Segment and Branch Network. His banking career began in 1996 as an investment banking analyst at SCB Securities Co., Ltd. From 2000 to 2005, he worked at Deutsche Bank AG as the Head of Corporate Coverage and Debt Capital Market and later joined JP Morgan Chase Bank where he led the team of Credit & Rates Market Sales. He joined Siam Commercial Bank in 2009 as an Executive Vice President in Wholesale Banking Group and was subsequently promoted to First Executive Vice President as the Head of Corporate Segment in 2016. Mr. Ruttanaporn holds a Bachelor of Arts degree in economics from Boston University and an M.B.A. in Finance from SASIN Graduate Institute of Business Administration.

**MR. NARONG SRICHUKRIN**

Senior Executive Vice President,
Head of Wealth Segment and Head of Wealth Products

Mr. Srichukrin is a Senior Executive Vice President serving as the Head of Wealth Segment and the Head of Wealth Products. He has over 26 years of experience in the banking industry, having worked at Citibank N.A., Thailand for 14 years and subsequently at Standard Chartered Bank (Thai) from 2003-2007. He joined Siam Commercial Bank in 2008 to work in the Alternate Channels, Sales and Service Division in the Retail Banking Group. In 2015, he was appointed First Executive Vice President to lead the Auto Finance and Personal Loan Product. Mr. Srichukrin holds a Bachelor's degree in economics with honors from Thammasat University and an M.B.A. in finance and banking from the United States.



MRS. PIKUN SRIMAHUNT
Senior Executive Vice President,
Head of SME Segment

Mrs. Srimahunt is a Senior Executive Vice President serving as the Head of SME Segment. She first joined Siam Commercial Bank in 1993 as a management trainee and later took a full-time position as a commercial credit analyst specialized in electronic and construction businesses. In 1996, she transferred to work with the real estate team in the Corporate Division until 2008 when she was appointed Senior Vice President responsible for residential mortgage products. With her wealth of banking experience and her significant contribution on SCB gaining the highest market share in the housing loans market, she was appointed the Head of Mortgage and SSME Product in 2013 and became the Head of SME segment in 2017. Mrs. Srimahunt holds a Bachelor's degree in economics with honors from Chiang Mai University and a Master of Science degree in development economics from National Institute of Development Administration (NIDA).



MR. WASIN SAIYAWAN
Senior Executive Vice President, Head of Multi-Corporate
Segment and Head of Corporate Segment.

Mr. Saiyawan is a Senior Executive Vice President serving as the Head of Multi-Corporate Segment and the Head of Corporate Segment. He started his career in the Treasury Department and had worked as a member of the interbank dealing team at Siam Commercial Bank for 2 years. In 1999, he joined Standard Chartered Bank (Thailand) where he was in charge of FX sales and financial markets at the regional level. He returned to Siam Commercial Bank in 2009 to join the treasury sales team of the Financial Markets Division and the Head of Commercial Banking Solutions in 2015. Mr. Saiyawan holds a Bachelor of Arts degree in economics from University of Kansas and an M.B.A. in management from New Hampshire College.



MRS. PIMOLPA SUNTICHOK
Senior Executive Vice President,
Head of Commercial Banking Solutions

Mrs. Suntichok is a Senior Executive Vice President serving as the Head of Commercial Banking Solutions. She has over 20 years of experience in banking, having worked at Bangkok Bank PCL, Jardine Fleming Thanakom Securities Ltd., Fitch Ratings (Thailand) Ltd., and Standard Chartered Bank (Thailand). She joined Siam Commercial Bank in 2008 to lead the structured finance practice for the Capital Markets Division and became the Head of Corporate Segment in 2015 and the Head of Multi-Corporate Segment in 2016. Mrs. Suntichok holds a Bachelor of Science degree in statistics from Chulalongkorn University and an M.B.A. from Eastern Michigan University.



MRS. APIPHAN CHAROENANUSORN
Senior Executive Vice President, Head of Operations,
Head of Retail Products, and Head of Retail Payments

Mrs. Charoenanusorn is a Senior Executive Vice President serving as the Head of Operations, Head of Retail Products, and Head of Retail Payments. Her professional background spans a wide range of roles from auditor, accountant, project manager, finance and operations director. She worked at Unilever Thai Trading for 15 years from 1993 to 2007 and served as Operation Finance Director at Tesco Thailand from 2007 to 2008. She joined Siam Commercial Bank in 2008 to lead the Management Services and Retail Operations Division of the Retail Banking Group. In 2013, she became the Head of Retail Operations Division in the Technology and Operations Group and took the role of Head of Operations in 2015. Mrs. Charoenanusorn holds a Bachelor's degree in finance and accounting with honors from Chulalongkorn University and an executive M.B.A. in business administration from Kasetsart University.

First Executive Vice President*

Ms. Araya	Phuphanich
Ms. Auraratana	Jutimitta
ML. Chiradej	Chakrabandhu
Mr. Christian	Roland
Ms. Jamaree	Ketrakool
Mr. Kamalkant	Agarwal
Mr. Kiradit	Arromdee
Mr. Krieng	Wongnongtaey
Mr. Pipat	Assamongkol
Ms. Pitiporn	Phanaphat
Mr. Pongsit	Chaichutpornasuk
Ms. Soramon	Inkatanuvatana
Mr. Suthipat	Serirat
Mr. Trirat	Suwanprateeb
Mr. Vishrut	Jain
Ms. Vorada	Thangsurbkul
Mr. Woraphon	Watunyuta
Mr. Worawat	Suvagondha

Mr. Pornthep	Panyarachun
Mr. Prakrit	Lohaprasert
Mr. Rungsan	Ongsaranakom
Mr. Rungsi	Vongkitbuncha
Mrs. Sakara	Asvaraksh
Mr. Sakda	Dumnakkaew
Ms. Salisa	Hanpanich
Mr. Sanirat	Ratchinda
Ms. Saranya	Vajakul
Mr. Seksan	Pornpairin
Mr. Seksom	Intralawan
Mrs. Siribunchong	Uthayophas
Ms. Siripen	Olanakijcharoen
Ms. Siriporn	Chuencharoenwong**
Mr. Sirote	Vichayabhai
Mr. Siva	Rkrishnan
Mr. Somkiat	Kuvichitsuwan
Mr. Somsakul	Vinichbutr
Mr. Sornchai	Suneta
Mr. Srihanath	Lamsam
Ms. Suporn	Sunthornrohit
Mr. Sutirapan	Sakkawatra
Mr. Suwan	Chaichanayotinwatchara
Mr. Tanik	Tarawisid
Mr. Teerapol	Rattakul**
Ms. Teerin	Ratanapinyowong
Mr. Thanawatn	Kittisuwan
Mr. Theeradate	Sritarachiyanon
Mr. Tiravat	Assavapokee
Ms. Veena	Lernimitr
Ms. Vipasiri	Chantanumat
Mrs. Virasana	Boonyasai
Mr. Vitoon	Pornsakulvanich
Ms. Wannarat	Phanjan

38

Executive Vice President*

Mrs. Anisa	Choocharn
Mr. Aphisak	Kiewkarnkha
Mr. Arpat	Vijitakula
Mr. Artapong	Pomdhiti
Ms. Chunpen	Vitchichunthakhron
Mr. Ekkapol	Apinun
Ms. Jittinun	Chatsiharach
Mr. Kaitchai	Pullsuppasit
Mr. Kanin	Rangkla
Mrs. Kanognate	Charoensedtasin
Ms. Kanokwan	Jaisri
Ms. Kluaymai	Devahastin
Mr. Kramol	Pulkes
Ms. Lalitphat	Toranavikrai
Mr. Manop	Sangiambut
Mrs. Metinee	Jongsaliswang
Ms. Nartruedi	Punyaratabandhu
Mrs. Natthakan	Kanpachai
Mr. Nopadol	Mungonchai
Mr. Noppadon	Boonmapajorn**
Mr. Paiboon	Tangkanokpairoj
Ms. Pakachat	Taychaburapanone**
Ms. Parichart	Changprai
Mr. Parnu	Chotiprasidhi
Ms. Pimjai	Tongmee
Ms. Piyaahpa	Charoenvej

* As of January 1, 2018

** Mr. Teerapol Rattakul has resigned from the Bank with effect from March 1, 2018

Mr. Noppadon Boonmapajorn has resigned from the Bank with effect from April 1, 2018

Ms. Pakachat Taychaburapanone has resigned from the Bank with effect from April 1, 2018

Ms. Siriporn Chuencharoenwong has resigned from the Bank with effect from April 1, 2018



02

ORGANIZATION STRUCTURE

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*

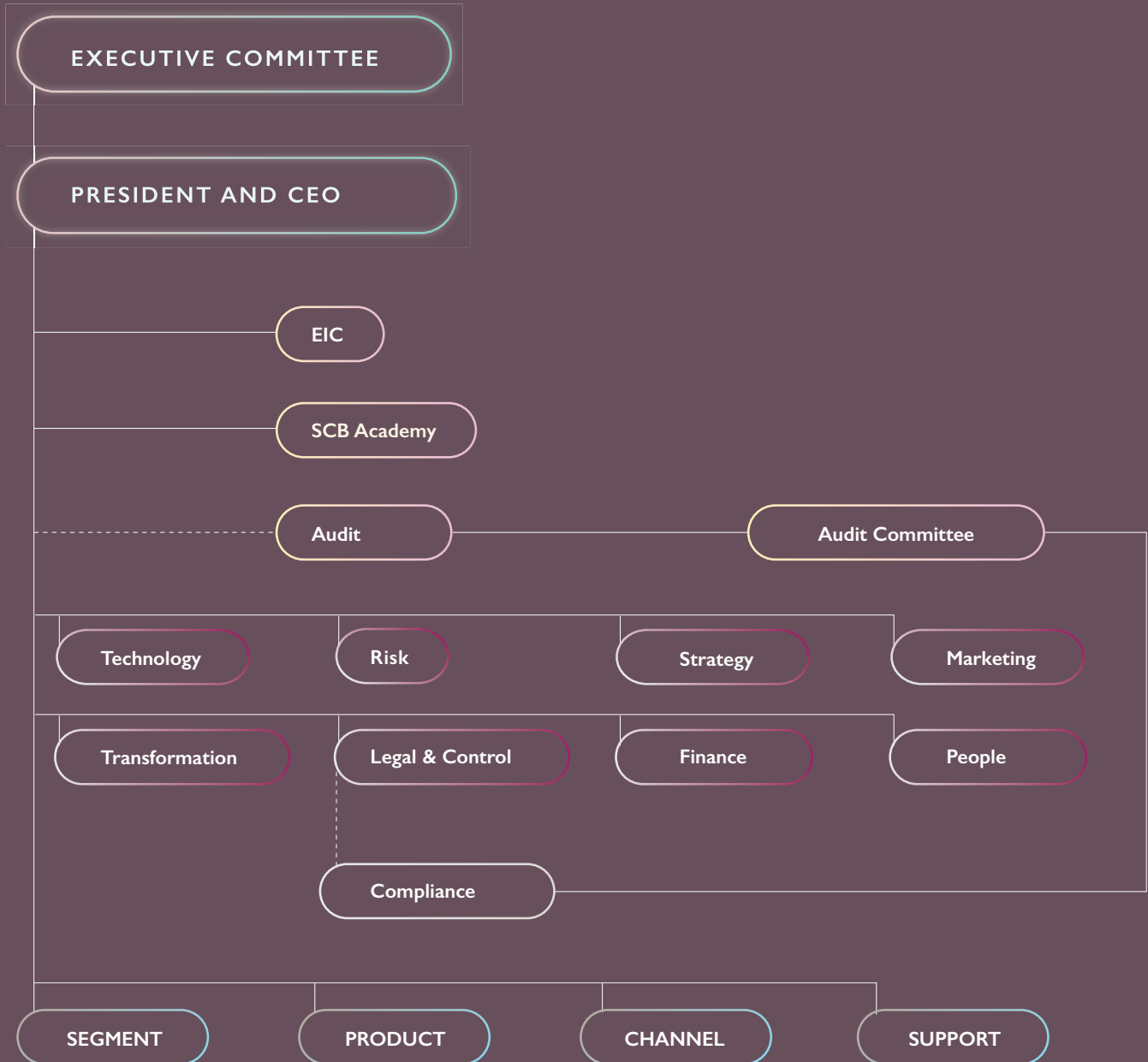
MANAGEMENT COMMITTEES

**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 OWNERSHIPSCB
Asset Management **100%**
OF OWNERSHIPSCB
Life Assurance **99.17%**
OF OWNERSHIP

MANAGEMENT STRUCTURE



41

- Retail Segment
- SME Segment
- Wealth Segment
- Multi-Corporate Segment
- Corporate Segment
- International Banking
- Special Business

- IB & CM
- Commercial Banking Solutions
- Retail Products
- Retail Payments
- Wealth Products
- Mortgage Products

- Branch Network
- Digital Banking

- Operations
- Facility Management
- CSR and Internal Communication



SCB Service Center

03

BUSINESS OVERVIEW

- 3.1 THAI ECONOMY IN 2017 AND OUTLOOK FOR 2018
- 3.2 INDUSTRY AND COMPETITION REVIEW
- 3.3 STRATEGY AND BUSINESS OVERVIEW OF THE BANK AND ITS SUBSIDIARIES
- 3.4 AWARDS AND ACHIEVEMENT IN 2017



In 2017, Thailand's economy
grew by

3.9%



For the year 2018,
SCB estimates that the
Thai economy will
continue to grow at

4.0%

In 2017, Thailand's economy grew by 3.9%, which is a clear indication of the country's promising economic recovery. Other key economies around the world have also experienced a rebound with the strength of the overall labor market restored to the pre-financial crisis level in 2008. Moreover, the global economic expansion has increased international trade which directly benefits Asian exporters, including Thailand. Subsequently, the export sector has expanded across almost all categories with total export value growing at 9.9% which is the key reason behind the recent marked improvement in the overall economy. Moreover, the export rebound has stimulated a gradual recovery in private investment after prolonged contraction over the past three years. However, the effect of export recovery has not fully trickled down to the labor market which has kept household consumption in the doldrums.

For the year 2018, SCB estimates that the Thai economy will continue to grow at 4.0%, driven primarily by growth momentum in the export sector which will continue to benefit from favorable factors such as economic expansion in key regions, growth in global IT spending, and relocation of manufacturing bases of several Asian companies to Thailand. Similarly, tourism is expected to pick up after the mourning period for King Rama IX and floods in many provinces with another contributing factor being the International Civil Aviation Organization's (ICAO) decision to remove Thailand from its red-flag list. Government expenditure is also expected to increase from investment in major infrastructure projects with almost double investment outlay, the Eastern Economic Corridor (EEC) project, and the stimulus package targeted at low-income earners.

Private investment is expected to accelerate in 2018 as private sector starting to invest again after exports have picked up. In addition, there are signs of other positive factors contributing to investment, such as branch expansion of major retailers, a return of real estate projects, and investments in digital technologies by major corporations. Moreover, e-commerce businesses, which have flourished in recent years, will likely generate higher investment in a variety of sectors, including transportation, logistic, warehousing, and digital technology to support online transactions and payments. The Bank expects that

acceleration in private investment will be more pronounced compared to the prior years. Another important factor that may cause the Thai economy to grow at a faster rate than forecast is foreign investment in the EEC project. This investment can result in quick and significant inflows with a potential to generate further economic activities beyond the initial investment.

Improvement in private consumption has been limited to certain segments which are high-income earners and First-Car Policy buyers who are now close to paying off their car loans which helped stimulate sales in automobiles, goods, and services targeted at middle-class consumers. Moreover, the end of the mourning period will mark a return to normalcy for many sectors, such as event organizing, media, entertainment, and tourism among both Thais and foreigners. However, the overall purchasing power will be dampened by the stagnant labor market and high household debt burden which also limits access to consumption loans.

SCB foresees four major risks in 2018. First, agricultural prices will remain at a low level due to excess supply which will affect income for the majority of households and further weaken the purchasing power. Second, Thai Baht appreciation will hurt Baht-denominated revenues and competitiveness of Thai exporters. Third, shortage of high-skilled labor may halt the recovery of investment. Lastly, political uncertainties ranging from tensions in the Korean Peninsula, President Donald Trump's fickleness, and political conflicts in many EU countries, may cause a negative impact on the economy.

Thailand's financial conditions remain healthy despite tightening monetary policies worldwide. Going forward, liquidity in the global financial market will be lower as the Fed tightens the US monetary policy, which may destabilize countries with high foreign debt as well as increasing the risk of financial asset revaluation, including the Thailand SET index which has rallied over the past year. However, Thailand's overall economic stability is still considered sound given its large foreign reserves and strong balance sheets of major Thai corporations. Meanwhile, the policy rate is likely to remain unchanged at 1.50% to support the economy that has yet to gain full recovery coupled with low inflationary pressure.

3.2

INDUSTRY AND COMPETITION REVIEW

Global economic recovery has led to an expansion in Thai exports which, in turn, boosted GDP growth in 2017 to be higher than the prior year. Gross loans and deposits in the

Thai commercial banking sector also grew at 4.8% and 6.2% in 2017 respectively, compared with 2.6% and 1.9% in 2016, with the majority of deposit growth coming from savings deposits.

Comparison of SCB's Performance with the Thai Commercial Banking Sector*
as at December 31, 2017

Unit: Baht billion

Consolidated	Thai commercial banking sector *		Change % yoy	SCB 2017	SCB's market share %
	2017	2016			
Assets	16,915	16,049	5.4	3,024	17.9
Gross loans	11,494	10,964	4.8	2,035	17.7
Deposits	11,634	10,953	6.2	2,092	18.0
Net profit	187	200	-6.7	43	23.1

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



For the overall sector performance, total income of Thai commercial banks grew at a moderate pace. Net interest income (NII), which remained the main source of total income, grew in tandem with loan growth and also benefited from efficient cost management, despite a one-time lending rate cut in May. Net fee income of the sector continued to grow. In addition, many Thai commercial banks have invested in digital technology in response to changing consumer needs, causing operating expenses to outstrip income. Higher expenses coupled with higher prudent provisions and preparation for the new accounting standards to take effect in 2019 resulted in a decline in the sector's net profit.

The Thai commercial banking sector had a strong capital position with total capital adequacy ratio (CAR) on a bank-only basis at 17.4% in 2017, which was higher than the minimum capital required under Basel III (Additional details on minimum capital requirement are shown in MD&A). In addition, many Thai commercial banks set aside higher provisions which raised the coverage ratio to 140% from 137% in 2016.

Thai commercial banks continue to maintain a high level of capital to accommodate future regulatory changes from the new accounting standards (IFRS) and new Basel capital requirements. Furthermore, changing customer needs toward digitization and new players entering the financial business have caused Thai commercial banks to face intensified competition from both bank and non-bank competitors. Going forward, Thai commercial banks will need to adapt quickly to constantly changing business environment, be it from FinTech innovations, especially in payments business which has to develop according to National e-Payment Master Plan, changes in the banking business model which has become increasingly digitized, as well as domestic and global economic and political uncertainties.





The Bank's consolidated net profit stood at

Baht **43.2** billion in 2017



Total loans grew by

4.9%

from 2016

3.3

STRATEGY AND BUSINESS OVERVIEW OF THE BANK AND ITS SUBSIDIARIES

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 110 years, SCB has played a pivotal role in shaping the country's financial service landscape through many economic cycles and periods of political strife. Backed by strong support of its major shareholder, the Bank has managed to emerge from these changes as a bigger, better and stronger Bank.

Following the Asian financial crisis in 1997, SCB undertook a major recapitalization by joining the Ministry of Finance's Tier I Capital Support Scheme (the August 14, 1998 Measure). As a result, the Ministry of Finance and the Crown Property Bureau became the two largest shareholders of the Bank in May 1999. The Ministry of Finance subsequently established the Vayupak Fund I and transferred a substantial part of its stake to the Fund on December 1, 2003. SCB's major shareholders as of December 29, 2017 were Vayupak Fund I (23.10%), the Crown Property Bureau (19.61%) and the Ministry of Finance (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. True to its status as a universal bank, SCB has a large footprint across the financial service landscape in Thailand covering all customer and product segments.

In addition to its core transactional services related to deposits and loans, the Bank provides a comprehensive range of products and services tailored to meet specific customer needs. Retail services include home loans, personal loans, 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 services, lending products, trade finance, treasury products, bond and equity products, corporate advisory, investment banking and other related financial services.

The Bank has three major subsidiaries to provide financial solutions that address customers' specific needs: SCB Securities Co., Ltd.; SCB Asset Management Co., Ltd. and SCB Life Assurance PCL.

49

Share of Revenue by Customer Segment

(Consolidated)	2017	2016	2015
Multi-Corporate & Corporate Segment *	20%	21%	20%
SME Segment **, **	14%	16%	14%
Retail & Wealth Segment *	54%	59%	57%
Others ***	12%	4%	9%

* Include revenue from major subsidiaries allocated to each segment accordingly.

** Include Small SME segment.

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

Performance in 2017

2017 was another challenging year for SCB as financial institutions continue to face technological changes, including rapidly evolving consumer needs. These changes prompted the Bank to invest heavily in technology which is also part of the Bank's strategy to transform its organization and technology for transitioning into the digital era, causing net profit to decline from the previous year. However, the Bank still maintain the No. 1 position in terms of net profit.

In 2017, the Bank's consolidated net profit declined by 9.4% from 2016 to Baht 43.2 billion, mainly due to higher prudent provisions to align existing expected loss principles to those required under new accounting standard due to take effect in 2019 as well as higher operating expenses from investment in digital banking technology. Nonetheless, the Bank's total income increased 2.2% from 2016 mainly from growth in net interest income, net fee income and net trading and FX income while net insurance premium and gain on investments decreased from 2016.

Total loans grew by 4.9% from 2016, in line with the Bank's 2017 target of 4-6% loan growth driven by growth in corporate and retail segments while SME loan volume remained unchanged. Non-performing loan ratio increased to 2.83% in 2017 from 2.67% in 2016, while NPL coverage ratio rose to 137.3% in 2017. Moreover, total capital adequacy under Basel III remained strong, at 17.7% of total risk-weighted assets and common equity Tier I at 15.6%.

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 2017, the Bank had 1,153 branches, 9,560 ATMs, and 102 foreign exchange kiosks.

As a service business, keeping both employees and consumers highly engaged is the Bank's top priority. These engagement levels have been assessed by third-party experts with proven methodologies which show consistently high levels of customer and employee engagement, giving the Bank a unique competitive edge and the best assurance of sustainable profitability.

SCB Strategic roadmap

The financial service industry continues to face constant changes from external factors such as shifts in customer behavior, competition from digital players and fintechs, as well as regulatory and government policy changes, which have intensified over recent years. Specifically, rapid technological advancement (e.g., Blockchain, Big Data Analytics, Artificial Intelligence) has significantly changed the way people live and the way businesses are run. Today's banking competition is no longer limited to competition among traditional banks as global technology players, including telecom and fintech companies, starting to offer financial products and services that compete with banks, blurring the boundaries of the banking sector. Additionally, the banking business is also impacted by recent regulatory changes which will likely put significant pressure on the Bank's fee income. These shifts have prompted the Bank to rethink its business model to remain relevant to customers and thrive under the new paradigm.

The Bank has embarked on the transformation journey since mid-2016 to further strengthen its leadership position in the industry and achieve the vision of becoming "The Most Admired Bank". During its initial phase over the past 1.5 years, the Bank's transformation program has focused on creating strategic alignment and building strong organizational foundations. Going forward, the Bank aims to be a technology-driven bank by adopting technology to lower cost base and capture revenue delta in new businesses as well as uplifting customer experience. Therefore, in parallel with the ongoing foundation transformation, the Bank's focus will shift to transforming the organization and business model to create agility and immunity to prepare the Bank for the new paradigm under the "Going upside down" strategy which comprises of 5 key strategic priorities listed as follows.

1 Lean the organization

The Bank recognizes the importance of transforming the business model to lower its cost base to keep pace with evolving customer behavior and changing competitive landscape. Lower costs can then be passed on to customers in a form of lower fees which make the Bank's services accessible to all groups of customers. Key initiatives to lean the organization are:

- Encourage and ease customers' transition to digital and automated channels through education and incentives, e.g., fees that reflect lower costs of these channels, which also supports the government's cashless society agenda.
- Leverage digital technology to improve internal processes and streamline customer service procedures to optimize limited resources and ultimately uplift the customer experience.
- Significantly downsize its traditional branch network in response to changes in customer behavior by considering growth potential, business size, transaction volume, the number of branches or alternative service channels in the same area. In addition, the Bank plans to roll out new branch formats (i.e., Investment center, Business center, Service center, and Express), shifting away from the traditional one-size-fits-all branch model toward customized service touchpoints for each customer segment to address diverse customer needs with an emphasis on both transaction and financial/business advisory services.
- Adequately downsize the workforce while preparing employees for the digital age and exponential growth in digital transaction volume. The Bank has also created a plan to ease career transition of employees affected by branch closure which includes job assignment reviews and skill retraining.

2 Digital acquisition

The Bank plans to build engagement and significantly expand its digital customer base. Although the number of traditional branches is in decline, the Bank believes that, with changes in customer behavior and preferences, it can effectively engage and maintain customer satisfaction through a digital platform that can address every aspect of customer needs. Last year, the Bank redesigned its mobile platform (SCB Easy App) that comes with a lifestyle application to better meet customers' day-to-day needs. In addition, the Bank has developed and promoted QR code payment under the lifestyle payment concept by launching "SCB Easy Pay – Mae Manee Money Solution" campaign during the last quarter of 2017. The QR code payment scheme, supported by the "Merchant App", is designed for retail customers' day-to-day spending on 5 target merchant groups: retail shops, universities, fresh markets, transportations, and temples. In 2018, the Bank plans to offer more comprehensive financial services by leveraging new technology to create better customer experience in parallel with expanding non-financial service coverage through strategic partnership to be part of customer's everyday life. This effort will start from promoting C2C payment (retail customers to retail stores) through the ongoing "SCB Easy Pay – Mae Manee Money Solution" campaign and extending the coverage throughout the country, especially in big cities, such as Chiang Mai, Phuket, Hat Yai, Khon Kaen, and other major economic cities. The Bank also continues to develop "Merchant App" capability to accommodate all forms of payment (QR code, Payment card, Physical credit card/Virtual credit card, WechatPay and Alipay) with a plan to expand the merchant base to 500,000 participating stores. Moreover, the Bank also plans to bring in API gateway technology to connect with other business partners on customer lifestyles as well as using advanced analytics to better serve customers and increase accessibility to the Bank's comprehensive lending services. The Bank plans to increase the loan application channels for retail and SSME customers by introducing SCB Digital Lending on SCB Easy App.

3 High margin/alternative lending business

To enhance accessibility of the Bank's lending services across all customer segments, the Bank plans to introduce alternative lending options to customers, e.g., credit card, unsecured personal loan, SSME loans. Since the Bank currently has small market shares in these loan products, the alternative lending business that offers high margins presents an attractive growth opportunity for the Bank. The Bank plans to redefine its business model to take advantage of this opportunity by leveraging technology to build new capabilities, including data analytics, while managing risk to be at an appropriate level.

4 Data capabilities

In the future, data will be the key to competitive advantage. The Bank believes that data technology, such as big data analytics and machine learning, will deepen its insights on customer needs and behavior which will, in turn, enable the Bank to deliver the right products and services to customers. The Bank has started redesigning its data management system since the beginning of SCB Transformation including upgrading the data storage system and building a data lake to improve data access for relevant functions, developing employees' capabilities to leverage data for the Bank's competitiveness, and deepening the data-driven culture across the organization. In its 2018 business plan, apart from expanding customer base to benefit from additional data as mentioned above, the Bank is also in the process of identifying new strategic partners to increase its access to non-financial data as well as exploring new business models by making the best use of existing data, e.g. enriching the risk analytics system with customer behavior data. Moreover, the Bank set up SCB Abacus as a wholly owned subsidiary to focus on applying Artificial Intelligence technology in the business operations. The new company has started to explore providing data analytics services using the Bank's existing data.

5 Bank as a platform

Given drastic changes in the Bank's ecosystem as mentioned above, the Bank is in the process of exploring a new business model which deploys technologies and data insights to ultimately become "Bank as a platform" for both businesses and consumers. The Bank focuses on customer engagement, directly or indirectly through strategic partners, and building a business ecosystem with bank as a platform to best meet customer needs and expectations. In addition, this new business model will generate valuable data which will enable the Bank to better understand its customers and deliver products and services that meet their needs as well as creating better and more seamless experience.

Examples of the Bank's initiatives in this area implemented last year include collaboration with universities to create a cashless society through "SCB Easy Pay – Mae Manee Money Solution" campaign and "Merchant App" which allow students and university staff to pay for products and services on campus with the Bank's app. Moreover, the Bank took part in a collaborative effort to revolutionize the retail experience in the Retail 4.0 era under the "First Cashless Retail Experience" concept as part of the lifestyle solutions for consumers in the digital age. To create a cashless shopping experience, the Bank installed Smart Self-checkout Kiosks that accepts QR code payment and Smart Tax Kiosks that issue VAT refund documents for foreign tourists using only passports and receipts as well as issuing full tax invoices for Thai people using only national ID cards.

Additionally, People and Culture foundation and Technology foundation are key enablers to support and drive success in the Bank's transformation journey. As for people and culture, even though digital technology will play a significant role in future service delivery, engagement between the Bank's employees and customers will still be crucial and must be maintained. To this end, the Bank has set up SCB Academy to develop people

capabilities to prepare for changes in bank employee roles. Moreover, the Bank focuses on creating the mindset of putting customers first for all bank employees as well as encouraging employees at all levels to trust and use their common sense as a new approach to work. The Bank also places an emphasis on reshaping the organizational culture to value speed and agility, being goal-oriented rather than task-oriented, customer centricity, being data-driven and tech-savvy. The Bank also places high emphasis on supervision and corporate governance within the organization to ensure that management practices adhere to fair market conduct which constitutes one of consumers' basic rights. For technology investment, the Bank plans to drive digital innovation and focus on cyber security which involves both internal and external implementations. Internally, the Bank prepares for digital threats that may affect the Bank's data and operations by, for instance, developing protection system particularly for primary foundations and developing data privacy protection. Externally, the Bank invests in digital technology through Digital Ventures, which is a subsidiary within SCB Group, to implement the strategy of extending the boundary of disruptive technologies, such as Blockchain, Big Data, Artificial Intelligence, Machine Learning, and Location Based technology, which are playing important roles in the business world and financial services. The Bank looks for and learns from best-in-class technology/start-up companies for new product and service opportunities.

The Bank believes that a business cannot grow sustainably by focusing solely on performance but must have an ability to quickly adapt to changing business environment while striking the right balance in creating sustainable benefits with fairness for all groups of stakeholders. The Bank has improved its sustainability practices by integrating economic, social, and environmental considerations into its business processes as well as having clear, well-defined sustainability targets to ensure concrete and measurable outcomes.

To operate the business in parallel with its transformation program, the Bank remains committed to enhancing the current performance and creating sustainable growth by focusing on the Bank's 3 core businesses: business lending, consumer lending and wealth management. Nonetheless, the Bank's business model needs to incorporate new digital technology and data capabilities in product and service delivery while maintaining customer engagement to ensure the best customer experience.

- **Business lending**

- Focus on rebalancing corporate portfolio to reduce loan and revenue concentration.
- Transform business model from "Fund provider" to become "SME ecosystem provider."
- Grow SSME customer base by leveraging technology and data capabilities.

- **Consumer lending**

- Increase customer acquisition, especially on the digital platform, and increase main operating accounts by leveraging technology and data capabilities to create better customer experience.
- Grow new revenue stream by expanding into high-margin/alternative lending business and leveraging technology and data capabilities in risk management to ensure acceptable risk levels.
- Lower cost to serve by leveraging automation to replace manual processes.

- **Wealth management**

- Grow asset under management and profitability by leveraging digital enablement.
- Build new wealth management capabilities to deliver world-class experience to customers, such as changing employees' roles from sales officers to financial advisors, offering creative financial solutions that address customer needs, increasing the number of Investment Centers to provide better coverage, building a central product and service platform for the best customer experience.

Payment transaction banking, though generating less fee income than in the past, will remain the Bank's core service because of its strategic significance. Specifically, banking transactions facilitate customer engagement and generate valuable data for the Bank to analyze and apply the insights to design products and services that truly meet customer needs.

Key Performance Targets for 2018

The Bank expects to deliver competitive results, reflecting its sustainable performance and resilient strategies. Key performance targets for 2018 are:

Loan growth of
(compared to 4.9% in 2017). **6-8%**

Net interest margin (NIM) of
(compared to 3.2% in 2017). **3.1-3.3%**

Non-interest income growth
(compared to -2.2% in 2017). **≤5%**

Cost-to-income ratio of
(compared to 42.3% in 2017). **42-45%**

NPL ratio
(compared to 2.8% in 2017). **≤3.0%**

Coverage ratio
(compared to 137.3% in 2017). **≥130%**



Corporate segment



In 2018, the Bank will continue to focus on diversifying its corporate portfolio to reduce revenue concentration for both new-to-bank and existing customers. The Bank plans to increase the number of main operating accounts by creating a prototype for providing specialized services to broad-based customers, offering transactional products, improving the Bank's internal processes and creating a single touchpoint. At the same time, the Bank will focus on maintaining its strategic partnership position with corporate customers and continue to be the lead in major financial deals for both government and private projects.



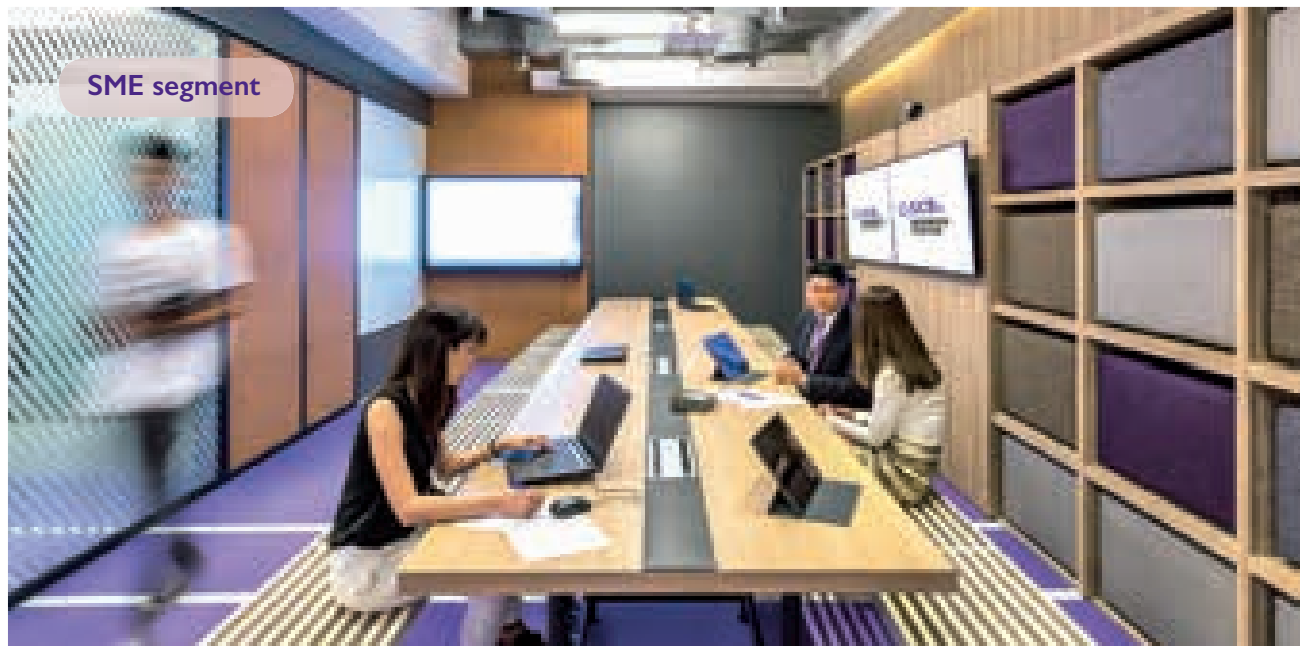
Diversify corporate portfolio to reduce revenue concentration



Increase the number of main operating accounts



Maintain strategic partnership position and be the lead in major financial deals



SME segment

In line with the long-term plan to significantly grow its SME franchise, the Bank continues its service commitment to support SME customers to achieve their business goals. In 2018, the Bank plans to transform its business model for the SME segment and grow SSME customer base.

Key strategic initiatives include:

1. Transform the business model to become “SME ecosystem provider”:

- Be a service platform to help SME customers grow, e.g. providing business coaching, delivering integrated financial and non-financial solutions to address both business and personal needs.
- Create excellent customer experience through business centers and seamless onboarding processes.
- Develop the right product solutions and tools for customers.

2. Grow SSME customer base by leveraging data capabilities and digital platform.



Transform business model to become “SME ecosystem provider”



Grow SSME customer base by leveraging data capabilities and digital platform



The Bank will focus on increase its wealth management capabilities to all customers with appealing value proposition and introducing a new platform to expand investment product offerings. The Bank plans to grow asset under management and profitability by adopting digital technology.

Key strategic initiatives for 2018 include:

1. Deliver product and service solutions that address customer needs, e.g. retirement planning, asset management.
2. Offer comprehensive service coverage at SCB Investment Center, e.g. online seminars with investment experts, allocated space for investors to meet and share their investment/asset management ideas.
3. Increase capabilities of wealth advisors through intensive training and coaching by SCB Wealth Academy and leveraging digital advisory tools to offer holistic wealth management advice.



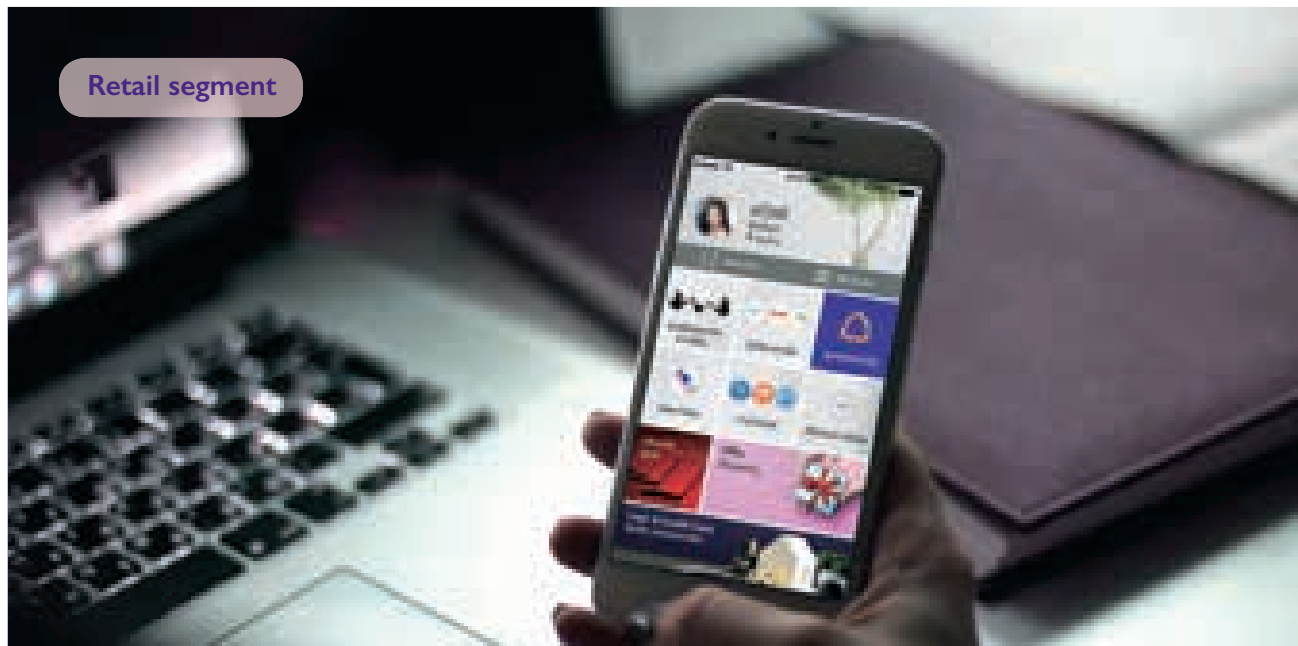
Increase wealth management capabilities to serve all customers



Offer comprehensive service coverage through SCB Investment center



Provide holistic wealth management advice



Retail segment

In response to the Bank's long-term "Going Upside Down" strategy, the Bank's retail segment strategic priorities are to grow customer base, especially main operating accounts, and to create new revenue streams, while lowering cost to serve by building technology and data capabilities.

Key strategic initiatives include:

1. Grow customer base and increase main operating accounts:

- Create customer value proposition and increase customer loyalty with a loyalty program.
- Enhance product value proposition with effective execution plan.
- Improve digital/physical services to enhance customer experience and convenience.
- Create ecosystem with strategic partners to expand customer base.

2. Create new revenue streams from high-margin/alternative lending:

- Identify customer needs and purchasing propensity with in-depth data analysis to pinpoint the right timing for product offering and improve risk management.
- Build digital capabilities to increase accessibility and speed.
- Re-design end-to-end lending processes to better serve customers with the right timing.
- Enhance internal process e.g., early warning, monitoring and debt collection capabilities.

3. Lower cost to serve:

- Increase digital acquisition.
- Increase automatic machines to facilitate customer migration from branch transactions to digital platform.
- Optimize service channels to better serve customers and keeping cost low at the same time.
- Revamp call service center as a key touchpoint to effectively serve customers.

SCB Securities Co., Ltd. (SCBS)

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

In 2017, the market's daily average trading value for equities (excluding proprietary trading) was at Baht 45 billion, down by 5% from Baht 47 billion in 2016. The main reason was lower trading volume by retail investors while trading volume of foreign and institutional investors increased from the prior year. Since equity trade commissions for institutional investors are generally lower than what retail investors are charged, a higher share of institutional trades has led to a decline in average trade commissions for the industry.

Despite fiercer competition from new entrants, SCBS was able to expand its customer base and capture a market share of 4.10%, an increase from 3.64% in 2016. Consequently, the ranking of SCBS among 38 brokers has improved by four notches to #7 from #11 a year ago.

SCBS is committed to continuous improvement in customer services by offering brokerage account opening services at all SCB branches countrywide with a streamlined process that requires only Thai citizen ID cards. Additionally, customers can also open an account online via Easy Stock which is a paperless service that can be completed in 15 minutes. SCBS responded to the digital trend by launching "Stock Advisor" which is a smart phone app for investment recommendations as well as expanding customer communication options to include online channels. In 2017, SCBS won the Best Brokerage House award and the Best Prime Broker in Thailand award from The Asset magazine (H.K.) for the third consecutive year, a strong testament to the Company's commitment to service quality.



SCB Asset Management Co., Ltd. (SCBAM)



The Bank provides asset management services by offering products in the form of mutual funds, provident funds, and private funds through its wholly owned subsidiary, SCB Asset Management Co., Ltd. As of December 31, 2017, SCBAM still maintained its No.1 ranking in Thailand in terms of asset under management (AUM) with total AUM of Baht 1.375 trillion (including mutual fund for resolving financial institution problems), up 5.2% from the prior year.

Solid investment performance and effective distribution channel through 1,153 bank branches nationwide have enabled SCBAM to gain a 17.8% market share in the mutual fund business, with AUM of Baht 897 billion, a 4.1% growth from the prior year.

AUM of the Company's private fund business reached Baht 364 billion at the end of 2017 which amounted to a 12.1% growth year-on-year. SCBAM also manages a portfolio of property funds (Type I) and infrastructure funds with total AUM of Baht 145 billion. In 2017, SCBAM won SET Award of Honor for the third consecutive year and Best Asset & Fund Manager by Alpha SEA for the third consecutive year.



SCB Life Assurance PCL (SCB Life)



62

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

SCB Life reported total gross premiums of Baht 49.5 billion for the financial year 2017, a 6.0% decline from the previous year. The decline was attributable to generally slower sales in the

life insurance market, as well as the continuation of a strategic decision by the Company to focus on protection products that are generally smaller ticket-size and 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 2017, SCB Life was ranked 5th out of 22 life insurance companies (the same rank as the previous year) with an 8.2% market share in terms of total premiums.



3.4

AWARDS AND ACHIEVEMENT IN 2017

**BEST BANK IN THAILAND AWARDS**

- Global Finance (U.S.) (12th consecutive year)
- Euromoney Awards (U.K.) (10th year)
- The Banker Awards 2017 (U.K.)
- Finance Asia Country Awards (H.K.) (7th year)
- Alpha Southeast Asia (H.K.) The Asset Triple A - Country Awards 2017 (H.K.) (10th consecutive year)
- AsiaMoney (H.K.) (4th year)
- AsiaMoney - New Silk Road Finance Awards 2017 (H.K.)
- Money & Banking Awards 2017 (14th year)
- Corporate Treasurer Awards 2017 (H.K.)

SCB was ranked No.1 among Thai Commercial Banks from "Forbes Global 2000" by Forbes Magazine (U.S.), Best Thailand Enterprises by Business+ magazine and was awarded as "Thailand's Top Corporate Brand Value – Hall of Fame 2017 (Banking)" by Chulalongkorn University's Faculty of Commerce and Accountancy (for being the Top Brand for 5th consecutive year)

AWARDS OF EXCELLENCE IN FINANCIAL PERFORMANCE AND MANAGEMENT

- Asia's Best CEO by Corporate Governance Asia (H.K.)
- Asia's Best CFO by Corporate Governance Asia (H.K.) (6th consecutive year)
- Best Investor Relations Company by Corporate Governance Asia (H.K.) (8th consecutive year)

AWARDS BY BUSINESS GROUPS**CORPORATE BANKING GROUP****FROM THE ASSET (H.K.)**

- Best Domestic Custodian (11th year)
- Best Cash Management Solution for Thai Airways (Thailand)
- Best Cash Management Solution for True (Thailand)

- Best Renminbi Bank
- Best in Treasury and Working Capital
- Best Risk Management Bank
- Best Bond (Laos - Ministry of Finance)
- Best Bond Adviser
- Best Corporate and Institutional Bank - Domestic
- Best Syndicated Loan (Vietnam - Petro Vietnam Gas)
- Mining deal of the year (Thailand - Thai Kali Company)
- Best FX Solutions for IRPC (Thailand)

FROM FINANCE ASIA (H.K.)

- Best Investment Bank (4th consecutive year)
- Best DCM House

FROM ASIAMONEY (H.K.)

- Best Corporate and Investment Bank
- Best Cash Management Customer Satisfaction Awards 2017 – Best Bank in Thailand
- Best Cash Management Customer Satisfaction Awards 2017 – Best Thai Bank for Asian Clients

FROM ALPHA SEA (H.K.)

- Best IPO Deal for Retail Investors in Southeast Asia 2017
- Best REIT Deal in Southeast Asia 2017
- Best Foreign Currency Sovereign Bond Deal in Southeast Asia 2017

FROM ASIA RISK MAGAZINE (H.K.)

- House of the Year (5th consecutive year)

FROM GLOBAL FINANCE (U.S.)

- Best Investment Bank (4th year)

FROM EUROMONEY (U.K.)

- No.1 Market Leader in Thailand for Cash Management Products and Services

FROM THE EUROPEAN MAGAZINE (U.K.)

- Best Transaction Banking Services – Thailand 2017

FROM THE STOCK EXCHANGE OF THAILAND

- Best Deal of the Year Award

SME BANKING GROUP

- Best SME Bank by Alpha SEA (H.K.) (6th consecutive year)



RETAIL BANKING GROUP

- Best Private Bank by Finance Asia (H.K.)(5th year)
- Best Private Bank by The Asset (H.K.)
- Global Private Banking Awards by The Banker (U.K.)
- Best Domestic Private Bank (Thailand) by The Banker (U.K.)
- Best Wealth Manager (Thailand) by The Asset (H.K.)
- Best Private Bank by Global Finance (U.S.)
- Best Private Bank for Super Affluent Clients by Euromoney (U.K.)

DIGITAL BANKING, MARKETING & SOCIAL MEDIA AWARDS

FROM PRIVATE BANKER (S.G.)

- Best Client On-boarding Initiative (Customer Experience in Financial Services 2017)
- Best Brand Engagement (Customer Experience in Financial Services 2017)
- Best Customer Experience - Cards (Customer Experience in Financial Services 2017)
- Best Product or Service Innovation (Customer Experience in Financial Services 2017)

FROM RBI ASIA TRAILBLAZER (S.G.)

- Best Social Media Marketing Campaign 2017
- Excellence in Social Media and Customer Relations and Brand Engagement 2017
- Best New Product, Service or Innovation Launch 2017

FROM The Asset Triple A Digital Awards 2017 (H.K.)

- Digital Bank of the Year, Thailand
- Best Retail Mobile Banking Experience, Thailand
- Most Innovative ATM Project, Thailand, (Cardless ATM)
- Most Innovative Mobile Banking Application, Thailand, (SCB Easy)
- Digital Banker of the Year (Mr. Tana "Tommy" Pothikamjorn)

FROM The Asian Banker (S.G.)

- The Social Media Initiative of the Year

FROM Thailand Social Awards 2017

- The Best Brand Performance in "Twitter" platform
- The Best Brand Performance in the "Banking" category

OTHER AWARDS

- Best Affinity Co-Branded Program: Private Banker (S.G.)
- DRIVE AWARD 2017 – Final List (Drive Award Finance): MBA Chula Alumni
- Certificate of Membership 2017: Thailand's Private Sector Collective Action Coalition against Corruption (CAC)
- Sustainability Report Award 2017, Outstanding Category from Sustainability Report Award 2016, organized by CSR Club Thai Listed Companies Association
- Thailand Sustainability Investment 2017 member, organized by The Stock Exchange of Thailand (SET)
- SCB has been included in RobecoSAM's Sustainability Year book 2018

OTHER COMPANIES IN SCB GROUP

SCB Securities Co., Ltd.

- Best Prime Broker (Thailand) by The Asset (H.K.) (3rd consecutive year)
- Best Brokerage (Thailand) by The Asset (H.K.)
- Best Broker in Thailand by Finance Asia (H.K.)

SCB Asset Management Co., Ltd.

- SET Award of Honor (3rd consecutive year)
- Best Asset & Fund Manager by Alpha SEA (3rd consecutive year)

04

RISK MANAGEMENT AND RISK FACTORS

04

RISK MANAGEMENT AND RISK FACTORS

Risk Management

SCB's strong performance in the past few years has been accompanied by significant expansion in assets, customer base, and workforce. As the Bank's operations grow in complexity and size, the Bank must shift its priority toward sustainability. Moreover, the Bank's past success has also ratcheted up the expectations of customers, shareholders, and other stakeholders. Against this backdrop, the Bank believes that effective risk management will continue to be the key to sustainable growth and profitability.

Risk management aims to create long-term stability for the business to achieve its goals within the risk appetite as well as mitigating risks in critical or uncontrollable situations. SCB is committed to developing and strengthening its entire risk management system, starting from risk identification, risk measurement, risk monitoring and control, and risk reporting, to be prepared for any current and future changes. The backbone of SCB's risk management consists of the policy formulation process, implementation framework, and the audit process in parallel with building a risk culture by empowering people with knowledge and accountability to all participate in risk management.

SCB's overall risk management structure, policy, and system comprise the following:

Risk Management System

SCB's risk management system has four major components:

1 Risk identification

Major risks of the Bank involve transactions and activities with customers and counterparties. These risks are strategic risk, credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk, people risk and technology risk. These risk categories are discussed in detail below in the "Key Risk Factors for the Banking Business" Section.

2 Risk measurement

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

- **For credit risk**, measures include borrower risk ratings to gauge the probability of default (PD). The Bank applies credit scoring, such as application scores and behavioral scores to assess risk profiles of retail clients and small SMEs. In addition, the Bank has developed 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**, 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 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 measurements include liquidity ratio, maximum cumulative outflow (MCO) as well as the recently introduced liquidity coverage ratio (LCR) under Basel III rules.

- **For operational risk** measurement, the Bank uses risk and control self-assessments as well as loss incident data to determine operational risk and internal control effectiveness for each function. 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 may cause business disruptions. The Bank's operational risk management approach requires all new products and any material changes to existing products to undergo a risk profile review. This approach ensures that operational risk remains within the Bank's risk appetite to reduce the impact from potential operational risk events.
- **For strategic risk**, the Bank's assessments are primarily based on qualitative risk factors and quantitative economic indicators.
- **For reputational risk, technology risk, and people risk**, the Bank mainly applies risk analysis, including quantitative and qualitative risk management

To implement forward-looking risk management, the Bank also performs stress-testing in addition to other risk measurement tools, particularly for market risk, credit risk, and liquidity risk.

3 Risk monitoring and control

The Bank establishes a Risk Appetite Statement (RAS) that is aligned with SCB Group's long-term goals to guide its overall risk considerations and controls. The Bank regularly reviews its capital adequacy, as well as monitoring and controlling 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 an internal control process to manage risks in accordance with the Bank's policies and procedures.

4 Risk reporting

Risks in all categories are reported promptly and accurately to relevant functions and management on a regular basis to ensure effective risk management and control. Risk reports are created at the product level, the function level, and for the overall risk of the Bank.

Risk Governance Structure

The risk governance structure comprises 5 key following components:

1 Policies

The Board of Directors has the responsibility to review and approve the Bank's major risk management policies, such as Risk Management Policy of SCB Financial Group, Intra - SCB's 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.

In addition, the Board of Directors approves two other key related guidelines which are Strategic Risk Management Guidelines and Reputational Risk Management Guidelines.

2 Authority

The Board of Directors has the responsibility to delegate approval 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 delegated risk management duties to three committees as follows:

- 3.1.1 **The Executive Committee** is responsible for reviewing and making recommendations on risk management policies for the Board's approval as well as approving certain policies as delegated by the Board of Directors. In addition, the Executive Committee is authorized to approve loans and investments and to administer related functions as assigned by the Board of Directors.

- 3.1.2 **The Audit Committee** comprises independent directors who are responsible for reviewing the adequacy of the Bank's risk management policies, internal control, and the effectiveness of the Bank's and SCB Group's risk management implementation.
- 3.1.3 **The Risk Management Committee** is responsible for reviewing and making recommendations on risk management policies and frameworks for risk management and control to the Executive Committee and the Board of Directors for approval. The Committee also formulates risk management strategies to be consistent with the Board's guidance and oversees the Bank's and SCB Group's overall risk management.
- 3.2 The Bank set up 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 on the Bank's equity investment portfolio.
- 3.2.3 **The Credit Committee, Retail Credit Committee, and Special Assets Committee** are responsible to approve loans within their approval authority. Any loans exceeding the committees' authority levels require approval from the Executive Committee and the Board of Directors as set forth in the Rules on Credit Approval Authority and the Rules on Credit Approval Authority for Non-performing Loans and Non-performing Assets. However, loans for Bank-related businesses, major shareholders, or related persons must be approved by the Board of Directors. Loans viewed by the Executive Committee as contentious with potential reputational risk may be escalated to the Board for approval as deemed appropriate.
- 3.2.4 **The Underwriting Risk Committee** is responsible for reviewing and approving underwriting limits based on market risk considerations. The Committee makes recommendations to the Executive

Committee or the Board of Directors for approval on cases of high-risk transactions or when underwriting limits exceed its approval authority.

- 3.2.5 **Other committees**, such as the Investment Committee.

4 Risk Governance

4.1 Credit risk governance

The Bank has long emphasized the importance of proper checks and balances in its organizational structure by separating business functions and credit approval functions for effective internal control. 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 retail credit, the Bank monitors and controls retail lending through the established Credit Policy Guide and approval authority as well as underwriting criteria approved by the Executive Committee or the Retail Credit Committee. Additionally, the Bank assesses and measures credit risk by product and customer segment as well.

4.2 Market risk governance

The Bank sets a variety of market risk limits for its trading portfolios which have been approved by the Executive Committee and the Board of Directors. For the Bank's key market risks which are interest rate risk and foreign exchange risk, the Committee sets risk limits for trading positions based on information from a number of risk monitoring and assessment tools such as 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 limits for IRRBB by measuring impact of net interest income and economic value of equity (EVE) to interest rate fluctuations under stress situations. To monitor IRRBB, the Bank produces repricing gap reports for risk analysis and risk assessment. This analysis, assessment, and risk management strategies are then reported to the Assets and Liabilities Management Committee (ALCO) for further actions.

4.4 Liquidity risk governance

The Bank manages and controls liquidity risk to ensure that it maintains adequate sources of liquidity in order to maintain sufficient future cash flows to cover its activities under both normal and stress situations by using Cash flows report or Liquidity gap report 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) and Liquidity Coverage Ratio (LCR) at an appropriate level and to monitor net cash outflows over different time horizons to ensure that the Bank will be able to meet its liquidity needs on a timely basis.

4.5 Operational risk governance

The Bank has adopted the "Three Lines of Defense" as a core principle in its risk management practices. Front-line business functions constitute the first line of defense by applying the risk management and control principles to their day-to-day operations. The second line of defense is made up of the oversight functions (e.g., Risk Management Function, Compliance Functions, etc.) to ensure that all business functions have effective risk management practices. The third line of defense comprises independent assurance providers (e.g., internal audit and other independent assurance providers), who provide independent review and objective assurance on the effectiveness of the Bank's internal control system.

Additionally, the Risk Management Function holds regular meetings with business-level committees to discuss operational risk issues as well as providing risk management information to management across key functions to facilitate their business decision-making.

4.6 People risk governance

The Bank applies the "Three Lines of Defense" to manage people risk in the same manner as that of operational risk. The first line of defense involves the People Function, business functions, and relevant support functions. The second line of defense involves a shared service group which is responsible for providing recommendations, supports, alerts, and testing for approaches adopted by the People Function to manage people risks. The shared service group comprises Operational Risk Management, Compliance and Operational Control, Technology Security & Risk, Fraud Control, and others. Lastly, the third line of defense is carried out by independent units which will conduct tests on processes and procedures set out by the People Function (including the people risk

management process). The last line of defense, which is under the responsibility of the Audit Division, provides assurance to the Audit Committee and the Board of Directors that the Bank and SCB Group companies have effective control measures for people risk.

For risk management of SCB Group, the Bank as the core company has an oversight responsibility for the risk management of subsidiary companies.

The Bank's subsidiaries are responsible for establishing risk and internal control policies and practices to ensure effective risk management at an equivalent level to the Bank and consistent with the Bank of Thailand's guidelines on consolidated supervision. The Board of Directors has approved the Risk Management Policy of SCB Financial Group which requires each subsidiary to: formulate a risk management policy, set up an appropriate organizational structure, set risk tolerance limits, establish risk management approaches, and prepare risk reports as specified by the Bank's risk management guidelines which depend on the nature of its business.

For Intra - SCB's Financial Group Transaction Policy, the Bank follows the principle of good governance by requiring that these transactions be conducted under no special terms and conditions. Any company that is wholly owned or substantially owned by the Bank, which is considered equivalent to the Bank's business unit, can use the Bank's shared services/resources or provide services to the Bank at prices, terms and conditions that are reasonable and acceptable to both sides.

5

Chief Risk Office

The Chief Risk Office, which reports directly to the President and Chief Executive Officer, is responsible for setting risk management framework, making risk policy recommendations, as well as reporting and monitoring major types of risk. The Chief Risk Office is responsible to bring the Bank's risk management policies and practices up to global standards and to ensure that the Bank and its subsidiaries have a comprehensive and integrated risk management framework. Moreover, other relevant functions are responsible for specific risks; for example, the Chief Financial Office is responsible for liquidity risk and interest rate risk in the banking book (IRRBB); the Chief People Office is in charge of people risk; and the Chief Strategy Office handles strategic risk.

Key Risk Factors for the Banking Business

Risks from economic uncertainties

The expansion of Thailand's economy in 2017 was largely due to a strong rebound in the export sector. However, the benefits of this rebound have not yet translated into higher purchasing power among low-income households. Moreover, the country's economy is still vulnerable to flood and foreign political risks.

SCB expects that the Thai economy will grow by 4.0% in 2018, propelled in large part by exports, tourism, and the ongoing public investment in large-scale projects, which will lead to recovery in the private sector. Moreover, private-sector consumption will pick up in certain income levels and product groups, such as high-income earners and close to one million First-Car Policy buyers who now approach the end of their car loan payments. Moreover, the post-mourning period and the government welfare card scheme will also contribute to higher spending in the private sector.

Potential risk to the domestic economy will depend on how fast the government's budget translates into actual spending and the clarity on terms of benefits, rights, and regulations of large-scale public investment projects. Particularly, the Eastern Economic Corridor (EEC) project will be a pivotal factor for determining investor confidence level among both Thai and foreign investors. Similarly, domestic investment is also subject to additional risk of labor shortage for both foreign and high-skilled workers. Household debt remains high and concentrated among low-income earners which may delay the recovery of household spending. Moreover, there is still lingering risk from Thailand's elusive general elections and thus uncertainty around future economic policies that may affect investor confidence.

As for external risks, geopolitical conflict still looms large as a major source of concern. The main risk revolves around Korean Peninsula conflict which, though a low-probability event, will deal a detrimental blow to the global economy and trade in the worst-case scenario. Moreover, political risks from the previous year continue to be a concern, ranging from President Donald Trump in the US, the anti-EU sentiment in Italy, Catalonia's secession movement in Spain, political battles in Germany, to the unresolved Brexit. Moreover, there are signs of trouble in the finance sector as global financial markets rebounded sharply last year amid contractionary monetary policies worldwide which increase the risk of asset price normalization.

To manage risk from economic uncertainties, SCB regularly monitors borrowers' credit quality to ensure adequate provisions for non-performing loans. In addition, the Bank closely monitors loan concentration in the portfolios to take prompt actions in the event of an economic downturn. The Bank has also created a stress-testing process to appraise capital adequacy which is part of the ICAAP requirement by the Bank of Thailand.

Credit Risk

1.1. Concentration risk

Concentration risk relates to any single exposure or group of exposures in an entity or a business sector with a potential to produce large losses for the Bank if problems arise in that entity or sector. The Bank manages credit concentration risk by setting concentration limits based on loss potential for each borrower group. Specifically, the Bank controls and monitors the following ratios:

- 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 any specific industry. This is determined from industry trends, 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 risk

Counterparty risk is the risk of losses from counterparties violating the contract agreements particularly for derivatives contracts, such as interest-rate swaps, currency swaps, equity instruments, and forward rate agreements. Generally, the Bank enters into derivative contracts with customers who need to square their positions and minimize their risk exposure. To keep market risk exposure under the limit, the Bank may hedge its risk exposure in part

or whole by entering into off-setting agreements (back-to-back) with foreign banks in the OTC derivatives markets which creates counterparty risk with these banks.

The Bank sets a risk limit for each counterparty based on the same underwriting process as credit customers. To determine counterparty limits, the Bank takes into consideration the counterparty's credit ratings and its level of Tier 1 capital. The Bank also establishes a sovereign limit for each country. For risk monitoring, the Bank closely monitors counterparties' credit conditions based on aggregate exposure, credit default swap (CDS) spread, changes in credit ratings, and changes in equity prices. This information is reported to senior management on a daily basis as input to assist with keeping the risk level within the Bank's risk appetite during normal and stress situations.

To mitigate counterparty risk, the Bank signs ISDA credit support annexes (CSA) with its major counterparties which require posting collateral in the form of cash or highly liquid securities when the contract's fair market value changes more than the threshold.

1.3. Country risk

The Bank monitors its exposure to both direct and indirect country risks by assessing loss probability within an appropriate time horizon in an event of adverse conditions to the country or to businesses in that country. The Bank manages country risk by setting a policy limit and a 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 borrowers fail to repay their debts according to the agreed schedules which may cause the Bank to lose not only interest income, but sometimes part of or the entire principal, with an impact on the Bank's profitability and capital adequacy.

At the end of 2017, Bank-only NPLs stood at Baht 64,537 million, or 2.8%, up in absolute term and in percent term of total credit, from Baht 56,544 million, or 2.6%, in 2016. (Further explanation on NPLs is provided in the MD&A section.) These NPLs can be classified into four categories: restructured debts 66.2%, debts pending completion of restructuring negotiations 5.8%, debts pending the outcome of legal proceedings 15.0%, and debts pending legal

execution 13.0%. The Bank manages its NPL risk by setting aside adequate loan loss provisions for expected losses. At the end of 2017, the Bank had total loan loss provisions of Baht 89,227 million, covering 138.3% of NPLs.

1.5. Off-balance-sheet risk

To adhere to the Generally Accepted Accounting Principles, some of the Bank's obligations with customers and counterparties are classified as off-balance-sheet items which have underlying counterparty risk and market risk from the event of contractual failures. However, both sides of the contracts can face losses as a result this risk, unlike general credit risk in which losses are often one-sided.

At the end of 2017, the Bank's obligations from aval and guarantees, liabilities under unmatured import bills, and letters of credit amounted to Baht 47,721 million, down by 24.9% from the year before.

To manage off-balance-sheet exposure, the Bank treats such obligations as a form of loans and business units are required to follow the normal credit approval process. The Bank controls this risk by setting counterparty risk limit for each customer along with country risk limit. Monitoring is also done by keeping abreast of current situations and related information. To quantify credit equivalent amount of an off-balance-sheet item, the Bank computes the current exposure based on mark-to-market prices plus an add-on factor.

The Bank also controls its derivatives risk exposure to market 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 is in the form of real estate, a sluggish property market and lower house prices will negatively affect the value of the Bank's collateral which may result in higher losses from NPLs. The Bank has established the 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 values, especially for setting loan loss provision, capital calculation and debt restructuring.

The Bank has managed impairment risk through the Collateral and Non-Performing Assets Appraisal Policy as

mentioned above which requires collateral for credit lines exceeding Baht 20 million to be reassessed every five years. Collateral for non-performing loans (NPLS) is reassessed every three years unless there is a decision to be made which depends on collateral value, such as trouble loan restructuring. In that case collateral value must be reassessed within one year to reflect fair market value. For non-performing assets, collateral is re-appraised every year.

For the choice of appraiser, the Bank is authorized by the BOT to use its internal appraiser for loans of any size. To ensure transparency and prevent conflicts of interest, the Bank's internal appraisal process is independent from the credit approval function. The Bank's internal appraiser is responsible for monitoring property price movements in the market on a regular basis and notifying the Bank promptly if property prices have changed more than 20% within a year so that the Bank can take further actions on reappraisal.

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

2.1. Foreign exchange risk

Fluctuation in exchange rates affects the value of the Bank's foreign currency-denominated assets and liabilities. Transactions exposed to foreign exchange risk include proprietary trading transactions and money transfers as well as payments related to international trade and foreign investment, which may result in the Bank's net currency position being short or long at any point in time. Thai baht appreciation against the currency in which the Bank has a net long position will result in foreign exchange losses, whereas Baht depreciation will result in foreign exchange gains. On the other hand, if the Bank is in a net short position, the Bank will make a gain on the position when Baht strengthens but a loss when Baht weakens.

The Bank controls foreign exchange risk by setting risk limits on foreign exchange risk exposure both in terms of statistical limits, such as VaR, and monetary limits, such as net open position, open position by currency, management action triggers, etc.

As of December 31, 2017, the Bank's foreign currency position was long USD 52.93 million (USD equivalent) with VaR of Baht 41.82 million.

2.2. Interest rate risk

Interest rate fluctuation affects the Bank's interest income and expenses, and economic value of equity. The Bank faces four types of Interest rate risk:

- **Repricing risk** is the risk from maturity/timing mismatches of the Bank's assets and liabilities which cause interest rates at reset to differ due to yield curve movements. For example, assuming all other factors being constant, if the Bank's assets can be repriced faster than liabilities (a 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 (a negative gap), then interest margins narrow when interest rates rise.
- **Yield curve risk** arises from interest rates at different maturities changing differently.
- **Basis risk** occurs when the Bank's assets and liabilities are based on different reference interest rates, e.g., fixed-deposit rates, interbank lending rates, THBFIX interest rates, etc. Therefore, any change in reference 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 where exercising these options might affect the Bank's revenue and costs. For example, an option on three-month or six-month deposits that allows early withdrawal before maturity will, if exercised, cause the Bank's costs to rise sooner than expected.

To manage 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 31, 2017, VaR of interest rate risk exposure in the trading book was Baht 66.14 million. For the banking book, a 1% increase in interest rates for a period of one year would decrease net interest income by Baht 1.21 billion.

3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to honor its obligations upon maturity because it cannot liquidate assets or raise sufficient funds on reasonable terms, which may create losses.

To manage the underlying liquidity risk, SCB has laid out a Liquidity Risk Management Policy which is approved by the Board of Directors. The Asset and Liability Management of the Bank is responsible for ensuring that liquidity risk management complies with the policy.

Additionally, SCB has implemented a system to handle daily liquidity management in both baht and foreign currencies. The system applies various risk management tools, such as daily net liquidity position reports for both remaining time to maturity and behavioral adjustment basis, net liquidity position by currency, and others. Moreover, SCB sets risk limits and requires daily reporting of liquidity risk exposure to management to ensure that liquidity risk remains within the Bank's risk appetite.

The Bank also regularly performs stress testing under scenarios set out by the Bank of Thailand and SCB. Results from the test are used as part of the formulation of a Contingency Funding Plan. The plan sets out appropriate guidelines under various circumstances and clearly specifies roles and responsibilities for liquidity management under critical situations.

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 2017, the Bank's liquid assets represented 26.9% of total deposits which is reassuring that there will be adequate liquidity under both normal situations and crisis scenarios.

4 Strategic risk

Strategic risk refers to the risk on the Bank's profits, capital, or stability both now and in the future that arise from changes in the business environment, adverse strategic decisions, improper implementation of major strategies, or untimely responses 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. In addition to having a strategic risk assessment and monitoring process, the Bank manages strategic risk throughout the strategy planning process with consists of: 1) Strategy formulation, 2) Strategy alignment and change management, 3) Implementation and monitoring, and 4) Performance evaluation and recommendations. This process ensures that

relevant information has been appropriately incorporated into the Bank's strategy planning while the strategic risk assessment and monitoring process monitors changes in external and internal factors that may affect the business.

At present, the Corporate Strategy and Business Development Function is responsible for both the strategic risk assessment process and the strategic planning process with key duties to support the Board and senior management in strategic formulation and review.

5 Operational risk

The Bank defines operational risk, based on Basel II's definition, as the risk of losses resulting from inadequacy or failure of internal processes, people, and systems or from external events which also includes legal risk, and impact on reputation from operational risk, but excludes strategic risk. (Details on reputational risk are in item 6 below). Operational risk factors can arise from both internal and external environments, such as changes in key personnel, organizational structure, processes, systems, products, natural disasters, riots, etc.

The Bank realizes that the business must face operational risk and therefore places great emphasis on operational risk management and has continually improved this crucial process over time.

Business and support functions within the Bank are responsible for managing their operational risk by applying the methodologies and approaches that the Bank has adopted. Each function performs a risk and control self-assessment (RCSA) which entails identifying key risks, evaluating the effectiveness of controls, and establishing action plans to mitigate or prevent these risks to be within the level of risk appetite appropriate for each function. The Bank has reviewed the previous RCSAs and identified key risks at the Bank level for which senior management must establish mitigation and prevention measures to control such risks to be within the risk appetite. Each function must specify key risk indicators (KRIs) for certain important risks that require monitoring to ensure that risks are within the risk appetite and managed in a timely fashion. In the case of losses, the Bank not only has a process to rectify the issues systematically, but also capitalizes on lessons learned by collecting the information to guide future prevention and mitigation plans.

The Bank's risk assessment and control process undergoes periodic reviews to identify new emerging risks and detect ineffective controls that worsen existing risks. The results are reported to relevant committees and senior management for approval and to determine action plans to reduce or eliminate such risks.

To ensure that the business can continue in critical situations, the Bank revised the Crisis Management Plan as well as consistently improving its crisis management and business continuity capabilities throughout 2017.

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

Beside the operational risks already mentioned, the Bank, as a financial institution, has a duty to comply with laws, statutory rules, and regulations of several regulatory agencies, such as the Bank of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand, the Anti-Money Laundering Office, and others.

The Bank's Compliance and Operational Control Function is responsible to provide regulatory advice, clarifications, and recommendations to other related functions to ensure that the Bank and SCB Group comply with laws, regulations, and internal rules. The Compliance Function reports any material regulatory risks to senior management and related committees to ensure effective regulatory risk management.

6 Reputational risk

Maintaining the organizational reputation is a critical part of running the business, especially for financial businesses, since the Bank's reputation comes from the confidence and trust that have been built up over many years. Reputation is not easy to build but easy to ruin.

Recognizing the importance of reputational risk, SCB has developed a reputational risk management guideline and process which will be applied to the Bank and SCB Group companies. Each business is required to take necessary prevention measures against potential reputational risk from both internal and external factors, whether income generating or not.

Application of the reputational risk management guideline depends on the nature of the business in terms of reputational risk exposure. Financial companies exposed to high reputational risk must implement the reputation risk management policy with a clear reputational risk management process, whereas companies with non-material reputational risks are required to report any reputational risk incidents to senior management.

Any transactions which may negatively affect the Bank's reputation require prior approval by the Executive Committee and may be reported to the Board of Directors if deemed appropriate by the Chairman of the Executive Committee.

The CSR, Corporate Branding, and Communication Function is responsible for working closely with other internal functions and SCB Group companies to determine reputational risk factors as well as assessing and reporting reputational risk issues to the Risk Management Committee and the Executive Committee.

7 People Risk

People risk refers to risk exposure to an organization from people's actions or negligence and, vice versa, risks to people from an organization's actions or negligence. As people are the most important assets of an organization, people risk can influence other risk types, i.e. credit risk, market risk, liquidity risk, reputational risk, operational risk, and strategic risk.

SCB recognizes the importance of people risk in the business and has made serious efforts to address people risk. The Board of Directors has set an effective framework for people risk management as well as conducting overall risk review. Senior management oversees people risk management and control within their functions as well as coordinating with the People Function and other relevant functions.

The People Function, together with business functions and relevant support functions, are responsible for identifying people risks based on appropriate analysis given the business complexity of each function, as well as assessing, controlling, monitoring, and reporting risks to the Bank's management with periodic reviews and updates of potential risks.

The people risk management framework involves three major considerations:

- 1. People capacity and capability:** SCB's business approach is based on having adequate people capacity to perform duties as well as having people capability that are appropriate for job positions and responsibilities. The Bank expands the scope of people's decision-making authority, increases their capabilities, and provides learning opportunities and conducive working environment to enable them to reach their full potential.
- 2. People conduct:** SCB's business approach is based on people's integrity and risk owner, especially for risks within their areas of responsibilities, as well as internal collaboration to create a positive work culture.
- 3. People health and safety:** SCB's business approach is based on a strong commitment to creating a safe working environment for people with considerations to both physical and emotional health.

Failure to put any of the above considerations into practice may lead to varying degrees of people risk depending on the situation. Therefore, it is critical to assess, control, and mitigate people risks to remain within the Bank's risk appetite.

People are vital resources in the banking business. Not only must the Bank provide suitable products and services that meet customer needs, there are also rules and regulations on customer protection with which the Bank and its staff must comply to avoid market misconduct. Therefore, the Bank needs people capacity and capability to help achieve its business goals in a sustainable manner. SCB recognizes the importance of human resources which have been under significant and constant challenges in today's environment. A key challenge is the advent of new technologies which may replace existing service delivery platforms and put pressure on an organization to reform or transform itself. Such broad-scale organizational change raises demand on human resources both in terms of quality and quantity. Specifically, an organization requires knowledgeable, well-rounded, and adaptable people to drive changes in the organization. SCB has taken measures to mitigate such risks by building a risk culture whereby risk awareness and ownership are the norm, and risk mitigation and prevention are the responsibilities of all staff. Moreover, the Bank set up SCB Academy to build additional skills and knowledge for its people, such as product knowledge and data analytics skills related to business analysis and planning. The Bank

also changed its organizational structure by separating sales and services functions as well as putting an emphasis on helping people build their career paths to ensure business success and sustainable growth. The Bank places importance on providing a safe and conducive work environment to foster employee engagement.

Board of directors of the Bank and SCB Group companies have established effective people risk management frameworks with overall risk exposure review. Senior management is responsible for managing people risk under their areas of responsibilities and establishing effective control as well as working closely with the People Function and other relevant functions.

The People Function, business functions, and relevant support functions are responsible for identifying people risks using appropriate analysis given each function's inherent business complexity with regular updates and reviews of potential risks.

For people risk management, the Bank and SCB Group also apply the "Three Lines of Defense" principle used in operational risk management to ensure effectiveness in people risk management and internal control.

8 Technology risk

Today's technology is changing rapidly. If the Bank cannot adapt or come up with a long-term plan to accommodate the changes, the Bank's business may suffer and lose market share. Specifically, the Bank may not be able to serve customers effectively in terms of meeting their product or pricing needs. Moreover, technology risk may also cause business and service disruptions which may lead to lower profitability and market share for the Bank.

Because of these wide-ranging and inter-related impacts, managing technology risk is the Bank's priority. SCB has adopted a world-class technology risk management framework with the following key components: 1) Risk identification; 2) Risk assessment; 3) Risk response; and 4) Monitoring and reporting. Furthermore, the Bank recognizes and has taken steps to build and enhance the organization's risk culture, particularly for technology risk, by educating and training people, managing knowledge platforms on technology risk to be accurate and up-to-date, applying risk management tools that meet international standards, along with continually improving its risk management framework to be in line with global practices.

The technology risk management process enables the Bank to adequately manage technology risk at both the strategic and operational levels. At the strategic level, the Bank aims to build a modern, flexible, and secure IT architecture to support omnichannel service delivery for customers, along with providing data management capabilities for marketing and credit management analysis. At the operational level, the Bank takes into consideration the IT organizational structure, system procurement and development, system accuracy and security, and critical data management, such as customer data, system capacity to support transaction workloads, including service continuity in case of any emergency or critical situations, IT outsourcing system management, and others, which help increase its competitiveness and profitability.

Emerging Risks

The Bank enhances the effectiveness of its risk management process by requiring all functions to assess and review emerging risks for both short term (within 1 year) and long term (between 3-5 years) that are within their purview. Each function is also responsible for presenting its list of emerging risks to the Management Committee for acknowledgement and sign-off. This process will enable the Bank to confront and manage risks effectively with diverse data sources while also creating bank-wide awareness on the importance of risk management.

In 2017, the Bank identified key emerging risks with potential long-term impacts on the Bank's operations which are categorized into internal and external risks.

Internal Risks

- **Risks from technological changes**

Today's rapid and drastic technological changes have affected customer needs and expectations in terms of both method and speed of service delivery. The Bank, therefore, has increased the share of technology investment under the Transformation Program to create a faster service delivery platform that can meet customer changing needs as well as developing a process to prevent cyber risk.

- **Risks from organizational changes**

Transitioning into full-scale digital banking and ensuring organizational adaptability to technological changes and

higher competition may pose a challenge in recruiting and attracting experienced candidates with specialized technical skills, such as data management and data analytics. To prevent shortage of talents which may disrupt the business, the Bank set up SCB Academy to develop necessary knowledge and skills in finance and banking business for staff as well as providing knowledge on technology. The Bank also has a talent program and a successor plan to identify and prepare candidates with knowledge, capability, and potential to fill vacancies for existing or newly created positions.

- **Risks from procedural changes**

Different changes, ranging from technology, rules, and regulations, organizational structure, or even changes in customer needs, may create market conduct risk or execution risk that cause the Bank to lose customer trust or face regulatory penalties. The Bank has, therefore, established an approval framework for new product launch which requires an overall impact assessment and approval from all related parties. The Bank also provides training and maintains constant communication with staff to prevent unprofessional conduct.

External Risks

- **Risks from environmental changes**

Risks from environmental changes, such as drought, flood, and global warming, may cause the Bank's customers, such as those in agricultural and natural power sectors, to face difficulty reaching their business targets with a consequence on their debt servicing ability. The Bank's approach to manage such risks is to incorporate environmental impact consideration into its credit underwriting criteria, as well as providing financial support to businesses that help reduce environmental impacts, specifying conditions of short-term loans, calibrating credit limits to agricultural product prices, and requiring customers to buy insurance against losses from business disruptions or natural disasters.

- **Risks from technological changes**

Technological changes may cause some businesses, such as publishing, automobile, oil businesses, to be replaced by new technologies. The Bank has therefore incorporated this type of risks into all analyses of industries that are susceptible to being replaced which can then be used to inform the Bank's strategic planning and advise customers in these industries to adapt to the changes.

- **Risks from local and global economic volatility**

One source of economic volatility and uncertainty are policies of Thailand's major trading partners, such as the People's Republic of China, the United States, and European countries, which may affect Thai exports. In addition, economic conditions in Thailand are still volatile from political uncertainty. Fragile economic conditions may affect customers' debt servicing abilities, especially for the household sector which is the Bank's core customers. The Bank conducts stress testing to monitor the sensitivity of the Bank's loan portfolio to changes in economic data as well as specifying additional indicators, such as share of non-performing loans and gross domestic product, to be used in determining an appropriate level of lending.

Capital Adequacy

In response to the global financial crisis in 2008, the Basel Committee on Banking Supervision announced a new set of regulatory guidelines, known as Basel III, for assessing capital adequacy and liquidity risk in December 2010. The new guidelines aim to strengthen bank capital position and set a new standard for liquidity risk management. The Bank of

Thailand (BOT) has adopted this framework with minor modifications to raise the standards of Thai commercial banks to the global level.

Effective from January 1, 2016, the BOT requires Thai commercial banks to hold a capital conservation buffer according to Basel III guidelines. This additional capital requirement is being phased in gradually which effectively increases the Common Equity Tier I capital requirement by 0.625% p.a. until reaching the 2.5% target in 2019.

Furthermore, the Bank has recently been designated by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs). To ensure stability and resilience of D-SIBs, the BOT requires D-SIBs to maintain additional minimum Common Equity Tier I capital as a capital buffer (so called Higher Loss Absorbency), starting at 0.5% in 2019 and increasing to 1.0% in 2020.

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

Banks that cannot meet this minimum requirement may be subject to earnings-distribution restrictions, e.g., dividend

Minimum regulatory capital requirement	2016	2017	2018	2019	2020
Capital Conservation Buffer	0.625%	1.25%	1.875%	2.50%	2.50%
D-SIB Buffer	-	-	-	0.50%	1.00%
Common Equity Tier I	5.125%	5.75%	6.375%	7.50%	8.00%
Tier I Capital	6.625%	7.25%	7.875%	9.00%	9.50%
Total Capital	9.125%	9.75%	10.375%	11.50%	12.00%

payouts, discretionary bonus payments, share buybacks, etc.

Since January 1, 2013, SCB has adopted the Basel III guidelines on a bank-only basis, as well as the guidelines on a consolidated basis, ahead of the corresponding BOT deadline. The Bank continues to apply the standardized approach to assess 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 sets 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 2017, under the Basel III framework, the Bank had total capital of Baht 342 billion (17.2% of risk-weighted assets), of which Baht 300 billion was classified as CET1/Tier 1 capital (15.1% of risk-weighted assets) and Baht 42 billion (2.1% of risk-weighted assets) was classified as Tier 2 capital. For SCB Group, the total capital stood at Baht 365 billion (17.7% of risk-weighted assets), of which Baht 322 billion was classified as CET1/Tier 1 capital (15.6% of risk-weighted assets), and Baht 43 billion (2.1% of risk-weighted assets) was classified as Tier 2 capital.

Note that if the Bank's 2H17 net profit is included in the capital adequacy calculation, CET1/Tier 1 capital will be 16.0% on a bank-only basis and 16.5% on a consolidated basis.

The Bank believes that its strong capital position, which is currently well above the minimum regulatory requirement, together with high 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

Shareholders are subject to the risk that expected returns from their investments, either in the form of dividend income or capital gains, may not materialize. Dividend income is directly linked to the Bank's profits. Shareholders should expect to receive dividend income between 30-50% of the Bank's consolidated net profit as stated in the Bank's dividend policy. Capital gains are determined solely by SCB share price which is influenced by a variety of factors, such as the Bank's performance, domestic and global economic trends, domestic political stability, and foreign fund inflows and outflows, most of which are beyond the Bank's control.

The Bank's performance, the only factor under the Bank's control, has been in line or exceeded market expectation in recent years. At the beginning of each year, the Bank provides broad guidance on its financial targets and shareholders face the risk that these financial targets may not be met in a particular year which would affect both dividend and share price. SCB mitigates this risk by having a clear business policy with appropriate short-term to medium-term strategies, along with clear annual financial targets. In addition, the Bank has delivered the highest net profit among Thai financial institutions in an environment with intense competition. Although past performance does not guarantee future results, it demonstrates the Bank's competitiveness, strategic effectiveness both in terms of direction and implementation, and the quality of its management team, which help put the Bank in a better position than industry peers to face any adverse shocks.

In addition, since the proportion of shares held by the Bank's two largest shareholders is quite large, shareholders face the risk that major shareholders materially reduce their position which can significantly depress share price. Nevertheless, the Bank expects the effect to be short-term, given that the Bank's market capitalization is among one of the highest in the stock market, making the Bank's stocks highly liquid with high trading volume.



05

CORPORATE SOCIAL RESPONSIBILITY

5.1 SCB SUSTAINABILITY REPORT

5.2 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE REPORT

5.1

SCB SUSTAINABILITY REPORT

Driven to become 'The Most Admired Bank', SCB is committed to conducting business under the good governance practices, recognising that ethical business conduct with social and environmental responsibility are essential for sustainable growth. SCB, therefore, operates its business under good governance principles and transparency with considerations upon social and environmental impacts, ensuring balance and fairness for 5 major stakeholders: customers, employees, society, shareholders and regulators.

For customers, the Bank's business strategy prioritises understanding customer needs and building engagement by offering products and services that meet their needs and deliver good experiences. The Bank strives to facilitate consumer lifestyles and enhance their quality of life by providing financial advice and new business opportunity recommendations with the goal of creating the highest customer satisfaction and becoming the main bank.

SCB continues fine-tuning its human resource management strategy to achieve the goal of being a company that creates value, promotes career advancement, and treats employees equally. Moreover, the Bank fosters a culture that emphasises agility for rapid decision making and courage for experimentation

by implementing a top-down approach from executives to employees to build an organisational culture that is agile and strive even during change.

The Bank conducts business by upholding good governance principles with transparency as well as complying with regulatory guidelines for financial services both on market conduct and the government policy to promote a cashless society. Moreover, to create sustainable growth and profits for shareholders, the Bank places an emphasis on long-term stability and thus develops a risk mindset for the overall organisation to be ready for changes.

For social responsibility, the Bank has refocused its community and social development strategy to providing public education to people of all age group on saving, financial literacy and discipline through the Bank's service and communication channels. The Bank also develops more diverse and convenient channels to access financial services (Financial Inclusion), as well as organising activities for social and educational development to raise the quality of life for people in the society and promote sustainable growth.

Please refer to SCB Sustainability Report for more details.

82

SCB Sustainability Approach
To be the Most Admired Bank is also Our Way of SUSTAINABILITY

• **Customers** •
 To be the Most
 Preferred Partner

• **Employees** •
 To be the Most
 Caring Employer

• **Shareholders** •
 To be the Most
 Sustainable Return
 Company

• **Society and
 environment** •
 To be the Most
 Responsible
 Corporate Citizen

• **Regulators** •
 To be the Most
 Prudent bank

5.2

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE REPORT

Siam Commercial Bank conducts business with the belief that “Business cannot thrive on weak social foundations.” Throughout its existence, the Bank considers caring for the society its duty and responsibility to make the society strong and ready to grow together which is an important foundation for sustainable development.

The Bank’s approach on sustainable development is based on the **Philosophy of Sufficiency Economy** which focuses on striking a balance between the economic, social, environmental, and cultural dimensions. The main goal is to lay “critical” foundations for a strong society and sustainable growth of the business by focusing on developing “people” which are the key engine that drives all developmental efforts. This includes the **general population** who, if provided with good quality of life, high-quality education, good career opportunities to facilitate financial independence, good health and well-being, and good environment, will be an important force for the country’s progress, **as well as the Bank’s people** who, if deeply cultivated with the value and culture of generosity, sharing and self-sacrifice with social responsibility and volunteer spirit, will be the major force for continuing the Bank’s legacy to create benefits for the society in a sustainable manner now and in the future.

To demonstrate its commitment, determination, and prioritization on this cause, the Bank established the **Siam Commercial Foundation** in 1995 and appointed the “**Corporate Social Responsibility (CSR) Committee**” in 2006 to oversee this specific area. The Committee consists of 5 directors whose duties and responsibilities, as set forth in the CSR Committee Charter and the Corporate Governance Policy, are as follows:

1. Set the policy and implementation framework, as well as monitoring and analyzing performance of the Bank’s and the Siam Commercial Foundation’s CSR activities
2. Allocate resources and budgets for projects and activities of both the Bank and the Siam Commercial Foundation

In 2017, the CSR Committee held 8 meetings with the key agenda on improving quality of life, youth development, and sustainable community development, covering the following initiatives:

1. Funding mobile breast cancer screening unit
2. Collaborating with the Cholangiocarcinoma Screening and Care Program
3. Water system development project in Thoet Thai sub-district, Mae Fah Luang district, Chiang Rai province with a 3-year duration
4. Promoting social enterprises for sustainable development
5. Internal campaign to reduce use of plastic bottles (To Care is To Quit Project)
6. Leadership Program for Sustainable Education (CONNEXT ED)
7. Strengthening youth development organizations at the provincial level
8. Local community youth development in 4 regions phase 3 (2017-2019)
9. Teacher empowerment program

CSR activities of the Bank and the Siam Commercial Foundation are targeted at the three main areas in conjunction with promoting volunteer spirit by engaging the Bank's people in the CSR activities.

I. Quality of Life and Community Development Category

Good Life Starts with Good Health

Because “people” are the key engine for national development, sick and unhealthy people will not be able to support themselves and pose an obstacle to the country's developmental progress in every dimension. SCB, therefore, promotes and supports people to stay healthy, strong, and away from sickness.

Collaboration with the Cholangiocarcinoma Screening and Care Program

Every year, the death toll from cholangiocarcinoma reaches 20,000 people a year, most of whom live in the Northeastern region and are male household breadwinners whose sickness or death causes family disruption with social and economic consequences. Currently, there are as many as 6 million people in this region who have high risk of developing cholangiocarcinoma mainly due to lack of knowledge and understanding coupled with unhealthy custom of consuming raw fish, especially minnows in the Cyprinidae family. The problem is compounded by limited access to medical services which delays treatment as well as lack of financial resources to pay for treatment, causing the number of inflicted people to skyrocket to the point of becoming a major public health issue in the national agenda.

SCB, therefore, provides support to the Cholangiocarcinoma Screening and Care Program or CASCAP by the Faculty of Medicine, Khon Kaen University, to help solve this health problem throughout the entire process from:

Prevention: Organize the “Eat Cooked Food to Stop Cancer” campaign to provide knowledge and preventative approach for this illness with the goal of changing people's behavior

Screening: Donate 5 ultrasound machines for screening people in the high-risk group along with a van and a pick-up truck for the screening unit

Treatment: Support the **Cholangiocarcinoma Foundation**, Khon Kaen University, on the “**Promote Access to Cholangiocarcinoma Surgery**” project in remembrance of His Majesty King Bhumibol Adulyadej and in honor of Her Majesty Queen Sirikit (Rama IX) on the occasion of Her 84th birthday. The Bank donated Baht 8 million to cover surgery costs for poor patients diagnosed with cholangiocarcinoma in addition to purchasing medical equipment and vehicles. The Bank also helped raise additional funding from public donations through various channels of the Bank, such as ATMs and SCB Easy App.

Funding Mobile Breast Cancer Screening Unit

Breast cancer is another major health issue that is the No.1 leading cause of deaths for Thai women. Her majesty Queen Sirikit cares about the health of her subjects and personally donated Baht 2 million as seed capital to build a breast cancer diagnosis and treatment center, named “**Queen Sirikit Centre for Breast Cancer,**” and has accepted the “**Queen Sirikit Centre for Breast Cancer Foundation**” under Her royal patronage.

To continue Her legacy and honor Her Majesty Queen Sirikit (Rama IX) on the occasion of her 84th birthday, SCB has provided financial support for the **Mobile Breast Cancer Screening Initiative by the Queen Sirikit Centre for Breast Cancer and the Thai Red Cross** in the amount of Baht 35 million. With an expected completion date in mid-2018, the mobile unit features highly efficient 3D mammography with imaging equipment for biopsy as well as facility for breast ultrasound and diagnosis.

This mobile breast cancer screening unit will give the needed medical access to people in remote areas or those with transportation difficulty and lower the risk of life-threatening cancer with early diagnosis and treatment.

SCB Blood Drive

The number of patients requiring blood transfusion is rising each year against limited blood supply which has not kept up with demand. SCB has collaborated with the Thai Red Cross National Blood Center to organize blood drives since 1996 by leveraging the strength of its branch network to set up blood drive locations for people who are interested in blood donation but have travel or time constraints.

In 2017, the Bank organized the “**SCB Blood Drive 2017**” campaign to raise public awareness on the importance of donating blood regularly under the “**Do Good by Donating Blood in Remembrance of His Majesty’s Compassion**” to honor His Majesty King Bhumibol Adulyadej by ensuring sufficient blood supply for all patients throughout the country. The Bank has organized the total of 32 blood drives and have able to obtain and deliver as much as 60.48 million cc of blood to the Thai Red Cross National Blood Center from 151,201 donors which helped save 453,603 lives.

Even more impressive is that for 20 years since the beginning of the blood drive initiative, there have been 950,000 donors giving more than 380 million cc of blood for the Red Cross to save more than 2.85 million lives.

The ongoing blood drive campaign will be one of the Bank’s legacies that help save fellow human lives and keep them healthy so that they can contribute to driving the country’s development.

Building Strong Communities and Foundations for Sustainable Development

3-Year Water System Development Project at Thoet Thai Sub-district, Mae Fah Luang District, Chiang Rai Province

No other problem can corrode the well-being of rural residents more than water shortage since most are farmers whose livelihood depends on water for agriculture. For these people, water shortage means difficulty to make ends meet which is the root cause of other problems, such as deforestation, slash-and-burn farming, or migration to “chance it” in big cities, setting off a whole chain of problems, including crime and slums.

SCB recognizes the importance of “**water**” and, therefore, has applied His Majesty King Bhumibol Adulyadej’s initiatives on water management to **set up water management committees** for forest conservation and restoration in conjunction with efficient and sustainable water management for agriculture. The Bank collaborates with local communities, Mae Fah Luang Foundation under the Royal Patronage, and related organizations and networks to build 64 dikes for agricultural use and 4,300 dikes for conservation purposes in Thoet Thai sub-district, Mae Fah Luang district, Chiang Rai province. This project has provided benefits for areas from upstream to downstream: **Upstream** – preserve 193,531 rai of forest; **Mid-Stream** – provide sufficient water for year-round consumption and for multiple cropping to farmers in 15 villages, 1,049 households, and 4,671 rai of agricultural areas; **Downstream** – 174,442 rai of basin capacity facilitates water management planning and consistent water supply.

The strength of this project comes from adopting His Majesty's initiatives on water management and sustainable community development based on the **“Understand, Access, and Develop”** principle of King Bhumibol Adulyadej. The project is operated by putting people at the center of development using the **“Volunteer”** model. Specifically, people who will derive benefits from the project will be the ones who build and maintain dikes and piping systems with assistance from the Subdistrict Administrative Organizations to oversee the construction and Mae Fah Luang Foundation to provide materials and equipment along with technical knowledge on water system development as well as monitoring and assessing project performance.

This model of development which engages local residents not only provides hands-on knowledge to the people involved, but also **creates a sense of ownership** and **promotes strong community cohesion** which contribute to the project's success and enable the project to operate smoothly, continuously, and sustainably.

In addition, the Bank also engages employees in this project to deepen their appreciation for forests, water sources, and community development through hands-on experiences of building dikes and teaching financial literacy to people in the communities to address the problem of high household debt burden.

Promoting Social Enterprises for Sustainable Development

SCB recognizes that if **“people”** and **“community”** can manage, monitor, and solve problems by themselves, change from being **“takers”** to **“drivers”** of development, and become self-sustainable, they will serve as strong foundations for the country's economic, social, and environmental development. The Bank, therefore, supports the **project to promote social enterprises for sustainable development under the idea of consolidated farming** which encourages farmers to form a group to produce the same products which facilitates joint planning, knowledge transfer, idea sharing, raw material procurement, and marketing. The cooperative effort will lead to lower costs,

higher yield, better product quality, and predictable market demand which will increase competitiveness. The government agencies, the public sector, the private sector, and four foundations (Pidthong Foundation, Mae Fah Luang Foundation, Thai Sustainable Development Foundation, Rakkaew Foundation) who participate in this program assume the role of **“mentors”** with each organization contributing unique experience, knowledge, management techniques, and technology and offering advice to ensure that the project achieve concrete and sustainable outcomes.

2. Youth Development and Learning Enhancement Category

Promote Education, Develop Youths, Create High-quality Citizens

Education is an important mechanism for developing people. However, Thai educational system so far has focused exclusively on academic excellence. **SCB and Siam Commercial Foundation, which was founded by the Bank with a youth development mandate, have worked together to promote, drive, and create a high-standard educational mechanism that lays a foundation for sustainability.** The goal is to create an education system that focuses on students' life-long learning, curiosity, **life skills and social skills, as well as being kind, conscientious, and good citizens of the society** with learning that happens both inside and beyond the classroom. To achieve this goal, students, teachers, schools, and every related organization must work together to create an atmosphere and environment conducive to learning within the school and the classroom and persuade and enable teachers to switch from the current teaching method of **telling knowledge to sharpening skills and character.** The new approach to education should also stimulate students to learn by doing and train their analytical thinking by organizing enrichment activities with assistance from related organizations, both from the public, private, and civil society, to advice, promote, support, share, and learn together.

SCB Challenge

“SCB Challenge” was born from SCB’s commitment to helping children and youth reach their full potential to become valuable resources and the key engine for future national development. Started in 2005, this initiative provides a “**Stage of Opportunity**” for young people at all education levels to demonstrate their talents, learn new skills and knowledge, and exercise their creativity by participating in a competition that is age appropriate.

1. Painting Competition for Grade 1-6 Students

Art not only fosters imagination and creativity, but also helps promote sensory development and dexterity as well as emotional and mental development to be positive and optimistic. To instill the love of art and further encourage children with artistic abilities, SCB organizes a painting competition to give children an opportunity to show their imagination and creativity through their works of art which will be useful for building skills and knowledge at a higher level.

2. E-Magazine Competition for Secondary School Students

In the era of globalization, rapidly changing global trends may cause local art and culture and Thai traditions to be ignored or overlooked with little chance of being passed on to the next generation. To encourage young generations to learn about and take pride in their communities, the Bank organizes the **E-magazine competition** as a venue for telling stories about their local communities, provinces, or country related to the royal institution, traditions, and Thai art and culture. This activity gives an opportunity for participants not only to become familiar with and take pride in their local communities, but also to learn and apply new innovations in media technology creatively. The Bank’s goal is to help youths build life skills and keep up with global changes so that they are equipped with skills of the 21st century ranging from life skills, learning skills, to IT skills.

3. Community Project Competition for Undergraduates

SCB organizes this activity to provide an opportunity for undergraduate students to use their knowledge and experience to create projects that benefit their communities in either economic, social, quality of life, or environmental dimension. Beside the direct benefits for the communities, students get a chance to practice their analytical, management, team work skills to prepare for stepping into the working world and becoming valuable resources for their organizations in the future.

The benefits of participating in the “SCB Challenge” go beyond fame or awards. Participants are given the “**opportunity**” to demonstrate knowledge, ability, and imagination with creativity as well as gaining “**invaluable experiences**” from working with others, learning the meaning of “**team**”, and making new friends. Most importantly, this activity gives participants an “**inspiration**” to serve their society and country when they become adults.

Leadership Program for Sustainable Education (CONNEXT ED)

In 2016, SCB joined a network of 12 private organizations in the CONNEXT ED project to drive Thailand’s basic educational system to a new dimension in a joint effort with the government and the civil society. The goal is to drive change in the Thai educational system to reach a higher standard which has, thus far, been underway at 3,342 schools with a plan to extend the implementation to 7,424 schools covering all subdistricts nationwide by 2018.

An important activity required for this program is to select 30 “School Partners” or employee representatives who possess qualifications for being the next generation leaders and strong commitment to public service to support, assist, and collaborate with the team of school management and teaching staff on school development. This collaboration facilitates mutual learning and in-depth understanding of

the problems of Thai education. The team's important task is to create a development plan that is actionable and practical with the key objective of **enabling teachers to adopt teaching approaches that foster students' thirst for knowledge, build life skills, and facilitate integrative learning which are necessary qualifications for learning in the 21st century.** The Bank targets to develop 50 schools with 931 teachers and 13,058 students located in 29 provinces across the country for which the Bank's executives and education experts provide advice and guidance as well as close monitoring and performance evaluation throughout the project.

The Bank believes that the CONNEXT ED program will enable teachers and students to have effective lessons and learn together. In addition, this approach also serves as a mechanism to instill positive attitudes and create unlimited learning potential for children.

Support for Vidyasirimedhi Institute of Science and Technology

SCB promotes and supports the national development effort at every level, from laying a strong foundation to making further advances in the development, by helping to set up the School of Information Science and Technology which is one of the five schools of Vidyasirimedhi Institute of Science and Technology or VISTEC.

Vidyasirimedhi Institute of Science and Technology or VISTEC was founded by PTT Group from a conviction that it was time for Thailand to have a world-class university specialized in science and technology to produce cutting-edge knowledge, achieve innovation excellence, and create top researchers to help develop and make Thailand ready to compete in the global arena.

VISTEC, situated on a 680-rai campus in Wangchan district, Rayong province, opened in 2015 offering master's and PhD programs in Energy Science & Engineering and Molecular Science & Engineering with an addition of the Information Science and Technology Department in 2017.

The goal of the Institute is to become a leading research university in science and technology at the national level by 2020 before being in the top 10 ranking of ASEAN research universities by 2025 and eventually one of the top 50 research universities at the global level by 2035.

In addition to providing Baht 450 million funding to build the School of Information Science and Technology, the Bank also plays an important role in shaping the research agenda and providing internship opportunities for the Institute's students to gain working experiences as well as offering undergraduate scholarships for students who want to pursue education at VISTEC. Moreover, the Bank also invites experts from the Institute to provide knowledge for the Bank's executives and employees.

Idea Nursery Program

Every year, there are many projects submitted to the Thailand ICT Contest Festival that are great **"original ideas"** but lack the **"opportunity"** for further development and commercialization because they do not address users' needs. SCB collaborates with Siam Commercial Foundation and National Electronics and Computer Technology Center (NECTEC) to assemble a team of experts from a wide range of fields to give advice on product designs that address consumer needs as well as providing professional knowledge on management, marketing, and product presentation. The Bank also provides funding to bring these young people's creations to the hands of users, a process that lays a foundation for future inventors and next generation entrepreneurs.

The Bank has funded this project for five consecutive years. In 2017, there were 57 participants from 13 educational institutions, 8 of which were schools and 5 were universities. The Bank provided further funding for 15 projects, 9 of which have developed into useful products real applications. Of these 9 projects, 8 of them have obtained patents while the remaining project is in the process of patent registration.

Teacher Empowerment Program

The Bank believes that Thai educational system must change from “**Telling knowledge**” to “**Teaching learning**” so that learners have the skills necessary for the 21st century with high moral characters and will grow up to be good citizens. Such change can only happen in the classrooms and the people who are vital to instigate this change are the “**teachers.**” SCB and Siam Commercial Foundation join a coalition of 23 organizations to drive educational reform as well as teacher and school development to ensure that students have knowledge and skills necessary for the 21st century.

The Bank is convinced that every teacher has his or her own teaching techniques, approaches, tools, and skills to educate students to be knowledgeable, capable, and ethical but faces certain limitations to reach full potential. The **Teacher Empowerment Program**, therefore, has been launched to help develop teachers and drive educational reform by setting up the “**learning space**” as a centralized venue for teachers from different networks to share ideas and learn together. By building skills for teachers, the learning space serves as a “**professional learning community**” for teachers to acquire skills of “**trainers**” in the 21st century for learners' development.

The Teacher Empowerment Program has been considered a success not only because of the manifested changes among the teachers, but the program also makes teachers realize their values, motivated to work, eager to teach, and able to plan lessons effectively and creatively. All these changes in teachers have shown clear benefits for students, such as improving academic performance among weak students, transforming bullies into leaders, turning socially withdrawn and isolated children to cheerful students who can get along with friends, and making rambunctious children enjoy being involved in public and community services.

Strengthening Youth Development Organizations at the Provincial Level

Children and youth development requires a mechanism to ensure consistency and sustainability. This can be achieved by galvanizing support from government agencies, youth development organizations, local administrative organizations, and all sectors of the community, be it families, temples, schools, health stations, etc., to take collective and persistent actions to tackle the problems related to children and youths in local communities. Collaborative efforts can be in the form of initiatives that encourage children to build and practice skills for the thinking process to improve themselves, their families, and their communities through hands-on activities that allow children to brainstorm, work in teams, make joint decisions, share responsibilities, and learn on their own. This process helps children acquire leadership skills, appreciate the value of their local communities, deepen their volunteer spirit, and use their capabilities and knowledge to drive local development with guidance and support from adults.

SCB, therefore, supports, develops, and strengthens youth development organizations in 4 provinces, which are Nan, Sisaket, Songkhla, and Samut Songkhram, to lead the youth development effort to ensure that young people in these piloted provinces grow up to be good citizens. To have concrete and clear performance indicators, the Bank extended this effort into a **research project to monitor changes in children** to assess the effect of community projects on brain development among young people, especially on the brain region related to executive function, as well as the effect on skills and capabilities of project participants. Moreover, the Bank also conducts a research project on “**innovations in CSR projects and coaching to foster civic responsibility among youths and increase organizational capabilities.**” This research project studies innovations in community projects to instill the sense of civic obligations in young people as well as the effectiveness of coaching in

developing youth capabilities and awareness. The project also studies alternative approaches for improving, building on, developing, and applying the knowledge to the education system and create a mechanism for long-term youth development.

Since its inception, the Bank found that this initiative can effectively build 21st century skills for young people and instill the sense of civic duty. Inspired by this success, the Bank expanded the area of operations in 2017 to Lamphun province (Upper Northern region) and Satun province (South Western Region) with a plan for further expansion to other provinces in the future.

Local Community Youth Development in 4 Regions Phase 3 (2017-2019)

SCB took part in building skills for officers in Local Administrative Organization which are necessary for solving youth problems and advancing youth development. The Bank found that the Subdistrict Administrative Organizations (SAOs) can provide concrete solutions for problems common to children in high-risk group, such as gang fighting and school dropouts, and create jobs for youths outside the formal education system as well as being the main engine for promoting youth learning in their areas. Based on this evidence, the Bank and Siam Commercial Foundation, together with the Thailand Research Fund (TRF), supports the SAOs in their research effort to strengthen the organizations with the skills of data-driven decision making and planning to improve the efficiency in youth development efforts. Currently, there are 6 SAOs conducting and receiving funding for research with the goal of developing capabilities of Local Administrative Organization officers to have skills necessary for youth development work and build SAO networks within their areas.

Too Fast To Sleep.SCB

SCB is committed to becoming a leader in lifestyle banking and **the Most Admired Bank** by creating new products and services to meet customer needs in the digital age. Last year, the Bank partnered with Too Fast To Sleep to

launch TOO FAST TO SLEEPSCB by renovating a 500 sqm area on the 2nd floor level of SCB's Siam Square branch to be a meeting point for young generations. This area is open for students and general public to use for reading, meeting, or co-working space 24 hours a day with no charge by downloading SCB Easy app to gain instant access. Moreover, the Bank also designates this area as a cashless zone -- any food and drink purchased in this zone can only be paid with PromptPay transfers, credit cards, or debit cards with no cash allowed. This initiative aims to make the public ready for an imminent transition into a cashless society.

3. Promoting Volunteer Spirit among Employees Category

Foster a Volunteer Culture to Continue the Bank's CSR Legacy

Fulfilling social responsibility cannot be sustained without the **"successors"** who must have **"volunteer spirit"** and **"awareness"** to recognize their social obligation. These people should not be motivated by superficial reasons, such as trend following or creating positive self-image, but should have genuine appreciation of the benefits and values of volunteering. SCB, therefore, focuses on instilling value and culture of sharing, volunteer spirit, working for the greater good, and deepening awareness of social responsibility. The best method, which has been tried and true, is **to provide opportunities for employees to gain direct experiences from participating in the Bank's CSR activities**. Employees can get involved in all aspects of the process from **brainstorming, joint decision making, joint planning, to execution** under the **"SCB Let's Do Good"** campaign which focuses on 3 key domains: **youth development, community development, and environmental conservation**. In 2017, there were 61 SCB Let's Do Good projects operated in 25 provinces with 9,528 volunteered employees.

I) Youth Development - focuses on promoting youth learning and development with **26 projects**, such as **SCB Let's Do Good : SCB with 3 Values** which teaches children

the value of money and saving through storytelling and games, making learning fun and easy to understand for children, as well as improving school health facilities and organizing ongoing learning activities.

SCB Let's Do Good: Field Trip Chaperone opens up the world of education beyond the classroom for poor children to gain new experiences and learn life lessons with field trips to visit many tourist sites.

Thus far, these activities have been carried out at 23 schools and 3 foundations with 4,048 children and 3,330 employee volunteers participating in the activities.

2) Community Development – Performing community service with the total of 16 projects, such as **volunteer activities for social and community service**, e.g. cleaning the public area and cremation ceremony of body donors for medical education.

SCB Let's Share: organizes donations of unwanted items in good conditions to raise money for three Border Patrol Police Schools to develop local schools and communities. There were 1,693 employee volunteers participating in this activity.

3) Environmental Conservation – Build employee awareness for environmental conservation and development with 19 projects, such as

Beach Cleaning Project at 12 beaches in coastline areas throughout the country with local employees joining the campaign to clean up beaches and restore beautiful sceneries, leaving a good impression with local people and tourists.

To Care is to Quit Project is a campaign to create awareness for the Bank's staff to take care of the environment which can be done easily in day-to-day activities by changing behavior to reduce or stop using plastic bottles and switch to personal cups. Within 4 months of the campaign, the number of plastic bottles at the head office was reduced from 18,000 bottles a month to only 3,780 bottles, a 79% decrease. This success provides a role model to be emulated by the Bank's branch network and business network and lessons to be applied to other campaigns, such as reducing paper usage.

At first glance, reducing the use of plastic bottles may seem trivial. However, a closer look will reveal that this is **a change in behavior to overcome habits and temptation of convenience** (from using plastic bottles) which requires patience, persistence, and sacrifice to form a new habit. If successful, this effort will serve as a good starting point that can be extended to other areas to cut down or quit.

Participation in these activities not only generates social benefits, but also provides an opportunity for employees to bond with their coworkers and create efficient work habits by implicitly training employees on time management, sacrifice, responsibility, teamwork, and leadership. Participants also gain new experiences that can be applied to improve their work. Most importantly, these activities instill social responsibility awareness and volunteer spirit within employees who are the main engine to drive the Bank's CSR initiatives forward in a sustainable manner.

Conclusion

For future CSR activities, SCB continues to focus on youth development and building strong communities in parallel with fostering a volunteer culture and social responsibility awareness among employees. Moreover, the Bank also continues to look for business partners and social networks who share the same passion and ideology for CSR activities with complementarity in knowledge, abilities, experiences, and strengths. This partnership will create more opportunities, raise potential, and enhance efficiency of the Bank's CSR implementation and enable the Bank to create extensive and sustainable benefits for the society for many years to come.



(Khunying Jada Wattanasiritham)
Chairperson of the CSR Committee



06

CORPORATE GOVERNANCE

- 6.1 CORPORATE GOVERNANCE REPORT 2017
- 6.2 INTERNAL CONTROL AND RISK MANAGEMENT
- 6.3 RELATED PARTY TRANSACTIONS
- 6.4 THE NOMINATION, COMPENSATION,
AND CORPORATE GOVERNANCE COMMITTEE REPORT
- 6.5 THE EXECUTIVE COMMITTEE REPORT

6.1

CORPORATE GOVERNANCE REPORT 2017

The Board of Directors recognizes the critical importance of corporate governance (CG). The Bank thus adopts effective business governance that is transparent and fair to all stakeholders and helps strengthen the Bank's credibility and competitiveness as an ethical and socially responsible corporate citizen to achieve sustainable growth both for the Bank and the society at large. Such firm commitment to good governance also bolsters 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. This belief has, therefore, led the Bank to adopt good corporate governance principles and practices that are generally accepted in Thailand and internationally as well as improving its internal corporate governance standards on a continual basis as reflected in the corporate governance excellence awards that the Bank has earned from several organizations including:

In 2017, the Board decided that the Corporate Governance Code for listed companies or the CG Code which was developed by the Securities and Exchange Commission should be adopted as appropriate to the Bank's business context and the adoption of the CG Code should be reviewed at least annually. Such decision was officially recorded as a resolution of the Board.

Corporate Governance Policy

The Board has assigned the Nomination, Compensation and Corporate Governance (NCCG) Committee to formulate the Corporate Governance Policy and monitor compliance. The NCCG Committee also reviews and revises the policy to ensure that it is appropriate and in line with regulatory guidelines pertaining to the Bank which is a commercial bank and a listed company with an aspiration to achieve world-class corporate governance standards. The Bank's Corporate Governance Policy encompasses the following core elements:

1

The policy elaborates the vision, mission, core values and codes of conduct applicable to the Bank, its directors, and employees of the Bank. In late 2016, the Board approved the Bank's 2020 vision to be **"The Most Admired Bank"** for its constituents. In other words, the Bank aspires to be recognized as the most preferred partner by its customers, the most caring employer by its employees, the most sustainable return company by its shareholders, the most responsible corporate citizen by the society and the most prudent bank by the regulators.

2

The policy formalizes, among other matters, corporate governance structure of the Bank; roles and responsibilities of the Board; tenure of members of the Board and Board committees; the Board's meeting procedures; nomination and appointment of members of the Board; an onboarding program for new directors; holding of positions in other companies by the directors and senior executives; separation



SCB achieved the top level
"EXCELENT"

rating in the 2017 CG assessment announced by the Thai Institute of Directors Association (IOD), marking our 13th consecutive year for this recognition since 2005.

In 2017, SCB was in the top tier in the Thai Investors Association's assessment of shareholder meetings,

continuing its record of outstanding score

99-100

the **9** consecutive year since 2009

of position and roles between the chairman of the Board and the chairman of the Executive Committee; remuneration of directors and persons with management authority; assessment of performance of the Board, Board committees, and persons with management authority; succession planning; and roles and functions of the company secretary.

3

The policy enumerates the rights and treatment of all stakeholders in terms of arrangement of shareholder meetings, dividend payments, information disclosure, and transparency.

4

The policy defines the Bank's internal controls encompassing the rules and restriction governing the use of confidential and non-public information by directors and employees, 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." The policy has also been announced to directors, executives, and employees of the Bank for their acknowledgment and compliance as the Bank intends to promote its members' understanding, awareness, regard, and internalization of the Corporate Governance Policy which will become their work habit and eventually the corporate culture.

SCB vision is to become

“the Most Admired Bank”

and strives to attain such vision by

2020.

2017 Corporate Governance

The Bank's corporate governance practices in 2017 are summarized as follows:

I. 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 in 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 these 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 Bank is determined to encourage all shareholders to exercise their rights to the fullest extent permissible by laws and shall not violate or derogate the rights of shareholders by any means. The principles adopted by the Bank with respect to the treatment of shareholders are shown in details 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."

I.1 Shareholder Meeting

In 2017, the Annual General Meeting of Shareholders (AGM) No. 194 was arranged on April 11, 2017 and no Extraordinary General Meeting of Shareholders was held that year. The proceedings were conducted by the Bank in a manner that ensured shareholders' ability to exercise their rights in accordance with laws, applicable 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 2016 Annual Report (in CD-ROM format) were sent by post to shareholders at least 21 days in advance of the meeting date. The 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. The Bank also advertised the Notice of the AGM in Thai newspapers for three consecutive days and took other relevant actions as required by law. Upon request, shareholders were entitled to receive printed copies of the 2016 Annual Report before the date of the meeting from the company secretary.

2

The Bank recognizes shareholders' rights to know and gain full access to 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 to company_secretary@scb.co.th, in accordance with the guidelines on the Bank's website. Questions are compiled and proposed to the Board by the Nomination, Compensation and Corporate Governance Committee.

3

To encourage and facilitate participation of all shareholders (individuals, juristic persons, and institutional investors) in 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, registration counters were open at least two hours prior to the meeting time to facilitate procedural document checks and registration. For efficiency and convenience, the Bank made available revenue stamps to be affixed to the proxy forms presented by proxies attending the meeting. Separater egistration counters were specifically set up for different types of shareholders, i.e. shareholders attending the meeting in person, individual shareholders, juristic persons, and fund managers or custodians. For greater convenience and speed, the meeting registration service made use of a bar code system and each shareholder or proxy holder was given a ballot bearing the same bar code as his or her registration bar code for voting on each agenda item. 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 all 16 directors of the Bank attended the 2017 AGM 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. Before proceeding with the meeting agenda, the company secretary announced the voting procedure 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 on a 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. Representatives from Baker & McKenzie, an independent law firm, were engaged to review and inspect the validity of the proxy appointments, adequacy of quorum, and tabulation and reporting of votes. Therefore, 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 show the 2016 performance highlights and a brief summary of the 2017 business strategies. The chairman of the meeting allowed shareholders to ask questions and/or make recommendations on an equitable basis and provided comprehensive responses to all questions or issues raised. The directors and management jointly responded to shareholders' questions and clarified issues. The company secretary recorded the 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 reorder, add, or revise any agenda items, or modify previously issued information at the meeting, nor proposed any motions that had not been specified in the AGM Notice.

7

Following the meeting adjournment, the resolutions adopted at the 2017 AGM and the voting results for each agenda item (in both Thai and English) were publicly disclosed via the SET Portal platform of the Stock Exchange of Thailand and on the Bank's website 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 of the meeting date for quick and inclusive access to shareholders. The minutes were also submitted to the Ministry of Commerce within the timeframe specified by law. The minutes contained the list of directors and 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 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 which provides guidance that the dividend payout will typically be in the range of 30-50 percent of its consolidated annual net profit with considerations to long-term return for all shareholders. Dividends will be considered in any year that the Bank, after deduction of all statutory and other reserves, posts a profit, provided that there is no accumulated loss and that the Bank is able to maintain adequate capital funds to comply with the regulatory requirements, as well as taking into consideration the need to preserve capital for its future business requirements. The interim dividends and annual dividends will be paid within 30 days after approval by the Board or resolution at the shareholder meeting. 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 shareholders' decision-making. At the 2017 AGM, the meeting resolved to approve the dividend payment from the Bank's 2016 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 39.3 percent of the 2016 consolidated net profit. Such dividend payment complies with the Dividend Policy of the Bank and its details are summarized below:

I

The Board, at its meeting No. 12/2016 on August 23, 2016, 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 September 16, 2016 (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 May 9, 2017 (28 days from the date of approval of the dividend payment by the shareholder meeting).

1.3 Election of Directors on an Individual Basis

As part of the director election process, profiles of nominated directors are disclosed in the notice of the AGM to support the shareholders' considerations. 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, Board/Board committee 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 relationships 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 in the two years preceding their appointment as independent directors of the Bank. Pursuant to the Bank's Articles of Association, one-third of the directors shall retire by rotation at every AGM. At the 2017 AGM, five directors retired by rotation. The Bank arranged for shareholders to elect directors to replace the outgoing directors by independently directing their votes toward each individual nominee as opposed to a slate director election. Similar to the voting on other agenda items, only disapproval and abstention ballots were collected and tabulated and the voting results for each director nominated for the election were clearly specified in the AGM minutes.

1.4 Determination of Directors' Remuneration

As stipulated in the Bank's Articles of Association approved by the shareholder meeting, a director is entitled to receive remuneration from the Bank in the form of gratuities, meeting allowances, rewards, bonuses, or other benefits consistent with the Articles of Association or the resolution of the shareholder meeting. Such remuneration may be a fixed amount or based on the criteria specified at the time which may be allowed to remain in effect until changed. Furthermore, 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 delegated to make recommendations on directors' remuneration to the Board prior to proposing the remuneration to an AGM for approval on an annual basis. The Board has a policy that directors' remuneration should be appropriate and commensurate to 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 interfere with communication among its shareholders in any ways. Shareholders have complete liberty to share information among one 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 in accordance with the scope permissible by law. 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 Shareholder meeting

All shareholders of the Bank are invited to propose matters to be included in the AGM agenda and to nominate qualified candidates for the director election by an AGM according to the explicit criteria published on the Bank's website. Shareholders may submit their proposals and questions to the company secretary via post or e-mail at company_secretary@scb.co.th. The Nomination, Compensation and Corporate Governance Committee will consider shareholders' proposals prior to submitting them to the Board for further consideration. Decision on the matter will be notified to the shareholders concerned for acknowledgment. Any proposals that are accepted will be included in the AGM agenda. 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 October 1 to December 31, 2016. However, the Bank did not receive any proposals from the shareholders.

2.2 Proxy Appointments for Shareholder meeting

For every shareholder 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. Conditions and documents required for the appointment of proxies are clearly described and do not cause any difficulties to the proxy appointment. For the 2017 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 had an option to appoint as their proxies one of the two independent directors of

the Bank who did not have any conflicts of interest in the relevant agenda items of the AGM. To facilitate their decision, shareholders were given important information about these independent directors. Shareholders had the liberty to appoint either one of the two independent directors or any other person of their choice as proxy. In addition, Proxy Form A or Proxy Form C could be downloaded from the Bank's website for shareholders' use as and when applicable.

2.3 Ballots for Shareholder meeting

In the 2017 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. To ensure that the voting process was efficient, accurate, speedy, and verifiable, a bar code system and PDA were employed in tabulating votes. Before proceeding 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 its internal control system and risk management system and annually evaluates the adequacy of the systems, including related-party transactions and prevention of conflicts of interest. The monitoring and evaluation framework is based on the internal control framework developed by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) which encompasses five key components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. Details are discussed under the section of "Internal Control and Risk Management" of this Annual Report.

2.5 Conflict-of-Interest Reporting by Directors and Persons with Management Authority

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 conflicts of interest concerning themselves and their related parties as well as changes to any previously reported items. The company

secretary collects and submits copies of 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 to monitor transactions between the Bank and directors, persons with management authority, and/or their related parties in accordance with applicable legal requirements.

2.6 Anti-Corruption

Anti-corruption continues to be a key part of the Bank's internal control and risk management as evident by, among others, the Bank's membership in the Thailand's Private Sector Collective Action Coalition Against Corruption (CAC). This membership underlines the Bank's determination and commitment to fight corruption in all forms and to promote a culture of zero tolerance for corruption and bribery. All CAC members are required to undergo a membership certification process and the membership must be re-certified every 3 years. As part of the recertification process, each CAC member is required to complete an anti-corruption self-assessment based on a highly rigorous standard. On November 10, 2017, the Bank's CAC membership was officially re-certified and valid for another three years. The Bank has enforced the Anti-Corruption and Bribery Policy, which serves as an anti-corruption guideline, upon all companies in the SCB Financial Group. The policy has been communicated to directors, executives, and employees at all levels to ensure that they recognize and understand their obligations and responsibilities in this respect and apply the policy in the workplace to their best abilities. All employees of the Bank are required to enroll in in-house training courses on topics 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. Employees must pass relevant tests to complete these mandatory courses and must periodically enroll in refresher courses within a specified timeframe. Employees are also encouraged to participate in anti-corruption activities arranged by various agencies or institutions as detailed below:

1 Thailand's 8th National Conference on Collective Action against Corruption

**“BRIGHT SPOTS:
LIGHTING THE WAY
TO A CORRUPTION
FREE SOCIETY”**

organized by the Thai Institute of Directors Association.

2 Anti-Corruption Network Program under the collaboration of the Office of National Anti-Corruption Commission (NACC) and the Thai Contractors Association.

3 International Anti-Corruption Day campaign for

**“ZERO TOLERANCE FOR
CORRUPTION”.**

Additionally, the Bank has informed external parties and stakeholders of its Anti-Corruption and Bribery Policy through various channels, such as its website or credit card statements. To extend anti-corruption and bribery initiatives to a wider context, the Bank has encouraged suppliers, as a key stakeholder of the Bank, to adopt the same principles and concepts by formulating the “SCB Supplier Code of Conduct” as a guiding framework for its suppliers.

The Bank has set up complaint channels, such as the Whistleblower Hotline, for complaints about wrongdoing or suspected frauds or corruption. To actively monitor and evaluate compliance with the Anti-Corruption Policy, the Bank regularly assesses corruption and bribery exposure with the Audit Committee being responsible for overseeing the Bank's internal controls to ensure that they are adequate and effective in protecting the Bank from the risk of corruption and bribery as well as reporting the results to the Board of Directors.

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 details in the 2017 Sustainability Report. The essence is summarized below:



Customers:

The Bank exists to serve its customers who encompass almost the entire spectrum of the 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, such as SME business centers, wealth centers, and customer service centers. The overarching aim is for the Bank to be viewed as the main financial services partner for customers through reliable services, innovative products, and trustworthy conduct. Customer data security and confidentiality are strictly protected. On top of the reliable standards, the Bank has included these matters in the Employee Code of Conduct and communicated them to employees to raise their awareness on the importance of data security and their adherence to applicable principles. The Bank measures its success in this regard through regular customer surveys and has consistently attained top satisfaction scores from such surveys.



Employees:

The Bank recognizes the importance of continuous development of employees at all levels. Employees will always remain the Bank's most valuable assets. As such, the Bank aims to recruit, develop, and retain talents as they are central to the Bank's success in the short-term and long-term strategic implementation and accomplishing its mission and vision. The Bank offers a variety of training courses to develop employees' skills and capabilities, provides career advancement opportunities, as well as developing their professional expertise and positive attitude towards changes to be ready to face any challenges.

It is the Bank's policy to align employee compensations with the Bank's short-term and long-term performance and ensure that compensations are appropriate and competitive. The Bank has employed the Balanced Scorecard as a goal-setting and employee performance management tool which considers three dimensions of performance: strategy, organizational health, and business performance. Senior executives of the Bank are jointly accountable for the Bank's corporate KPIs and the KPIs of business units under their supervision, as well as translating these top-level KPIs into clear and appropriate individual KPIs for employees. In addition, executives and employees are required to jointly develop individual development plans to support fulfilment of assigned duties. The Bank has also implemented a performance-based compensation structure that incorporates fair and accurate evaluation. In 2017, the Bank revisited its pay structure to compensate employees fairly for their job value and conducted a compensation survey to identify the industry and cross-industry benchmarks as a baseline for the Bank's compensation management. To increase employees' wellbeing and motivation, the Bank offers attractive welfare and benefits packages that are regularly fine-tuned, i.e. medical benefits, scholarships, emergency financial assistance, pension fund and employee welfare loans, such as mortgage loan and auto loan programs, retirement bonus, and savings cooperative.

The Bank respects human rights and treats its employees fairly and equally without discrimination based on gender, age, religion, or disability. Employees are entitled to join labor unions and are encouraged to voice their opinions that

contribute to the organizational development, such as improvement of the Bank's policies, work processes, procedures, and product and service offering. Furthermore, the Bank respects intellectual property rights and deters infringement thereof by incorporating 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 intellectual property rights and copyrights owned by others. To assess the Bank's health and readiness for future changes, the Bank engaged third-party experts to conduct employee surveys. According to the 2017 organizational health survey, the Bank's score was ranked in the top decile of companies in Southeast Asia. The Bank believes that workplace happiness, employees' wellbeing, and work-life balance are building blocks for the Bank's sustainable and solid growth.



Shareholders:

The Bank's existence is made possible by capital contributions of a large number of shareholders. The Bank aspires to provide transparent disclosure that meets high standards, equal treatment, and 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 the Thai financial services sector.



Community and Environment:

The Bank aspires to behave in an ethical way as a model corporate citizen, enhance the quality of life of members of the society, and be environmentally responsible with the aim of fostering sustainable development in Thailand. The Bank has actively and consistently supported and carried out activities that are beneficial to the communities and the society at large with particular attention to activities relating to local youth as they are the foundation and drivers of the country's sustainability.

Our priorities include activities that promote community involvement and sustainable development in accordance with the sufficiency economy philosophy. Furthermore, to instill a sense of volunteerism, the Bank has encouraged all employees to regularly participate in such activities. We also aim to make banking accessible to all by responsibly offering products and services and simultaneously promoting financial literacy.

The Bank is determined to operate in accordance with environmental laws and regulations and implement effective safety and environmental management measures internally. Furthermore, SCB supports natural resource and environmental conservation through awareness-raising campaigns and programs to educate and engage staff, business partners, customers and other CSR networks in this initiative. The Bank has increased its internal energy efficiency by upgrading lighting and electric systems. It also has reduced paper use in both internal and external processes, arranged the "Living an Eco-Friendly Lifestyle" program to raise environmental consciousness among SCB employees, and started an internal campaign to encourage its employees to help reduce plastic bottle waste.

SCB is also the first financial institution to participate in the nation's pilot carbon-offset program to support the domestic voluntary carbon credit market. The Bank worked with the Center of Excellence on Environmental Strategy for GREEN Business (VGREEN) of Kasetsart University to analyze and calculate the amount of carbon emissions from its energy and resource consumption.



Regulators:

The Bank operates in accordance with the principles of corporate governance with effective oversight and transparency as well as adopting the supervisory guidelines applicable to financial institutions, the market conduct, and the government's policy to develop Thailand to become a cashless society. The Bank emphasizes long-term

strategic stability and works to enhance its multi-dimensional capabilities to raise its risk awareness and adaptability in pursuit of sustainable growth and return.



Business Partners:

The Bank honors its obligations to business partners with integrity and implements a transparent and corruption-free procurement process. The Bank has issued the "Supplier Code of Conduct" to encourage suppliers to operate their businesses ethically, respect 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 Supplier Code of Conduct is communicated to its business partners on the Vendor Communication Day which is held annually and all business partners of the Bank are required to, in writing, acknowledge and strictly comply with the Supplier Code of Conduct.



Competitors:

The Bank ethically treats its competitors with transparency and honors its obligations to its competitors with integrity, accountability, and respects. To uphold fair business practices, the Bank does not interfere with fair price competition, respects intellectual property rights of others, and avoid intellectual property infringement.



Creditors:

The Bank strictly fulfills the obligations and agreements made with its creditors, including guarantee conditions and its obligations toward effective capital and liquidity management to maintain financial strength and solid debt servicing ability. In an event that the Bank is unable to fulfill 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.

3.2 Contact Channels for Stakeholders

The Bank provides multiple channels for stakeholders to directly contact the relevant units as follows:

- Customers or third parties can communicate with the Bank through branch staff or relationship managers, via the Call Center at 0-2777-7777, or by writing to senior executives of the Bank. All communications are monitored and responded within a specified period. The Bank also establishes a complaint management team with a major role of identifying corrective measures and ensuring that relevant units resolve customer complaints within applicable service level agreements published on the Bank's website.

- Employees are informed that the Bank has multiple channels to accept complaints and reports of misconduct from employees. Employees can voice their opinions and make a report on any unfair treatment, fraudulent activity, or suspicion of misconduct, either directly to their supervisors or through the following channels:

- 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 transparency and corporate governance principles. There are multiple channels for reporting complaints, fraud, or non-compliance, e.g. e-mail to whistleblower@scb.co.th; post to PO Box 177, Chatuchak Delivery Post Office 10900; or telephone at 0-2544-2000. A summary on actions 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.

It is the Bank's policy to maintain confidentiality and anonymity of employees reporting misconduct or complaints for protection against retaliation or adverse consequences. Upon notification by an employee, an independent, case-by-case investigation team will be quickly set up to investigate any issue or possible fraudulent behavior. If there are proven grounds for a complaint, the matter will be escalated for disciplinary action in accordance with the following procedure:

- Employees submit opinions, reports, or complaints related to fraud via a range of channels, in which 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. Progress will be reported to the informants if they have chosen to be identified.
- The Working Team forwards proven cases of misconduct 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 informants.

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

Company Secretary
The Siam Commercial Bank PCL,
21st Floor, Zone A, 9 Ratchadapisek Road,
Chatuchak, Bangkok 10900

Telephone: 0-2544-6309
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 are kept confidential, investigated, resolved, and 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 disclose the Bank's information in accordance with the following principles:

1

Information being disclosed must be accurate, adequate, and clear as well as being 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 rights of access to the information disclosed by the Bank; and

4

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

The Bank has designated officers responsible for disclosing the Bank's information to regulators, shareholders, and the general

public with a specified timeframe. For example, audited annual financial statements are released within 60 days from the end of each fiscal year and reviewed quarterly financial statements are disclosed together with the Management Discussion and Analysis (MD&A) within 45 days from the end of each quarter to give investors a clear picture of the Bank's operating results. In addition to financial information disclosure to regulators, shareholders, and the public as mentioned above, the Bank regularly holds press conferences and media events as well as issuing press releases to publicize and promote its activities.

Further, 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 executives in 2017 are shown in the "Report of Bank Ordinary Shareholding by Directors and Senior Management" section of this Annual Report.

4.2 Investor Relations

Investor Relations is a functional unit of the Bank that is responsible for providing accurate, adequate, and clear disclosure of the Bank's information to investors on a timely basis in accordance with the Bank's disclosure principles and applicable laws. In addition to its planned activities, such as meetings with investors and analysts, investor events, and 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, the chief financial officer, and other senior executives regularly participate in investor relations activities.

In 2017, disclosure activities undertaken by Investor Relations are summarized below:

One-on-one meetings/conference calls with investors and equity analysts

148

Meetings with securities analysts

4

Investor conferences

7

Global roadshows

3



The 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". Contact information of Investor Relations is as follows:

Investor Relations

The Siam Commercial Bank PCL,
9 Ratchadapisek Road, Chatuchak,
Bangkok 10900

Telephone: 0-2544-4358

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

4.3 Auditors

Auditors' qualifications are vetted 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, as well as approval by the Securities and Exchange Commission (SEC). The Audit Committee also reviews annual audit fees based on the scope of the audit and proposes qualified auditors and appropriate audit fees to the Board for consideration prior to proposing to the AGM for approval.

In 2017, the total audit fees of the Bank and its subsidiaries were Baht 29.3 million. The Bank and its subsidiaries paid fees for services other than statutory audits as follows:

- Audits and examination as required by regulators, 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 kiosks
- Tax services
- Review of the embedded value report (insurance company)
- Review of financial reports and charts of account
- Review of debt instrument issuance reports
- Penetration testing to assess internet banking system security

Non-audit fees to the external auditors were Baht 26.7 million, of which Baht 11.5 million was paid in the fiscal year of 2017 while the outstanding amount of Baht 15.2 million will be paid in 2018.

4.4 Compliance with the Principles of Good Corporate Governance

The Bank aims to adhere to both national and international corporate governance standards. However, certain practices of the Bank did not comply, or complied only in part, with the 2017 Corporate Governance Code for Listed Company (CG Code) announced by the Securities and Exchange Commission and the corporate governance principles stipulated by the Institute of Directors Association, due to reasons set out below:

1

The Board should have an appropriate number of members ranging from five to 12. At the end of 2017, the Board was comprised of 16 members. The Bank views that the number is appropriate, considering the growing size and complexity of the Bank's business. Given rapid technological changes, it is necessary for the Bank to have directors with diverse experience, knowledge, and expertise so that the Board can perform effectively.

2

Chairman of the Nomination, Compensation and Corporate Governance Committee (NCCG Committee) should be an independent director. At present, the chairman of the NCCG Committee of the Bank is not an independent director. The NCCG Committee is comprised of five directors and most of them are independent directors. The chairman of the NCCG Committee is not an executive director, and decisions of the NCCG Committee are collectively made based on majority vote.

3

Disclosed information on shareholding structure should clearly specify actual owners of SCB shares. The Bank's shareholders include nominee companies being custodians of foreign investors. Such appointment of nominee companies as custodians is considered a normal practice and is beyond the Bank's control.

4

The Bank should include in its policy a requirement that directors and senior executives notify the Board or designated persons of their intention to trade SCB shares at least 1 business day in advance of the transaction date. At present, there is no such requirement in the Bank's policy, but the Bank already has in place clear regulations against insider trading. These regulations include Directors Code of Conduct, Employee Code of Conduct, rules governing securities trading by directors, executives and employees, insider trading rule, guideline on declaration of securities holding by directors, executives, and employees, and non-trading period rules, all of which directors, executives, and employees must comply.

5. Responsibilities of the Board

5.1 Board Composition

At the end of 2017, 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.

Among the 16 directors, there are 3 women and 13 men with diverse professional backgrounds in banking, accounting and finance, business administration, strategic management, risk management, social development, corporate governance, laws, science and technology, and other experiences that are considered beneficial and relevant to the Bank's business. Composition of the Board is as follows:

- The nine independent directors* (representing 56.25 percent of the total directors) are Mr. Anand Panyarachun, Khunying Jada Wattanasiritham, Mr. Prasan Chuaphanich, Dr. Kulpatra Sirodorn, Mr. Ekamol Kiriwat, Mr. Krirk Vanikkul, Dr. Thaweesak Koanantakool, Mr. Weerawong Chittmittrapap, and Mr. Kan Trakulhoon.

- The two executive directors (representing 12.5 percent of the total directors) are Dr. Vichit Suraphongchai and Mr. Arthid Nanthawithaya.
- The five non-executive directors (representing 31.25 percent of the total directors) are Dr. Chirayu Isarangkun Na Ayuthaya, M.R. Disnadda Diskul, Mrs. Kannikar Chalitaporn, Mr. Chakkrit Parapuntakul, and Dr. Ekniti Nitithanprapas,

The names 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 as 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 percent 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 no more than 0.5 percent is the Bank's standard, which is stricter than the standard set by the Capital Market Supervisory Board, which prohibits an independent director from holding more than 1 percent of the total voting shares of the company of which he/she is a director.

Table 1: Board of Directors (As of December 31, 2017)

Name	Position	Date of appointment as director	Number of years in directorship
1. Mr. Anand Panyarachun	Chairman of the Board and Independent Director	March 6, 1984 October 2, 1992	1 st round: 7 years (1984 - 1991) 2 nd round: 25 years 3 months (1992 - present)
2. Dr. Chirayu Isarangkun Na Ayuthaya	Director and Chairman of the Nomination, Compensation and Corporate Governance Committee	September 18, 1987	30 years 3 months
3. Dr. Vichit Suraphongchai	Director and Chairman of the Executive Committee	December 10, 1999	18 years 1 month
4. Khunying Jada Wattanasiritham ¹⁾	Independent Director; Chairman of the Corporate Social Responsibility Committee, and Member of the Nomination, Compensation and Corporate Governance Committee	February 2, 1999	18 years 11 months (Independent director: 8 years 2 months)
5. Mr. Prasan Chuaphanich	Independent Director and Chairman of the Audit Committee	April 4, 2013	4 years 9 months
6. M.R. Disnadda Diskul ²⁾	Director	November 22, 1996 April 5, 1999	1 st round: 2 years 2 months (1996 - 1999) 2 nd round: 18 years 9 months (1999 - present)
7. Dr. Kulpatra Sirodom	Independent Director; Member of the Audit Committee, and Member of the Corporate Social Responsibility Committee	June 19, 2009	8 years 6 months
8. Mr. Ekamol Kiriwat	Independent Director and Member of the Audit Committee	April 5, 2011	6 years 9 months
9. Mrs. Kannikar Chalitaporn	Director; Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	January 21, 2002	15 years 11 months
10. Mr. Krirk Vanikkul	Independent Director and Member of the Executive Committee	November 1, 2015	2 years 2 months
11. Dr. Thaweesak Koanantakool	Independent Director and Member of the Executive Committee	April 5, 2016	1 year 9 months
12. Mr. Weerawong Chittmittrapap	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	September 22, 2014	3 years 3 months
13. Dr. Ekniti Nitithanprapas	Director and Member of the Nomination, Compensation and Corporate Governance Committee	November 25, 2015	2 years 1 month
14. Mr. Kan Trakulhoon	Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	April 5, 2016	1 year 9 months
15. Mr. Chakkrit Parapuntakul	Director and Member of the Corporate Social Responsibility Committee	November 25, 2015	2 years 1 month
16. Mr. Arthid Nanthawithaya	President and CEO, Member of the Executive Committee, and Member of the Corporate Social Responsibility Committee	April 2, 2015	2 years 9 months

Remark: ¹⁾ Khunying Jada Wattanasiritham qualified as an independent director from October 19, 2009.

²⁾ M.R. Disnadda Diskul resigned as a director of the Bank, effective on January 31, 2018.

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. Directors who have held office for the longest time shall retire. In the case that the total number of directors is not divisible by 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. With regard to the tenure of directors as members of Board committees, namely the Executive Committee, the Audit Committee, the Nomination, Compensation and Corporate Governance Committee, and the Corporate Social Responsibility 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 performance effectiveness, governance, and transparency 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 practice conforms to the principle of segregation of policy formulation and oversight duties from those in operations 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 complete and correct. The chairman of the Board also presides over the shareholder 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, comply with the adopted policies.

Chairman of the Executive Committee

The chairman of the Executive Committee is a Board-appointed director with power and duties to oversee the Executive Committee whose key roles and responsibilities are to ensure that the Bank's business and operations are in line with its strategies, policies and regulations and to perform tasks assigned by the Board with the goal of leading the Bank to achieve its vision and mission while upholding its core values. The chairman of the Executive Committee is appointed by the Board as an authorized director with signing authority.

President and Chief Executive Officer

The Board appointed Mr. Arthid Nanthawithaya, a director of the Bank, as the president and chief executive officer to be principally in charge of managing and leading the Bank's business and operations in accordance with the Bank's policies, strategy, and business plan as approved by the Board and in compliance with applicable regulations while upholding the principles of corporate governance. The president and chief executive officer is appointed by the Board as an authorized director with signing authority.

5.4 Directorships of Other Companies

The Bank has established a clear policy on 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 2017 CG Code and the corporate governance principles stipulated by the Institute of Directors Association. Furthermore, to comply with the Bank of Thailand's regulations on corporate governance of financial institutions, holding of positions by directors and/or senior executives of the Bank as a chairman, or an executive director, or an authorized director with signing authority of other companies shall be limited to three business groups only.

In addition to the policies stated above, the Bank has an internal guideline pertaining to holding of positions in other companies which requires the Bank's 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 held by directors to the Board of Directors. Information on positions held by the Bank's directors in other companies, which is disclosed to shareholders in this Annual Report, indicates that 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 chairman of the board of directors 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 the provisions of laws. The Board's roles and responsibilities shall be in accordance with those specified by law, the Bank's Memorandum and Articles of Association, and the resolutions of the shareholder meetings. Duties, responsibilities, and approval authority of the Board also include those specified in the charter of the Board of Directors such as setting the Bank's policies, strategies, and financial targets. In the prior fiscal year, the Board conducted mid-year and year-end reviews of the Bank's vision, mission and business strategy which 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 policies and strategies are implemented and financial targets are achieved. The aim is to maximize long-term shareholder value by taking into account the best interests of all stakeholders. The Board is also responsible for reviewing succession plan for the president and chief executive officer position on a regular basis, establishing structures and processes for sound risk management, audit, compliance and internal control systems, and reviewing such structures and processes regularly. Details on the roles, responsibilities and approval authority of the Board are available on www.scb.co.th under the section "Charter of the Board of Directors".

In addition to complying with relevant laws and regulations as mentioned above, the Board strictly abides by the Directors Code of Conduct, which provides ethical standards governing: a) honesty, fairness and integrity, b) personal transactions, c) confidentiality, d) disclosure of interests, e) legal compliance, and f) payments, gifts, entertainment and travel. In addition, the Board, the Bank's executives, and employees strictly adhere 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 section "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 appointed 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 considering specific matters as assigned by the Board. Meetings of each Board committee are scheduled in advance for the entire year and are held in accordance with the criteria specified in the charter of each Board Committee and the Corporate Governance Policy. Duties and responsibilities of each Board committee are clearly specified in its charter, which is available on www.scb.co.th under the section of "Charter of the Board and Board Committees." Details are summarized below:

• Executive Committee

The Executive Committee is appointed by the Board. As of December 31, 2017, the Executive Committee is consisted of five directors of the Bank, namely Dr. Vichit Suraphongchai (chairman of the Executive Committee), Mrs. Kannikar Chalitaporn, Mr. Kirk Vanikkul, Dr. Thaweesak Koanantakool, and Mr. Arthid Nanthawithaya. Their tenure on the Executive Committee is concurrent with their directorships.

The major duties and responsibilities of the Executive Committee are to oversee and ensure that the Bank's business and operations are in line with its strategies, policies, and regulations and to perform tasks as assigned by the Board. Key responsibilities include screening all matters that are proposed to the Board for consideration, excluding those matters under responsibility of other specific committees, and approving requests within the scope of authority delegated by the Board and stipulated in the charter of the Executive Committee. In 2017, the Executive Committee held 38 meetings and performance of the Executive Committee in 2017 is described in the Executive Committee Report in this Annual Report.

• Audit Committee

The Board first appointed the Audit Committee in 1998 with responsibilities in several areas, e.g. financial reporting, internal control, internal audit, corporate governance, and oversight of compliance with regulations, codes of ethics, codes of conduct, and risk management principles. These responsibilities include: to review the accuracy and adequacy of the Bank's financial statements; to ensure that the management of the Bank has established appropriate and effective internal control and internal audit systems; to review the effectiveness of the Bank's regulatory and legal compliance monitoring system; to review the efficiency of the risk management system of the Bank and the SCB Financial Group; and to perform other duties as stipulated in the charter of the Audit Committee. 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. Furthermore, the Audit Committee is responsible for evaluating performance of external auditors. As of December 31, 2017, the Audit Committee was comprised of three independent directors, namely Mr. Prasan Chuaphanich (chairman of the Audit Committee), Dr. Kulpatra Sirodorn, and Mr. Ekamol Kiriwat. Their tenure on the Audit Committee is concurrent with their directorships. Every member of the Audit Committee has extensive knowledge and experience in reviewing financial statements, particularly with two members of the Audit Committee holding advanced degrees in accounting and finance. Performance of the Audit Committee in 2017 is shown in the Audit Committee Report in this Annual Report.

• Nomination, Compensation and Corporate Governance Committee

The three main responsibilities of the Nomination, Compensation and Corporate Governance Committee are: 1) To nominate individuals as directors of the Bank as well as proposing for the Board's consideration appropriate remuneration for members of the Board and Board committees prior to obtaining approval at the shareholder meetings; 2) To nominate individuals as senior executives and ensure that their remuneration is commensurate with their roles and responsibilities; and 3) To formulate the Bank's corporate

governance policy and ensure compliance with corporate governance principles set forth by regulatory authorities. Details regarding duties and responsibilities of the Nomination, Compensation and Corporate Governance Committee are provided in the charter of the Nomination, Compensation and Corporate Governance Committee.

As of December 31, 2017, the Nomination, Compensation and Corporate Governance Committee was 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 tenure on the Nomination, Compensation and Corporate Governance Committee is concurrent with their directorships. Performance of Nomination, Compensation and Corporate Governance Committee in 2017 is 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 direct, supervise and develop the Bank's CSR framework with the goal of contributing to Thailand's economy, the society, and the environment. The Corporate Social Responsibility Committee focuses on building a strong foundation, nurturing new initiatives, developing networks, and sustaining success in the three following core areas: 1) youth development and learning enhancement, 2) volunteer networks, and 3) development of the quality of life and environment. The Corporate Social Responsibility Committee is appointed by the Board and is comprised of at least five members. All members of the Corporate Social Responsibility Committee are directors of the Bank and their tenure on the Corporate Social Responsibility Committee is concurrent with their directorships. As of December 31, 2017, the Corporate Social Responsibility Committee had five members, namely Khunying Jada Wattanasiritham (chairman of the Corporate Social Responsibility Committee and

independent director), Dr. Kulpatra Sirodom, Mr. Chakkrit Parapuntakul, Mrs. Kannikar Chalitaporn, and Mr. Arthid Nanthawithaya. Performance of the Corporate Social Responsibility Committee in 2017 is shown in the Corporate Social Responsibility Committee Report in this Annual Report.

5.6.2 Major Committees Relating to Management of the Bank

There are four key committees relating to 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 are as outlined below:

• Management Committee

The Management Committee is responsible for developing the Bank's business plan and annual action plan, setting performance targets, reviewing performance, and formulating business strategies for competitive advantage. The Management Committee is also in charge of monitoring operations and making decisions on major projects of the Bank. In 2017, the Management Committee held 59 meetings.

• Risk Management Committee

The Risk Management Committee is chiefly responsible for: overseeing and formulating risk management policies and risk governance of the Bank and companies in SCB Financial Group; aligning strategies with risk management policies; monitoring and controlling risks of SCB Financial Group within an appropriate level; approving risk models; controlling, monitoring and evaluating risk performance; and ensuring that companies in SCB Financial Group strictly comply with the Bank's risk management policies and the Bank of Thailand's requirements. The Risk Management Committee regularly reports to the Audit Committee on areas for improvement for proper compliance with the established policies and strategies. In 2017, the Risk Management Committee held 11 meetings.

• **Assets and Liabilities Management Committee**

The Assets and Liabilities Management Committee is a key mechanism for the Bank's management of liquidity risk, interest rate risk and exchange rate risk. The key responsibilities are to formulate policies and approve risk management strategies to address funding and liquidity, interest rate and foreign exchange risk faced by the Bank as well as ensuring capital adequacy to support its business direction including Tier II capital. The Assets and Liabilities Management Committee also ensures that the Bank effectively and efficiently manage its assets and liabilities to build resilience against adverse economic conditions and unexpected shocks. In 2017, the Assets and Liabilities Management Committee held 10 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 policy and operational process associated with the investment. In 2017, the Equity Investment Management Committee held two meetings.

that directors have sufficient time to study the information, unless an urgent necessity requires otherwise. 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 details to the directors. In addition, the Board has specified in its charter that at least two-thirds of all directors shall be present during the voting procedure.

In 2017, there were 17 Board meetings, consisting of 12 meetings that were originally included in the annual Board meeting calendar and five special meetings. The meeting attendance of the Board was 89.71 percent and the meeting attendance of every individual director was above 75 percent. In addition, the Bank arranged two non-executive directors' meetings (led by an independent director) to provide a forum for non-executive directors to discuss issues of their interests. Details of individual directors' meeting attendance in 2017 are as shown in Table 2.

115

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 whereby directors and the president and chief executive officer may propose agenda items through the company secretary. In addition, the Board has a policy to call a meeting of non-executive directors on a semi-annual basis. An invitation to a Board meeting is sent to all directors at least seven days prior to the meeting date unless an urgent meeting is required to protect the Bank's rights or benefits. Other relevant documents are sent to directors at least five business days prior to the date of each meeting so

Table 2: Individual Directors' Meeting Attendance in 2017

Unit: Time

Name	Board of Directors	Board of Directors (Extra)*	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Annual General Meeting of Shareholders No. 194
1. Mr. Anand Panyarachun	12/12	5/5					1/1
2. Dr. Chirayu Isarangkun Na Ayuthaya	12/12	3/5				12/12	1/1
3. Dr. Vichit Suraphongchai	12/12	5/5	35/38				1/1
4. Khunying Jada Wattanasiritham	11/12	3/5			8/8	11/12	1/1
5. Mr. Prasan Chuaphanich	11/12	3/5		11/12			1/1
6. M.R. Disnadda Diskul	11/12	3/5					1/1
7. Dr. Kulpatra Sirodorn	11/12	2/5		12/12	7/8		1/1
8. Mr. Ekamol Kiriwat	12/12	5/5		11/12			1/1
9. Mrs. Kannikar Chalitaporn	12/12	4/5	33/38		7/8		1/1
10. Mr. Krirk Vanikkul	12/12	5/5	38/38				1/1
11. Dr. Thaweesak Koanantakool	10/12	4/5	36/38				1/1
12. Mr. Weerawong Chittmittrapap	10/12	3/5				10/12	1/1
13. Dr. Ekniti Nitithanprapas	11/12	3/5				12/12	1/1
14. Mr. Kan Trakulhoon	11/12	5/5				11/12	1/1
15. Mr. Chakkrit Parapuntakul	11/12	5/5			6/8		1/1
16. Mr. Arthid Nanthawithaya	12/12	5/5	36/38		7/8		1/1

Remark: * Extra Board meetings are Board meetings not included in the original Board meeting calendar that has been set in advance for the entire year.

5.8 Board and Senior Executive Assessment

5.8.1 Board and Board Committee Assessment

The Board assessment is conducted annually. The company secretary sends an assessment form to each director at the end of each year. Assessment results are compiled and presented by the Nomination, Compensation and Corporate Governance Committee to the Board for acknowledgment and discussion on further improvement of the Board's performance. The Board assessment is divided into four parts: 1) Board assessment, 2) Board committee assessment, 3) Individual director assessment, and 4) Board chairman assessment. Assessment criteria for each part are as detailed below:

1

Board Assessment - Eight key assessment topics are: Board composition, information management, Board processes, representation of shareholders and corporate social responsibility, managing the Bank's performance, management performance and succession planning, director development and management, and risk management.

2

Board Committee Assessment - Key assessment topics are, for example, appropriateness of the number of the Board committees, composition of the Board committees, suitability of directors' knowledge and experience for the Board committees, and directors' understanding of their roles and duties. In 2017, the Board committee assessment was revised to engage all directors in the assessment of every Board committee for a more accurate reflection of each Board committee's performance.

3

Individual Director Assessment - Key assessment topics are contribution, knowledge and abilities, collaboration, integrity, and support for the Board.

4

Board Chairman Assessment - This section evaluates the performance of the chairman of the Board in, for example, effectively facilitating Board meetings, encouraging contribution and different perspectives from all directors, effectively summarizing the outcomes from the meetings, and demonstrating leadership.

Ratings of the four sections under the 2017 Board assessment ranged from very good to excellent, i.e. performance of the Board and Board committees in most of the categories surveyed met or exceeded expectations. There were recommendations from the directors on areas for further development. The Board acknowledged the assessment results and concurred with their implication on performance enhancement to further improve its effectiveness.

Additionally, to further improve the Board assessment effectiveness in accordance with the Corporate Governance Code for listed companies on the Stock Exchange of Thailand, the Bank has engaged an external consultant with professional expertise and experience in corporate governance to assess the Board's performance on the four components mentioned above every three years starting from 2012.

5.8.2 Senior Executive Assessment

The Nomination, Compensation and Corporate Governance Committee is responsible for the annual performance assessment of the Bank's senior executives, namely the chairman of the Executive Committee, the president and chief executive officer, and senior executives at executive vice president level and higher. The assessment is subsequently proposed to the Board for approval.

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 whose qualifications match the Bank's strategic requirements to serve as directors and members of Board committees. Nomination is based on each candidate's knowledge, capabilities, expertise, and past experience in relation to each vacancy's requirements, the board skill matrix, which is employed as a screening tool, and, in the case of independent directors, the independence of the candidate. The Bank proceeds with its due diligence process to ensure that qualifications of nominated individuals 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 nominations by the directors and the shareholders of the Bank. After thoroughly vetting 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 approval, 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 is in line with the Bank's strategic and business directions, the Nomination, Compensation and Corporate Governance Committee has refined the qualification screening criteria which set out three aspects of attributes and expertise that

constitute 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 deemed useful to the Board. The Nomination, Compensation and Corporate Governance Committee also regularly reviews and updates 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 qualifications of candidates for positions at the level of executive vice president and higher, prior to proposing the nomination to the Board for approval and subsequently to the Bank of Thailand for endorsement of the senior executive appointment.

The above-mentioned process for nomination, selection and appointment of directors and senior executives is conducted by the Board, the Nomination, Compensation and Corporate Governance Committee, and relevant management without any discrimination on race, religion, gender, marital status, or physical disability.

5.10 Succession Planning

The Board has assigned the Nomination, Compensation and Corporate Governance Committee the responsibility of succession planning to ensure that the Bank has in place a succession plan that incorporates nomination, selection, and training for key positions, particularly the positions of the chairman of the Executive Committee, the president and chief executive officer, and executives at the level of executive vice president or higher. This is to ensure the continuity of the Bank's management and business operations 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 to support 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 shall be commensurate to the required duties and responsibilities of directors to meet stakeholder expectations and comply with applicable laws and regulations. As a result, the Bank's directors must possess appropriate experience and qualifications, and their remuneration shall reflect their contributions and responsibilities accordingly. 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, to shareholders for approval each year.

At the 2017 AGM, the shareholders resolved to approve the chairman of the Board's remuneration of Baht 1.8 million

per year, and each member of the Board's remuneration of Baht 1.2 million per year which are the levels that have been in effect since 2000. In 2017, the Board of Directors, comprising 16 directors, received a total remuneration of Baht 19.8 million.

At the same AGM, shareholders approved a bonus payment to directors at a rate of no more than 0.5 percent of dividend and authorized the Board to determine the appropriate amount and allocation. Since shareholders approved the 2016 dividend at Baht 5.50 per share or Baht 18,696 million in total, the directors' bonus for 2016 was set at Baht 54 million or 0.29 percent of the dividend.

119

Remuneration of the Board Committees in 2017 as approved by Shareholders at the 2017 AGM is shown below:

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 and the president and chief executive officer do not receive remuneration for serving on Board committees.

Table 3: Details of Monetary Remuneration for Individual Directors in 2017

Unit: Million Baht

Name	Board of Directors	Executive Committee	Audit Committee	Corporate Social Responsibility Committee	Nomination, Compensation and Corporate Governance Committee	Directors' bonus for 2016 performance
1. Mr. Anand Panyarachun	1.80					4.70
2. Dr. Chirayu Isarangkun Na Ayuthaya	1.20				0.72	3.14
3. Dr. Vichit Suraphongchai	1.20					3.14
4. Khunying Jada Wattanasiritham ¹⁾	1.20			0.66	0.47	3.14
5. Mr. Prasan Chuaphanich	1.20		1.07			3.14
6. M.R. Disnadda Diskul	1.20					3.14
7. Dr. Kulpatra Sirodom	1.20		0.72	0.43		3.14
8. Mr. Ekamol Kiriwat	1.20		0.71			3.14
9. Mrs. Kannikar Chalitaporn	1.20	3.60		0.43		3.14
10. Mr. Krirk Vanikkul	1.20	3.60				3.14
11. Dr. Thaweesak Koanantakool ²⁾	1.20	3.60				2.32
12. Mr. Weerawong Chittmittrapap ¹⁾	1.20				0.46	3.14
13. Dr. Ekniti Nitithanprapas	1.20				0.48	3.14
14. Mr. Kan Trakulhoon ³⁾	1.20				0.47	2.32
15. Mr. Chakkrit Parapuntakul	1.20			0.42		3.14
16. Mr. Arthid Nanthawithaya	1.20					3.14
17. Prof. Vicharn Panich, M.D. ²⁾						0.82
18. Mr. Chumpol NaLamlieng ³⁾						0.82
19. Mr. Yol Phokasub ⁴⁾						2.20
Total	19.80	10.80	2.50	1.94	2.60	54.00

Remark:

¹⁾ Khunying Jada Wattanasiritham and Mr. Weerawong Chittmittrapap received remuneration of Baht 1.03 million Baht 0.76 million, respectively for serving as independent director of a subsidiary of the Bank in 2017.

²⁾ 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 April 5, 2016.

³⁾ 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 April 5, 2016. Mr. Kan Trakulhoon was appointed as a member of the Nomination, Compensation and Corporate Governance Committee, effective from April 5, 2016.

⁴⁾ Mr. Yol Phokasub resigned as a director, effective from September 16, 2016.

5.11.2 Executive Remuneration

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 approval. Remuneration should be appropriate for and in line with the Bank's policies as well as reflects short-term and long-term corporate performance and individual performance. 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. Remuneration is assessed based on transparent criteria, scope of responsibilities, and competitiveness within the financial industry and relative to other leading companies in Thailand.

Based on the Securities and Exchange Commission's definition, 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 2017, the number of the Bank's executives based on this definition was 16, and collectively they received remuneration in the form of monthly salaries, bonuses, and allowances of Baht 304.65 million (inclusive of eight 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 at executive vice president level and higher. In 2017, the number of Bank's executives based on the Bank of Thailand's definition was 95, and collectively they received remuneration in the form of monthly salaries, bonuses, and allowances of Baht 1,358.47 million (inclusive of eight 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 executive vice president level or higher; and the chairman of the Board is additionally entitled to a company car benefit. In 2017, four non-executive directors of the Bank received medical expense reimbursement of Baht 35,880. 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 contribution. In 2017, the Bank's provident fund contribution for 16 executives as defined by the Securities and Exchange Commission, i.e. senior executive vice president level, was Baht 9.81 million in total, while the provident fund contribution for 95 executives as defined by the Bank of Thailand, i.e. executive vice president level and higher, was Baht 44.67 million in total.

5.12 Director Orientation

The Bank arranges orientation meetings to brief all new directors on the Bank's vision, strategies, key business targets, performance highlights and relevant regulatory rules. Also, important documents are provided to new directors, i.e. 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 contain, among others, key information on roles and responsibilities of directors, the Corporate Governance Policy, approval authority, prohibitions under applicable laws, roles and duties of 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 director development 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 Securities and Exchange Commission, the Thai Institute of Directors Association, and other institutions. Directors are also encouraged to attend overseas seminars and activities on corporate governance practices and are regularly informed of relevant training courses. Furthermore, the Board of Directors has directed the Bank to arrange appropriate development programs on an ongoing basis to ensure that directors remain current with skills and knowledge relevant to their performance as members of the Board of Directors and Board committees. Additionally, the Bank arranges workshops or seminars at least once a year as a knowledge-exchange forum for directors. Details of each director's participation in development programs and training courses in 2017 are shown in Table 4.

Table 4: Participation of the Bank's Directors in Training Courses and Development Programs in 2017

Name of Director	Course Subject
1. Mr. Anand Panyarachun	<ul style="list-style-type: none"> • The Amartya Sen Lecture Series on Sustainable Development on Globalisation, Inequality and Thailand 4.0"
2. Dr. Vichit Suraphongchai	<ul style="list-style-type: none"> • The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0"
3. Khunying Jada Wattanasiritham	<ul style="list-style-type: none"> • National Director Conference 2017 on "Steering Governance in A Changing World" • Nomination Director Event 1/2017 on "Nomination Committee Best Practice Guideline" • Cyber Risk Governance Guide for Boards of Directors • The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0" • Cyber Resilience • Trends in Corporate Governance
4. Mr. Prasan Chuaphanich	<ul style="list-style-type: none"> • Ethical Leadership Program (ELP) • Strategy Board Master Class (SBM) • IOD Annual General Meeting & Dinner Talk 1/2017 on "Board of directors and their roles in driving Thailand forward" • National Director Conference 2017 on "Steering Governance in A Changing World" • Board Matters and Trends (BMT) • Cyber Risk Governance Guide for Boards of Directors • Cyber Resilience • Trends in Corporate Governance
5. Dr. Kulpatra Sirodom	<ul style="list-style-type: none"> • Boards' Roles in Mitigating Cybersecurity Risks/ Threats Challenges and Solutions • The Amartya Sen Lecture Series on Sustainable Development on "Globalisation, Inequality and Thailand 4.0" • Cyber Resilience • Trends in Corporate Governance

Organizer

- Cambridge Society of Thailand
- Cambridge Society of Thailand
- Thai Institute of Directors Association (IOD)
- Thai Institute of Directors Association (IOD)
- Securities and Exchange Commission and Business Software Alliance
- Cambridge Society of Thailand
- Bank of Thailand
- The Siam Commercial Bank PCL
- Thai Institute of Directors Association (IOD)
- Thai Institute of Directors Association (IOD)
- Thai Institute of Directors Association (IOD)
- Thai Institute of Directors Association (IOD)
- Thai Institute of Directors Association (IOD)
- Securities and Exchange Commission and Business Software Alliance
- Bank of Thailand
- The Siam Commercial Bank PCL
- Securities and Exchange Commission and Business Software Alliance
- Cambridge Society of Thailand
- Bank of Thailand
- The Siam Commercial Bank PCL

Name of Director	Course Subject
6. Mrs. Kannikar Chalitaporn	<ul style="list-style-type: none"> • Trends in Corporate Governance
7. Mr. Krirk Vanikkul	<ul style="list-style-type: none"> • The Amartya Sen Lecture Series on Sustainable Development on “Globalisation, Inequality and Thailand 4.0” • Cyber Resilience • 2017 High-level meeting (HML) on Banking Supervision for Asia Planned • Trends in Corporate Governance
8. Dr. Thaweesak Koanantakool	<ul style="list-style-type: none"> • National Director Conference 2017 on “Steering Governance in A Changing World” • Board Matters and Trends (BMT) • Cyber Resilience
9. Dr. Ekniti Nitithanprapas	<ul style="list-style-type: none"> • Board Matters and Trends (BMT) • Digital Economy for Management (DE4M) • The Amartya Sen Lecture Series on Sustainable Development on “Globalisation, Inequality and Thailand 4.0” • Trends in Corporate Governance
10. Mr. Kan Trahulhoon	<ul style="list-style-type: none"> • Chairman Forum 2017 on “The Role of Chairman in Leading Strategic Risk Oversight” • Cyber Resilience
11. Mr. Chakkrit Parapuntakul	<ul style="list-style-type: none"> • Ethical Leadership Program (ELP) • Board Matters and Trends (BMT)
12. Mr. Arthid Nanthawithaya	<ul style="list-style-type: none"> • The Amartya Sen Lecture Series on Sustainable Development on “Globalisation, Inequality and Thailand 4.0” • Digital Technology Field Trip Overseas

Organizer

- The Siam Commercial Bank PCL
- Cambridge Society of Thailand
- Bank of Thailand
- Bank for International Settlements
- The Siam Commercial Bank PCL
- Thai Institute of Directors Association (IOD)
- Thai Institute of Directors Association (IOD)
- Bank of Thailand
- Thai Institute of Directors Association (IOD)
- Institute of Research and Development for Public Enterprises
- Cambridge Society of Thailand
- The Siam Commercial Bank PCL
- Thai Institute of Directors Association (IOD)
- Bank of Thailand
- Thai Institute of Directors Association (IOD)
- Thai Institute of Directors Association (IOD)
- Cambridge Society of Thailand
- The Siam Commercial Bank PCL

5.13.2 Executive and Employee Development

The Bank strongly believes that continuous development of employees at all levels is a key foundation for sustainable growth and business success, both in the short and the long term. Therefore, the Bank has, since 2014, focused on implementing a systematic and comprehensive career development program to enhance knowledge, skills, and competencies of employees through identifying competency sets for each position and a corresponding career road map. This will enable the Bank to steer its people development efforts to be aligned with current business needs, future goals and strategies, and employee career advancement based on proficiency and career preference. To become a learning organization, the Bank continues to adopt an integrated learning and development approach to promote learning outside the classroom and to reinforce integrative skills development through, among others, coaching programs, e-learning modules, a management associate program for new executives, leadership development programs for senior executives, scholarship programs for domestic and overseas education, and a project named I-Plearn, which offers new and innovative “edutainment” learning tools.

Details on executive and employee development in 2017 are shown in the 2017 Sustainability Report.

125

5.14 Oversight of Subsidiaries and Affiliates

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

The Board of Directors has delegated the authority to the Executive Committee to nominate the Bank's executives with appropriate business experience and expertise as representative directors of companies in the SCB Financial Group to assist with policy and strategy formulation and ensure alignment 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 providing guidelines for representative directors whose key duty is to protect the rights and interests of the Bank and its shareholders.

Also, to promote transparency and prevent conflicts of interest, the Bank, as the parent company, has established policies and regulations governing transactions among companies in SCB Financial Group to comply with applicable regulatory and legal requirements. Furthermore, the Risk Management Committee has been established by the Board of Directors to monitor and oversee risk management practices of all companies in SCB Financial Group to ensure compliance with risk management policies and regulations of both the Bank and the Bank of Thailand. Risk management policies for companies in SCB Financial Group have been developed to provide standard guidelines for identifying, assessing, controlling, monitoring and reporting material risks specific to each company in SCB Financial Group.

5.15 Board Support Unit

The Bank recognizes the importance and provides support to the following units and their personnel 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 and enhance internal control, including policies, practices, and procedures, and to ensure compliance with applicable regulations for SCB Group. Also, the Audit Function conducts regular audits, identifies matters requiring attention, provides advice, and makes improvement recommendations on 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 roles and responsibilities of the Audit Function are effectively carried out. The head of audit reports directly to the Audit Committee in an independent manner. The Audit Committee has the authority to consider and approve the appointment, removal, transfer, or dismissal of the head of audit, as well as the merit pay increase of the head of audit.

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 as well as coordinating with the regulators on behalf of the Bank. The Compliance 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 conducting due diligence on 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, Mr. Arak Sutivong, senior executive vice president, chief strategy 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 shown on the Bank's website (www.scb.co.th) under the "Functions of Company Secretary" section.

Educational background, work experience, and training records of the persons mentioned above are provided in this Annual Report under "Information on Directors and Executives of the Bank".



6.2

INTERNAL CONTROL AND RISK MANAGEMENT

The Bank regularly monitors and assesses the adequacy of its internal control and risk management systems based on the Committee of Sponsoring Organizations of the Treadway Commission or COSO's guidelines. The guidelines specify five key components for internal control, namely: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communications, and (5) monitoring activities. The Bank's implementation of each component is described below:

**Control Environment**

The Bank is committed to creating a culture and environment of sound and effective internal control for all internal units and companies in SCB Group with staff at every level strictly adhering to integrity and transparency. The Bank recognizes that a sound internal control system is vital for the business to achieve its objectives sustainably.

The Bank has formal policies and procedures that require management and staff at every level in the organization to have roles, duties, and responsibilities in maintaining sound internal control. The Bank's internal control system is supported by an organizational structure that has clear supervisory lines, scopes of authority and responsibility for management and staff, and effective separation of duties, all of which are under the Board's oversight. The Board of Directors is independent from management and has an oversight responsibility for developing an effective internal control environment.

In 2017, the Bank initiated a policy to increase the capabilities of executives at every level. One of the key initiatives is an executive job rotation program which the Bank has implemented from top down starting with senior management to create long-term benefits for the Bank, executives, and staff. Furthermore, the Bank also places importance on developing staff capabilities to keep up with technological changes that have played an important role in transforming the banking industry. Therefore, the Bank set up SCB Academy to equip staff with fundamental and new knowledge as well as skills to think systematically and analytically in their approach to work and decision making. SCB Academy aims to help staff prepare for changes by creating a habit and mindset of continuous self-improvement. The Bank has developed e-learning courses with learning modules in four key fundamental topics to develop staff

CONTROL ENVIRONMENT

RISK ASSESSMENT

CONTROL ACTIVITIES

INFORMATION & COMMUNICATION

MONITORING ACTIVITIES

2

Risk Assessment

readiness by deepening and broadening their knowledge base and creating career progress opportunities in areas that will constitute the Bank's key businesses in the future.

The Bank has a wide variety of whistleblower channels for complaints or reports on fraud or corruption through, the Whistleblower Hotline, e-mail at whistleblower@scb.co.th, and letters addressed to the President and CEO, head of the Audit Function, or head of the Human Resource Function. These complaints and reports will be forwarded to management of concerned functions for further corrective actions who must also report the outcomes and actions taken to the Audit Committee on quarterly basis. The Bank also welcomes any constructive feedback which can be sent to the President and CEO (ceo@scb.co.th) to ensure that management and staff effectively perform their duties with transparency, integrity, fairness, and accountability to gain trust from all stakeholders.

The Bank periodically reviews the KPI & Incentives Policy to ensure proper market conduct for staff at every level through staff incentives, key performance indicators or performance measurements, and the compensation process. The Bank has clear communications on a happy workplace and customer-centric culture. The Code of Conduct is communicated to new staff during orientation and reinforced for current staff through mandatory training every two years. The Bank also promotes staff awareness and underscores the importance of professional and ethical conduct through VDO clips on a variety of issues, such as maintaining confidentiality and disclosure of customer information, code of conduct for sales of life insurance products, and code of conduct for sales of mutual fund products, to ensure integrity, honesty, and accountability in every action in accordance with the Bank's policy.

The Board of Directors has the authority to review and approve the Bank's key risk management policies which are delegated to three committees with risk management responsibilities: the Executive Committee, the Audit Committee, and the Risk Management Committee. In addition, the Bank also has other committees to manage specific risks based on the principle of decentralization to ensure appropriate risk levels within a given approval authority framework.

The Bank recognizes the importance of risk management amid changes in both internal and external factors that affect the business as well as potential fraud or operational risk by considering both direct and indirect impacts or potential impacts on its business. The Bank considers risk management essential to every process of its business operations which requires coordination and integration across all levels as well as reporting to management and relevant committees. 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 to ensure that the Bank complies with applicable regulatory requirements and can handle unforeseen risks to remain within its risk appetite.

The Bank continues to support and reinforce the Three Lines of Defense approach. Operational staff and management of every function (First line) are responsible for assessing risks and setting internal control in their function with advice and recommendations from support functions (Second line). The Audit Function (Third line) evaluates the effectiveness and efficiency of such internal controls. The Bank applies this approach consistently from risk identification, control, monitoring, and assessment. The Bank raises staff awareness in a variety of ways, such as having the Operational Risk Management Function, the Compliance Function,

and first line functions jointly communicate with staff, organizing workshops to translate the approach into actual execution, and setting Technology Risk Management guidelines.

SCB Group Risk Management Policy requires executives to manage and monitor key risks to be within the risk appetite, and report material risks to senior executives and relevant committees. For operational risk management, each function is required to complete a RCSA using the Bowtie analysis, a standard tool for communicating risk management scenarios with pictograms showing risk factors, as well as the causes and effects. It also explains risk control tools and reinforces the importance of evaluating and testing the effectiveness of these tools to reduce as much risk exposure to the Bank as possible. In 2017, over 80% of the Bank's functions completed RCSAs which were signed off by their respective heads.

The Bank incorporates external factors with potential business impacts from changes in the business environment as input into its overall strategy formulation. The Chief Risk Office has formulated plans to support the Bank's key goals with risk management as the main consideration. The Bank has developed a risk materiality assessment process that covers all material risks which are: strategic risk, credit risk, market risk, IRRBB, liquidity risk, operational risk, reputational risk, people risk, technology risk, and concentration risk. The Bank reviews this process annually to ensure that the process has been applied consistently and regularly with appropriate risk management, controls, and monitoring.

3

Control Activities

The Bank has formal policies, regulations, operational procedures, manuals, and instructions, which are reviewed and updated on a regular basis or upon any significant incidents or changes. This extends to policies on general controls over the information systems, including data center operations, data networks, systems development and testing, IT system maintenance, and IT security procurement and management.

Furthermore, the Bank specifies scopes of duty and approval authorization for executives at each level in the Bank's operational regulations, such as regulations for procurement, administrative expenses and capital budget, and credit and investment approval. The Bank focuses on segregation of duties as a key control mechanism to ensure adequate and proper controls for operations at every level within the organization and to maintain a system of checks and balances, particularly for activities susceptible to conflicts of interest.

The Bank has linked IT usage in operation processes with general control over IT systems. The IT Function has written a risk and control assessment form for key areas which include technology operations, testing & platforms, technology security & risk, project delivery, and persistent teams and solutioning, to ensure that risk and control effectiveness remain at an acceptable level. In addition, the Bank sets up appropriate controls over the following processes: IT acquisition, development, maintenance, infrastructure, and security control.

The Bank had engaged an external consultant to review SCB Group's internal control systems and make recommendations to improve operational effectiveness and efficiency to conform with international standards. Upon the project completion in early 2017, the Audit Committee has periodically monitored the implementation progress of the recommended actions, particularly for high-risk issues.

4

Information and Communications

The Bank and SCB Group has created innovations on IT and communications to enhance their business competitiveness as a response to new global challenges from financial technology, changing business environment, and rapidly evolving consumer behaviors from digital trends.

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

The Bank sets up channels for internal communication within the Bank and SCB Group to circulate policies, regulations, procedures, manuals, and other essential information for prompt and proper acknowledgement and compliance by all executives and staff. In addition, the Bank has a designated and secure communication channel for both internal and external persons to safely report any information.

In 2017 the Bank organized activities to raise staff awareness and knowledge on operational risks. Examples are VDO clips on different ethical issues in the Code of Conduct with an emphasis on confidentiality and disclosure of customer information, 7 Operational Risks (7OR), and Tell Us Anything campaign. The Bank added a channel to report operational risks via the LINE application so that risk incidents can be reported anywhere, anytime.

5

Monitoring Activities

The Bank monitors and assesses its internal controls to ensure effectiveness and efficiency in performing its functions of risk monitoring and assessment as designed with sufficient robustness to manage risks that are evolving.

The Compliance Function is responsible for reviewing and monitoring the operations of all internal functions within the Bank and SCB Group to ensure their compliance with important regulations, laws, rules, and regulatory requirements. The Audit Function performs an independent role of providing assurance and consultation to ensure that the internal processes have sound governance, risk management, and internal control. The Audit Function also identifies root causes of problems encountered during the audit, which are directly reported to the Audit Committee for consideration on a monthly basis, as well as following up to ensure that all concerns have been resolved.

The Audit Committee and the Board of Directors have considered the results of the internal control adequacy assessment and discussed follow-up actions with the Bank's management. The Audit Committee's and the Board of Directors' opinions are that the Bank's internal control system and risk management system are appropriate and adequate for its business operations. This conclusion concurs with the opinion of the external auditors.

6.3

RELATED PARTY TRANSACTIONS

The Bank places great emphasis on safeguarding against misusing internal information for personal gain by directors and staff. Accordingly, the Bank has set policies, rules, and approval procedures for related party transactions, as well as guidelines on related party transaction execution and disclosure to prevent and manage any potential conflicts of interest in a transparent and fair manner.

The Bank's rules and approval procedures for related party transactions and conflicts of interest transactions are as follows:

- Strict compliance with regulations of the Stock Exchange of Thailand, the Securities and Exchange Commission and notifications of the Capital Market Supervisory Board regarding related party transactions and conflicts of interest transactions. In particular, any directors or executives related to a transaction that may lead to a conflict of interest must be excluded from making decisions or consideration regarding such transaction. Furthermore, the Company Secretary must have a formal record of related directors or executives to the issue under consideration in meeting minutes, if applicable.
- Policies on pricing and terms and conditions for transactions between the Bank and related entities are required to be on an arm's length basis and, broadly, on the same terms as those applied to transactions with unrelated third parties.
- The Board of Directors (excluding any director who has conflict of interest) has approval authority for loans, investments, obligations or lending-like transactions with the Bank's major shareholders or businesses that are related to the Bank, directors and persons with management authority, or their related persons (as defined by the Financial Institution Business Act B.E. 2551 (2008)).
- The Bank has also established the Intra-Group Transactions policy to ensure compliance with applicable regulations and to prevent conflicts of interest.

Intra-Group Transactions Policy and SCB Group Risk Management Policy

Governance on Intra-Group Transactions

To enhance transparency for intra-group transactions within SCB Group and to avoid any conflict of interest between SCB and other shareholders in businesses that are not wholly owned by SCB, the Bank has established the Intra-Group Transaction Policy which has been approved and reviewed annually by the Board of Directors. This policy entails risk management for intra-group transactions and controls for material transactions which are classified into 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 policy ensures that such transactions comply with regulations and requirements of the Bank of Thailand, the Stock Exchange of Thailand, and the Securities and Exchange Commission, as well as local laws and regulations in the countries that SCB operates.

A key part of this Policy requires intra-group transactions to be executed without special terms and conditions that are materially different from other risk-equivalent transactions. In the absence of equivalent transactions, intra-group transactions must follow standard market practices with enforceable contracts, proper documentation and record keeping, as well as approval authority based on risk and materiality.

Related Party Transaction Trends and Policy Outlook

SCB's emphasis on good governance principles has led to a clear policy on related party transactions to comply with laws, regulations, and notifications of the Stock Exchange of Thailand and the Securities and Exchange Commission on related party transactions which include the acquisition and disposal of assets of listed companies, as well as compliance with the Bank of Thailand's notifications. SCB's related party transactions may arise as part of its normal business operations for which the Bank has clear and appropriate internal approval measures and procedures.

Information Disclosure

The Bank's policy on disclosure of market-sensitive information focuses on timely, transparent, and adequate disclosure of all material information as well as prohibiting misuse of internal information, either directly or indirectly. The Bank discloses related party transactions and connected transactions as defined by the Stock Exchange of Thailand in the notes to the financial statements in the Annual Report in accordance with information disclosure requirements and guidelines. Related party transactions are reported to the Audit Committee on a quarterly basis. In 2017, the Bank did not have related party transactions with sufficient materiality to require disclosure per the Stock Exchange of Thailand's criteria. Information pertaining to other related party transactions is disclosed in the notes to the financial statements.



6.4

THE NOMINATION, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Nomination, Compensation and Corporate Governance (NCCG) Committee is comprised of five directors, three of which are independent directors and two are non-executive directors including the NCCG Committee's chairman. The NCCG Committee performs duties and responsibilities set forth in the NCCG Committee Charter and the Bank's Corporate Governance Policy.

In 2017, the NCCG Committee held 12 meetings and undertook the following key activities:

1

Studied the Corporate Governance Code for Listed Companies (CG Code) established by the Office of Securities and Exchange Commission in 2017 to identify gaps in the Bank's corporate governance practices prior to requesting the Board's approval to incorporate the CG Code into the Bank's corporate governance practices and informing the Board of the enforcement guidelines to ensure compliance with the CG Code.

2

Reviewed the Corporate Governance Policy and the Board Charter to align them with the principles laid out in the CG Code as well as the Bank's current operational guidelines.

3

Revised the NCCG Committee Charter pertaining to the director nomination criteria by specifying the desired qualifications for each independent director and for the board skills mix as well as using the board skill matrix to assess each director's knowledge, expertise and experience to ensure alignment with the Bank's strategy and business direction as well as having diverse board composition with skills and expertise deemed necessary for the business.

4

Selected and nominated candidates for directorship from the director pools maintained by the Thai Institute of Directors Association (IOD) and the Bank as well as the lists of candidates proposed by the Bank's directors and shareholders (if available) based on qualifications and well-roundedness in terms of knowledge, competence, experience, and education. The NCCG Committee also places importance on the due diligence process to check each nominee's qualifications prior to obtaining approval from the Bank of Thailand and subsequently from the Board and/or the shareholders.

5

Determined appropriate compensation for the chairman and members of the Board as well as Board committees based on the assigned scope of duties and responsibilities, the Bank's profits, and the overall economic condition prior to obtaining authorization from the Board and the shareholders. The Committee sets a cap on directors' performance bonuses at 0.5% of the dividend payout. The amount of directors' bonuses paid as reward for their 2016 performance was Baht 54 million or 0.29% of dividends.

6

Arranged the performance assessment of the Board, including the Chairman of the Board, individual directors, and the Board committees. In 2017, the Committee changed the Board assessment forms to have all directors evaluate performance of every Board committee to give a more accurate reflection of each committee's performance.

7

Considered and endorsed the Collective Action Coalition Against Corruption (CAC) membership re-certification of the Bank and its subsidiaries which must be conducted every three years.

8

Considered and endorsed the appointment of senior executives to fill positions that are either newly created, vacant, or necessitated by organizational restructuring before obtaining approval from the Board and the Bank of Thailand.

9

Recommended for the Board's approval the new organizational structure that focuses on customer centricity and collaboration by reorganizing internal functions for greater clarity on accountability.

10

Recommended for the Board's approval rotation among senior executives which was a part of the Bank's professional development program designed for executives at all levels. In addition to training, job rotation is another important skill development approach for executives to gain new experience and insights which encourages continuous development.

11

Recommended for the Board's approval the new criteria for merit increase and variable bonus considerations for new employees to be in line with the industry practice.

12

Arranged for the performance assessment of the Chairman of the Executive Committee, the President and Chief Executive Officer, and senior executives of the Bank against established targets and performance criteria. The NCCG Committee also reviewed management's proposal on the compensation policy and appropriate compensation and benefits for the aforesaid senior executives by considering their assigned scope of duties and responsibilities, performance, general economic conditions, and relevant industry benchmarks, prior to obtaining approval from the Board.

13

Delegated the task of studying the integrity programs of Bang Mun Nak School and Chon Buri Hospital to be applied to the Bank's internal functions with the goal of creating a role model of integrity to drive the organization and to resolve internal issues. The integrity program has been piloted among 4,000 employees in the Operations Function and the Retail and Small SME Credit Function.

135



(Dr. Chirayu Isarangkun Na Ayuthaya)

Chairman of the Nomination, Compensation and Corporate Governance Committee

6.5

THE EXECUTIVE COMMITTEE REPORT

The Executive Committee of SCB consists of 5 members, two of which are executive directors and three are independent directors with the Chief Executive Officer being one of the members. The Executive Committee's role, duties, and responsibilities are set forth in the Executive Committee Charter with the key responsibilities being management oversight and reviewing any matters to be proposed to the Board of Directors, except for matters that are delegated to other committees.

In 2017, the Executive Committee held 38 meetings with the following important activities:

1

Monitored management's progress of strategy implementation, particularly matters related to SCB Transformation Program, and reviewed strategic plans, financial targets, and plans for 2018 prior to proposing to the Board of Directors.

2

Approved loans within the Executive Committee's scope of authority and reviewed loans under the Board's approval authority, as well as regularly reviewing major borrowers' credit statuses and ensuring that impacts on customer businesses from any incidents or situations were reported promptly for further actions.

3

Approved other important matters within the Executive Committee's scope of authority which are: risk management, investment, disclosure of financial information, foreign businesses, and subsidiaries within SCB Group, as well as reviewing such matters under the Board's approval authority.

4

Reviewed the Executive Committee charter for Board of Directors' approval with an amendment to permit the Executive Committee to hold an electronic meeting as well as establishing a clear process for proposing matters for the Executive Committee's considerations to make the meetings more efficient.



(Dr. Vichit Suraphongchai)

Chairman of the Executive Committee

YOUR SUCCESS

S ee your goal
U nderstand the obstacles
C reate a positive mental picture
C lear your mind of self doubt
E mbrace the challenge
S tay on track
S how the world you can do it!



07

FINANCIAL REPORTS

- 7.1 BOARD OF DIRECTORS' RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS
- 7.2 AUDIT COMMITTEE REPORT
- 7.3 MANAGEMENT DISCUSSION AND ANALYSIS
- 7.4 COMPARATIVE KEY FINANCIAL STATISTICS
- 7.5 INDEPENDENT AUDITOR'S REPORT
- 7.6 FINANCIAL STATEMENTS AND NOTES

7.1

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, 2017, 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

7.2

AUDIT COMMITTEE REPORT

The Audit Committee of Siam Commercial Bank PCL is comprised of the following three independent directors:

1. Mr. Prasan Chuaphanich
Chairman of the Audit Committee
2. Assoc. Prof. Dr. Kulpatra Sirodorn
Member of the Audit Committee
3. Mr. Ekamol Kiriwat
Member of the Audit Committee

Mr. Krieng Wongnongtaey, first executive vice president and head of the Audit Function, serves as the secretary to the Audit Committee.

The Audit Committee performs the duties set forth in the Audit Committee Charter which has been approved by the Board of Directors and conforms to the Securities and Exchange Commission's guidelines on best practice. The Audit Committee reviews and ensures that SCB and its subsidiaries have strong corporate governance, adequate risk management system and internal control, as well as effective and efficient internal auditing. Structures and systematic processes have been put in place to raise the Bank's internal audit standards to bring the Internal Audit function to a position of a trusted advisor that creates sustainable long-term value.

In 2017, the Audit Committee held 12 meetings with management and senior executives from relevant functions, in addition to regular meetings with the Audit and the Compliance functions as well as meetings with external auditors both with and without management's presence. The Committee reports the outcomes of each meeting along with recommendations to the Board of Directors for acknowledgement and, if warranted, for further guidance on specific matters.

Key activities in 2017

- **Review of Financial Reporting**

The Audit Committee reviewed the quarterly, half-year, and annual financial statements of SCB and its subsidiaries, including their consolidated financial statements, related transactions, and transactions with potential conflicts of interest. SCB Group's financial statements were prepared in accordance with the Thai Financial Reporting Standards (TFRS) and the requirements set forth by the Bank of Thailand and by the Securities and Exchange Commission. The Audit Committee convened regularly with external auditors and the Bank's finance executives to review material issues, such as the accuracy and completeness of financial statements, significant accounting adjustments, accounting estimates, accounting policies, and the scope of audits. In additions, the Committee also ensured that information disclosure was correct, complete, and adequate and that the external auditor and their opinion were independent with an emphasis on properly communicating key audit matters (KAMs) in the auditor's report as required by the new auditing standard. The Audit Committee communicated with the auditor and the Bank's finance executives to ensure that financial statements of the Bank and SCB Group reflect all material financial transactions and incidents and comply with legal requirements and Thai Financial Reporting Standards with reliability, timeliness, and adequate information disclosure to benefit users of the financial statements.

The Audit Committee also had one separate auditor meeting without management's presence to discuss auditor independence, information access and audits, particularly material issues in the preparation of the financial statements, risk control and management regarding the Bank's transformation, and possible cases of fraudulent and illegal conduct of directors and executives under Section 89/25 of the Securities and Exchange Act, B.E. 2559 (2016). In 2017, the auditor reported no material concerns or any suspicious behavior.

- **Risk Management Review**

The Audit Committee reviewed the effectiveness and the appropriateness of risk management policies of the Bank and SCB Group and held monthly meetings with executives responsible for risk management to review risk management approaches and plans for the Bank and SCB Group as well as monitoring potential risk issues and making recommendations for future improvement.

The Committee and management discussed both internal and external risk factors as well as significant risk issues, particularly on credit risk, provision adequacy, and the Bank's project finance underwriting process, to ensure that the Bank and SCB Group have effective guidelines and measures to manage potential risks from current operations and future plans. The Committee also ensured that the risk management systems and procedures overseen by the Chief Risk Office and the Risk Management Committee are adequately robust to handle any unanticipated scenarios.

- **Internal Control and Audit**

The Audit Committee evaluated the Bank's system of internal control against the COSO framework which has five components: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication and 5) monitoring activities. Key issues for each component are summarized in the related sections of this report.

The Audit Committee ensured compliance with laws, related regulations, and the Three Lines of Defense management model by reviewing the monthly audit reports prepared by the Audit Function as well as internal control assessments performed by management, external auditors, the Bank of Thailand, and other relevant regulating agencies. The Committee followed up with management to ensure that corrective action has been taken for all issues and problems have been resolved by addressing the root causes to prevent recurrence, particularly for high-risk issues,

fraud or serious operational errors. The Committee also held a meeting with the audit committees of major subsidiaries to exchange opinions and to ensure that key risk issues have been reviewed and monitored.

The consulting project commenced in 2016 to thoroughly evaluate SCB Group's internal control systems and make improvement recommendations to meet international standards and practices was completed in early 2017. The Committee acknowledged these recommendations and periodically monitored management's implementation progress, particularly for high-risk issues.

Because information technology plays a central role in this period of digitization, the Bank's IT system is of great importance to the Audit Committee. The Committee regularly met with executives in IT functions to keep abreast with IT related issues and ensure that the Bank is ready for the digitization era in terms of hardware, software, and people. In 2017, the Bank engaged an external consultant to develop a technology risk management framework to help the Bank achieve a high standard in its IT operations.

In addition, the Audit Committee ensured the independence of the Bank's internal audit, approved the Internal Audit Charter review, as well as reviewing, making recommendations, and approving the annual strategic and audit plans. The Committee monitored the implementation progress of the audit plan and audit findings on a monthly basis to promote good governance and increase the effectiveness and efficiency of internal audit. Moreover, the Committee also followed up on the corrective action plan and looked into people training and development as well as recruiting of the Audit Function to ensure adequate resources, both in terms of quantity and quality, to keep up with drastic changes in the digitization era.

In 2017, the Audit Committee authorized the use of Management Controls Awareness (MCA) by the Audit Function to evaluate risk management and control of function managers to ensure that they can competently mitigate risks and protect the Bank from potential losses. This tool also raises management's risk awareness and promotes effective internal control.

The Committee reviewed the quarterly summary of complaints which were mainly reported through the Bank's whistleblower channel to assess whether any complaints are indication of potential fraud, misconduct, or corruption. Furthermore, the Committee held meetings with complaint management functions to ensure that the complaint management process is transparent and appropriate given constant changes in customer behaviors and services.

From the activities mentioned above, the Audit Committee concludes that the overall internal control environment is appropriate and adequate for the Bank and its subsidiaries which concurs with the external auditor's opinion. The Audit Committee judges that the first executive vice president and head of Audit Function has appropriately and effectively performed his duties and that his annual compensation adjustment was based on his performance (see the profile of the first executive vice president and head of Audit Function on page 336).

- **Regulatory Compliance**

The Audit Committee reviewed SCB and its subsidiaries' compliance with applicable laws and regulations of regulatory agencies, such as the Bank of Thailand, the Anti-Money Laundering Office, and the Securities and Exchange Commission, especially for issues regarding the Anti-corruption and Bribery Policy and the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations. The Committee held monthly meetings with executives in charge of the Compliance

Function to communicate and discuss compliant issues to ensure that all functions have effective compliance monitoring and control and all operational processes adhere to applicable regulations. The Committee regularly met with the subsidiaries' management to discuss steps and approaches to improve their operational processes and prevent costly mistakes that may cause damage to the Bank as a whole.

In 2017, the Committee reviewed the accuracy of information to renew the membership of Thailand's Private Sector Collective Action Coalition Against Corruption. SCB and two other subsidiaries, namely SCB Securities Co., Ltd. and SCB Asset Management Co., Ltd., have successfully extended their memberships for another 3 years starting from November 10, 2017.

The Audit Committee reported all significant regulatory issues and changes that may affect the Bank's operations to the Board of Directors and approved the Annual Compliance Report for submission to the Bank of Thailand and the Securities and Exchange Commission.

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

The Audit Committee reviewed, oversaw, and advised on material related-party transactions, particularly those that may be construed as involving conflicts of interest by applicable regulations, before reporting to the Board of Directors and/or shareholders to ensure that those transactions are transparent, reasonable, and in the interests of the Bank and its shareholders. In 2017, the Bank did not have any related transactions with sufficient materiality to be disclosed based on the Stock Exchange of Thailand's criteria. Information on other related transactions is disclosed in the notes to the financial statements.

• Appointment of External Auditor

The Audit Committee is responsible for selecting the Bank's external auditor every year with consent from the Board of Directors and shareholders' approval at the annual general meeting. In 2017, KPMG Phoomchai Audit Ltd. was appointed as the auditor for SCB and its subsidiaries, except for some overseas branches in which local laws require appointing another firm. Auditor appointment was based on the auditor's qualifications, knowledge, ability, audit experience in the banking industry, audit approach, independence according to the code of conduct established by the Federation of Accounting Professions and the requirements of the Securities and Exchange Commission, and past audit quality as well as appropriate audit fees.

• Others

In 2017, the Audit Committee made the following amendments to the Audit Committee Charter:

- Change the name of performance standards from "the Internal Audit Standards" to "the International Professional Practices Framework (IPPF)"
- Change the reference from "the Securities and Exchange Act B.E. 2551 (2008)" to "the Securities and Exchange Act B.E. 2559 (2016)".

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

The Audit Committee performed the duties that have been assigned by the Board of Directors and set forth in the Charter of the Audit Committee with integrity, prudence, transparency, and independence. Opinion and recommendations by the Committee were made to benefit all stakeholders equally by putting the interests of the Bank and stakeholders as a priority.

The Audit Committee is of the opinion that the financial statements of SCB and its subsidiaries to be accurate and complete with adequate disclosure and adherence to financial reporting standards. The Committee is satisfied with auditor's independence and professionalism in performing its duties. Moreover, the Bank places a high level of importance on its internal control systems with adequate and appropriate policies, procedures, and systems for risk management. The Bank also has sound corporate governance, adequate risk management, appropriate and effective internal controls and audits with active monitoring of changes to prepare for any potential risks that may arise in the future.



(Mr. Prasan Chuaphanich)

Chairman of the Audit Committee

7.3

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

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 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 43,152 million for 2017, a 9.4% yoy decrease from Baht 47,612 million in 2016. Lower net profit was primarily due to the Bank setting higher prudent provisions to align existing expected loss principles to those required under new accounting standard effective in 2019 as well as an 11.6% rise in operating expenses from investment in digital banking.

On the other hand, total income increased by 2.2% from the previous year as net interest income, net fee income and net trading and FX income grew by 4.4% yoy, 6.7% yoy and 5.6% yoy, respectively countering the sharp drop in net insurance premiums and gain on investments which fell by 49.5% yoy and 36.5% yoy, respectively.

Net Profit and Total Comprehensive Income

Unit: Baht million

Net Profit and Total Comprehensive Income (Consolidated)	2017	2016	% yoy
Net interest income	92,310	88,449	4.4%
Non-interest income	43,903	44,885	-2.2%
Non-interest expenses	57,650	51,644	11.6%
Operating profit	78,563	81,690	-3.8%
Impairment loss on loans and debt securities	25,067	22,528	11.3%
Income tax	10,291	11,493	-10.5%
Non-controlling interests	53	57	-7.8%
Net profit (attributable to shareholders of the Bank)	43,152	47,612	-9.4%
Other comprehensive income (loss)	4,919	(2,291)	NM
Total comprehensive income	48,071	45,322	6.1%
EPS (Baht)	12.69	14.01	-9.4%
ROAE	12.4%	14.8%	
ROAA	1.5%	1.7%	

NM denotes "not meaningful"

I. Income Statement for 2017 (Consolidated basis)

I. Net interest income

Unit: Baht million

Net Interest Income and Yield (Consolidated)	2017	2016 %	yoy
Interest income	125,113	122,443	2.2%
- Loans	95,788	94,844	1.0%
- Interbank and money markets	5,028	4,206	19.5%
- Financial leases	11,024	10,479	5.2%
- Investments	13,185	12,827	2.8%
- Others	88	87	1.1%
Interest expenses	32,804	33,994	-3.5%
- Deposits	19,006	20,225	-6.0%
- Interbank and money markets	1,218	1,034	17.8%
- Borrowings	3,092	3,904	-20.8%
- Contribution to the Deposit Protection Agency & FIDF	9,419	8,810	6.9%
- Others	69	21	226.5%
Net interest income	92,310	88,449	4.4%
Net interest margin	3.23%	3.27%	-0.04%
Yield on earning assets	4.38%	4.52%	-0.14%
Yield on loans	5.38%	5.58%	-0.20%
Yield on interbank	1.75%	1.62%	0.13%
Yield on investment	2.27%	2.28%	-0.01%
Cost of funds*	1.45%	1.55%	-0.10%
Cost of deposits**	1.38%	1.48%	-0.10%
Spread (yield on earning assets – cost of funds)	2.93%	2.97%	-0.04%

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

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

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

Net interest income in 2017 was Baht 92,310 million, a 4.4% yoy increase from 2016. The higher net interest income was driven by 4.9% loan growth despite lower loan yields from a

25 basis point decrease in lending rate in 2017. Furthermore, net interest income increased due to efficient cost management and higher interest income from interbank and money markets.

SCB Interest Rates	Apr 29, 15	May 21, 15	Jul 20, 15	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16	May 16, 17
Lending rate (%)									
MLR	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275	6.025
MOR	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12	6.87
MRR	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62	7.37
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	0.90-0.95	0.90	0.90	0.90-1.60	0.90	0.90	0.90	0.90	0.90
6-month deposits	1.15-1.20	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
12-month deposits	1.50	1.50	1.50	1.30	1.30	1.30	1.30	1.40	1.40
	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

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

147

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

Yield on earning assets

4.71% 4.52% 4.38%

Net interest margin

3.18% 3.27% 3.23%

Cost of funds

1.84% 1.55% 1.45%

2015

2016

2017

Yield on loans

5.86%

5.58%

5.38%

Cost of deposits

1.85%

1.48%

1.38%

2. Non-interest income

Unit: Baht million

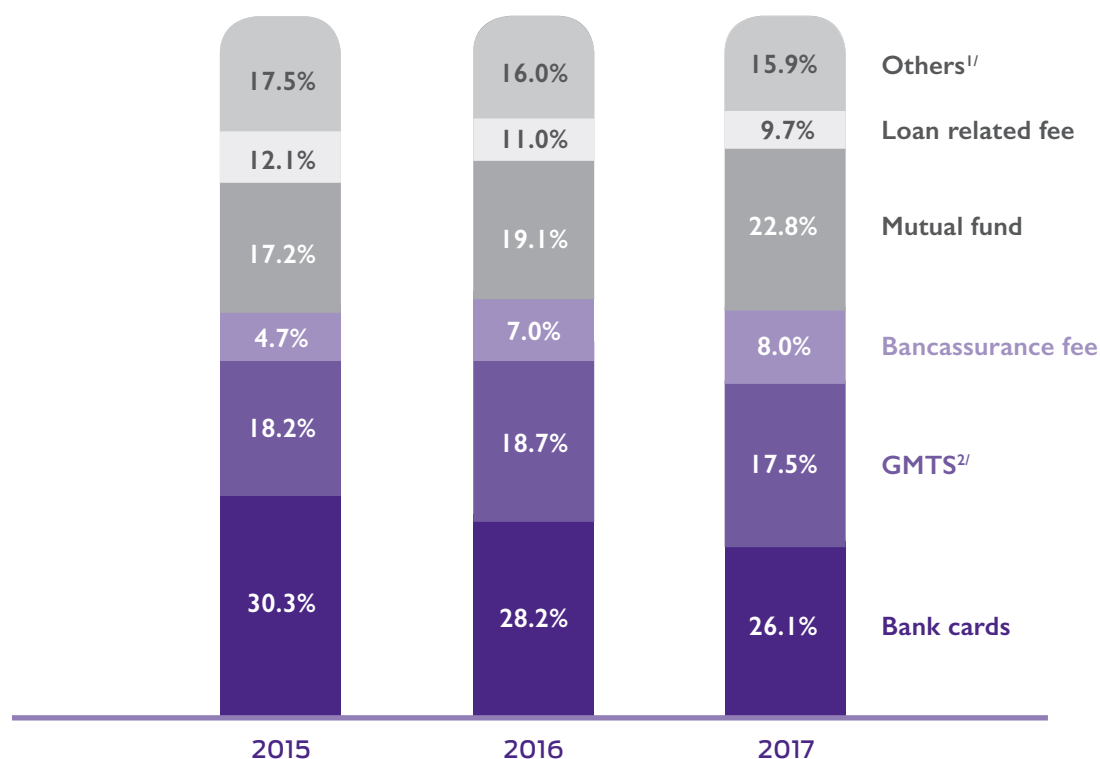
Non-Interest Income (Consolidated)	2017	2016	% yoy
Fee and service income	36,855	34,379	7.2%
<u>Less</u> fee and service expenses	6,531	5,965	9.5%
Net fee and service income	30,324	28,414	6.7%
Net earned insurance premiums	49,232	52,314	-5.9%
<u>Less</u> net insurance claims	46,366	46,634	-0.6%
Net insurance premiums	2,866	5,680	-49.5%
Net fee and insurance premium	33,189	34,094	-2.7%
Net trading and FX income	7,090	6,714	5.6%
Share of loss of associates	(9)	(11)	NM
Dividend income	1,032	1,119	-7.8%
Other income	990	433	128.4%
Non-interest income excluding gain on investments	42,292	42,350	-0.1%
Net gain on investments	1,611	2,535	-36.5%
Total non-interest income	43,903	44,885	-2.2%

NM denotes "not meaningful"

Non-interest income decreased slightly by 2.2% yoy to Baht 43,903 million in 2017 due to lower net insurance premiums and gain on investment despite an increase of

6.7% yoy in net fee income from mutual fund fees and bancassurance fees, and higher net trading and FX income.

Net Fee Income Breakdown (%)



^{1/} Others include brokerage fee, fund transfer, remittance, etc.

^{2/} GMTS stands for Global Markets and Transaction Services, which includes cash management, trade finance, corporate trust

149

3. Non-interest expenses

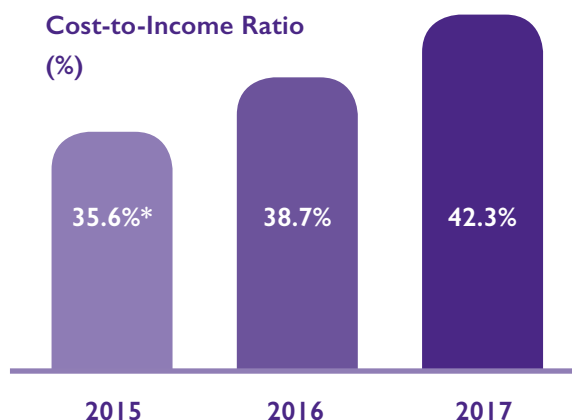
Unit: Baht million

Non-Interest Expenses (Consolidated)	2017	2016	% yoy
Staff costs	27,488	24,597	11.8%
Premises and equipment expenses	11,554	10,823	6.7%
Tax and duties	4,417	4,262	3.6%
Director remuneration	99	97	2.3%
Other expenses	14,092	11,865	18.8%
Total non-interest expenses*	57,650	51,644	11.6%
Cost to income ratio	42.3%	38.7%	

* Including loss on the sale of repossessed cars of Baht 462 million in 2017 and Baht 540 million in 2016.

Non-interest expenses increased by 11.6% yoy to Baht 57,650 million in 2017 primarily due to higher staff costs (+11.8% yoy) from both annual salary adjustments and more hiring in areas that require new skills and capabilities. Moreover, an increase in other expenses (+18.8% yoy), with the main component being marketing and promotion expenses, and higher premises and equipment expenses (+6.7% yoy) also contributed to the higher non-interest expenses.

Cost-to-Income Ratio (%)



* 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

Loan loss provisions in 2017 were set at Baht 25,067 million or 126 bps of total loans which included additional prudent provisions of Baht 5,000 million that the Bank set aside to align existing expected loss principles to those required under new accounting standard effective in 2019. As a result of higher provisions, the coverage ratio increased to 137.3% in 2017 from 134.3% in 2016.

II. Balance sheet as of December 31, 2017 (Consolidated basis)

As of December 31, 2017, the Bank's total assets stood at Baht 3,024 billion, an increase of 3.8% from the end of 2016. Details on the consolidated balance sheets are provided in the following sections:



Loans

As of December 31, 2017, total outstanding loans (net of deferred revenue) stood at Baht 2,035 billion, a 4.9% increase from the end of 2016. The yoy overall loan growth was contributed by the corporate and retail segments while the volume of SME loans remained unchanged yoy.

The 4.9% loan growth was in line with the Bank's loan growth target for 2017 of 4-6%.

Unit: Baht million

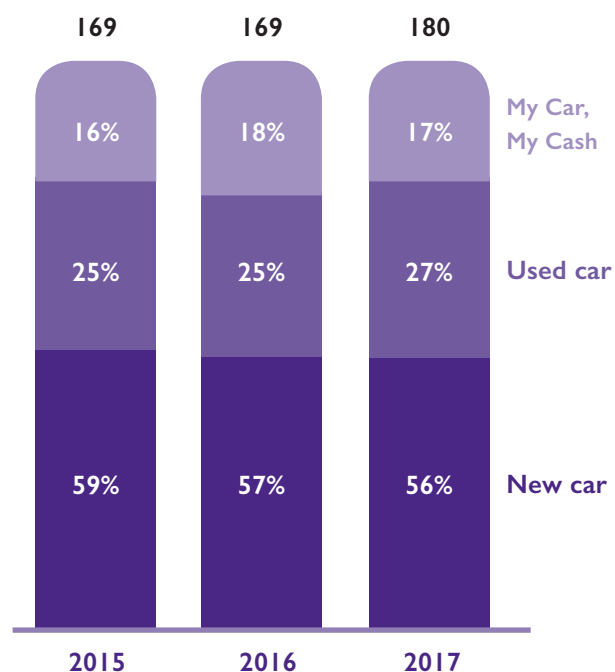
Loans by Segment (Consolidated)	Dec 31, 17	%	Dec 31, 16	%	% yoy
Corporate	760,912	37.4%	712,272	36.7%	6.8%
SME	364,039	17.9%	364,544	18.8%	-0.1%
Retail	909,781	44.7%	862,232	44.5%	5.5%
- Housing loans*	630,079	31.0%	607,439	31.3%	3.7%
- Auto loans	179,933	8.8%	168,684	8.7%	6.7%
- Other loans	99,769	4.9%	86,109	4.5%	15.9%
Total loans	2,034,732	100.0%	1,939,048	100.0%	4.9%

* Including 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 changes in loan volume by customer segments are as follows:

- **Corporate loans** increased by 6.8% owing to M&A deals of large corporate customers.
- **SME loans** were flat yoy, mainly due to the Bank's continued stringent underwriting criteria.
- **Retail loans** grew by 5.5% yoy.
 - **Housing loans** rose by 3.7% yoy, a slower pace compared with the 5.4% growth in 2016, as competition in the housing loans market intensified.
 - **Auto loans** increased by 6.7% yoy, following an expansion in all segments, namely used car, new car, and "My Car, My Cash" segments ("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).
 - **Other loans** (largely personal loans and credit card receivables) grew by 15.9% yoy, driven by an increase in both credit card loans and personal loans.

Auto loan portfolio (Baht billion)



2

Deposits

Unit: Baht million

Deposits (Consolidated)	Dec 31, 17	%	Dec 31, 16	%	% yoy
Demand	78,274	3.7%	61,585	3.0%	27.1%
Savings	1,281,892	61.3%	1,148,768	56.7%	11.6%
Fixed	732,291	35.0%	815,919	40.3%	-10.2%
- Less than 6 months	164,034	7.9%	201,141	9.9%	-18.4%
- 6 months and up to 1 year	176,335	8.4%	392,309	19.4%	-55.1%
- Over 1 year	391,922	18.7%	222,469	11.0%	76.2%
Total deposits	2,092,457	100.0%	2,026,272	100.0%	3.3%
Gross loans to deposits ratio	97.2%		95.7%		
CASA - Current & Savings Accounts (%)	65.0%		59.7%		

As of December 31, 2017, total deposits stood at Baht 2,092 billion, a 3.3% increase from the end of 2016. The yoy increase mainly came from higher savings (+11.6% yoy) and current deposits (+27.1% yoy), following the Bank's strategy to increase the proportion of low cost deposits (CASA). Consequently, the Bank's CASA rose to 65.0% at the end of 2017 from 59.7% at the end of 2016.

As loans grew by 4.9% yoy while deposits rose by 3.3% yoy, the loan-to-deposit ratio on a consolidated basis increased to 97.2% at the end of 2017 from 95.7% at the end of 2016. Furthermore, the Bank's liquidity ratio stood at a high level of 26.9%. 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 secure 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%, a corrective action will be immediately taken.

3

Shareholders' equity

As of December 31, 2017, shareholders' equity stood at Baht 363 billion, an 8.8% increase from the end of 2016, 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 2017, the interim dividend payment of Baht 1.50 per share in accordance with the resolution of the Board of Directors meeting in August 2017, and gain on remeasurement of available-for-sale investments.

The book value per share as of December 31, 2017 was Baht 106.93 (3,399 million ordinary and preferred shares at the end of 2017), up by 8.8% from Baht 98.28 at the end of 2016, for the reasons stated above.

III. Statutory Capital

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

Furthermore, the Bank has recently been classified by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which are required to

maintain higher minimum Common Equity Tier I capital to provide additional stability and resilience to banks with D-SIBs status. This 1% Higher Loss Absorbency requirement applied to D-SIBs will be phased in starting at 0.5% in 2019 and increasing to 1.0% in 2020.

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

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

The Bank has formulated a long-term capital management plan to accommodate both current and upcoming regulatory changes well in advance. The Bank believes that its strong capital position, which is currently above the minimum regulatory requirement, together with high loan loss

provisions will enable the Bank to withstand any adverse shocks, be it Bank-specific or economy-wide. Also, its strong capital position will facilitate the Bank to pursue any future growth opportunities.

The Bank's total capital ratios under Basel III at the end of 2017 are shown in the table below.

Statutory Capital (Consolidated Supervision)		Dec 31, 17	Dec 31, 16
Common Equity Tier I / Tier I*	Baht million	321,939	294,566
	% of RWA	15.6%	14.8%
Tier 2 capital	Baht million	42,564	57,752
	% of RWA	2.1%	2.9%
Total capital	Baht million	364,503	352,318
	% of RWA	17.7%	17.7%
Risk-weighted assets	Baht million	2,055,938	1,986,927
Statutory Capital (Bank only)		Dec 31, 17	Dec 31, 16
Common Equity Tier I / Tier I*	Baht million	299,978	280,108
	% of RWA	15.1%	14.5%
Tier 2 capital	Baht million	41,754	57,165
	% of RWA	2.1%	2.9%
Total capital	Baht million	341,732	337,273
	% of RWA	17.2%	17.4%
Risk-weighted assets	Baht million	1,984,315	1,933,848

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

IV. Non-Performing Assets

At the end of December 2017, gross NPLs on a consolidated basis stood at 2.83% of total loans, up from 2.67% of total loans at the end of 2016. Higher NPLs were concentrated

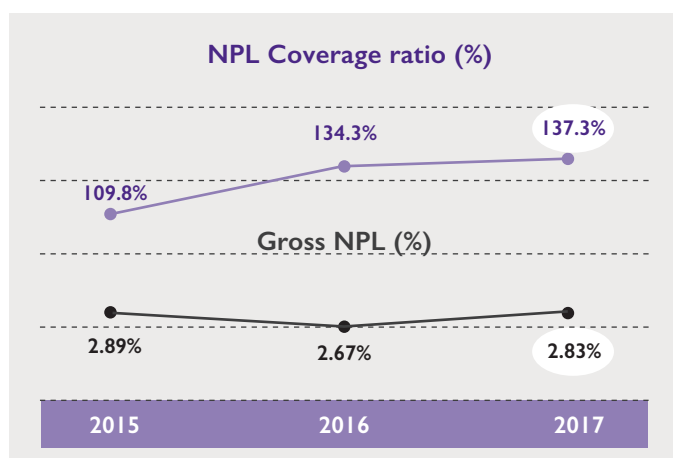
in the SME segment and housing loans for self-employed borrowers, while NPLs from the corporate segment subsided.

Non-Performing Loans and Allowance (Consolidated)		Dec 31, 17	Dec 31, 16
Non-Performing Loans (Gross NPLs)	% of total loans	2.83%	2.67%
	Baht million	65,560	57,593
Non-Performing Loans (Net NPLs)	% of total loans	1.56%	1.38%
	Baht million	35,592	29,309
Allowance for doubtful accounts and debt restructuring ¹	Baht million	89,990	77,357
Total allowance to NPLs		137.3%	134.3%
Non-Performing Loans (Gross NPLs) (Bank only)	% of total loans	2.81%	2.65%
	Baht million	64,537	56,544

155

¹ Excluding interbank and money market items.

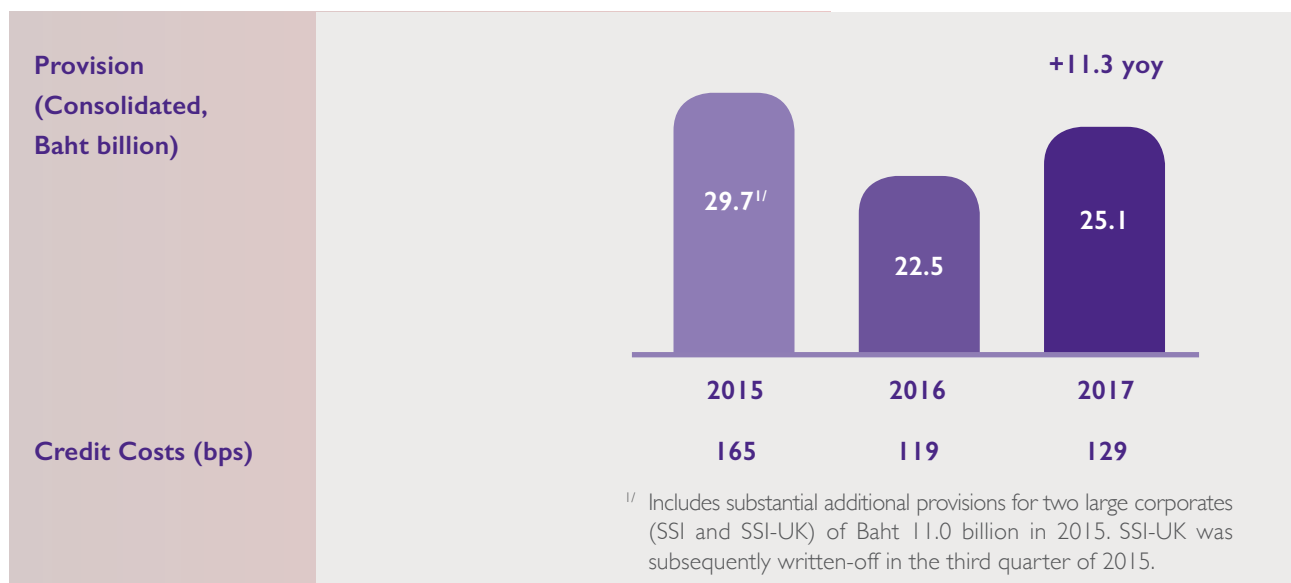
Gross NPL Ratio & NPL Coverage Ratio (%)



NPL by Segment and by Product (%)

	2015	2016	2017
Corporate	4.0%*	2.3%	1.8%
SME	4.6%	6.4%	7.6%
Retail	2.0%	2.1%	2.6%
Mortgage	2.1%	2.2%	3.1%
Auto Loans	2.1%	1.8%	1.8%

*The increase is accounted mainly by SSL.



Special mention loans stood at Baht 51.7 billion at the end of 2017, a significant increase of 15.9% from the end of 2016. The yoy increase was due mainly to one corporate customer in the mining industry and higher special mention loans from mortgage segment.

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Dec 31, 17		Dec 31, 16	
	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts
Normal	1,920,725	19,964	1,840,936	19,184
Special mention	51,721	3,225	44,618	3,000
Substandard	17,161	7,961	20,698	9,654
Doubtful	13,429	4,163	9,707	3,153
Doubtful loss	35,024	18,206	27,217	15,641
Total	2,038,060	53,519	1,943,176	50,632
Allowance established in excess of BOT regulations		32,180		22,721
Total allowance		85,699		73,353

In 2017, new NPL formation was at 1.71%, down from 1.80% in 2016, which was mainly driven by lower new NPLs in the corporate and SME segments.

New NPLs by Segment and by Product (%)

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	2016	2017
Total loans	0.41%	0.40%	0.50%	0.52%	0.41%	0.45%	0.38%	0.49%	1.80%	1.71%
Corporate	0.05%	0.00%	0.28%	0.18%	0.04%	0.03%	0.01%	0.10%	0.51%	0.17%
SME	0.86%	0.60%	0.70%	1.08%	0.60%	1.02%	0.54%	0.63%	3.23%	2.77%
Housing loans ^{1/}	0.51%	0.65%	0.68%	0.61%	0.76%	0.70%	0.70%	0.96%	2.41%	3.07%
Auto loans ^{2/}	0.41%	0.43%	0.40%	0.50%	0.41%	0.50%	0.50%	0.54%	1.72%	1.91%
New NPLs (Baht billion)	8.6	8.2	10.8	11.2	9.1	10.4	8.8	11.4	38.9	39.6

^{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 had 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.

157

V. Sources and Uses of Funds

As of December 31, 2017, deposits accounted for 69.2% of SCB's funding base. Other major sources of funds were: 12.0% from shareholders' equity, 8.2% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 3.6% from interbank borrowings, and 2.6%

from the issuance of debt instruments. As of December 31, 2017, the funds were deployed as follows: 67.3% for loans, 18.9% for investments in securities, 10.5% for interbank and money markets lending, and 1.3% held in cash.

VI. Additional Financial Information

Unit: Baht million, %

(Consolidated)	Dec 31, 17	Dec 31, 16	% yoy
Loans by Sector	2,034,732	1,939,048	4.9%
Agricultural and mining	19,554	15,166	28.9%
Manufacturing and commercial	612,733	605,350	1.2%
Real estate and construction	149,123	132,755	12.3%
Utilities and services	346,294	325,286	6.5%
Housing loans*	542,564	521,869	4.0%
Other loans	364,464	338,622	7.6%
Investment**	570,371	590,921	-3.5%
Trading securities and securities measured at fair value through P/L	16,193	28,876	-43.9%
Available-for-sale securities	432,064	438,473	-1.5%
Held-to-maturity securities	120,671	122,166	-1.2%
General investments	1,443	1,072	34.6%
Investment in associate	0	334	-100.0%
Debt securities in issue and borrowings	78,538	106,838	-26.5%
Bonds	54,542	65,840	-17.2%
Subordinated bonds	20,000	40,000	-50.0%
Structured notes	3,815	914	317.3%
Others	181	84	115.9%
NPL breakdown by status (Bank-only)			
Restructured and being serviced	66.2%	69.0%	-2.8%
Under negotiation for restructuring	5.8%	7.7%	-1.9%
In litigation	15.0%	11.2%	3.8%
In foreclosure process	13.0%	12.0%	1.0%
Troubled debt restructured loans	35,723	40,490	-11.8%
Restructured loans which are classified as NPL	8,595	9,651	-10.9%
Restructured loans which are not classified as NPL	27,128	30,839	-12.0%

* 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, 2017 and December 31, 2016, was Baht 630 billion and Baht 607 billion, respectively.

** 86.0% 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%.

	2017	2016
Yield on loans by segment		
Yield on loans	5.38%	5.58%
Corporate	4.14%	4.17%
SME	5.96%	6.36%
Retail	6.34%	6.55%
- Housing loans	5.24%	5.55%
- Auto loans	6.36%	6.30%
NPL reduction methodology		
Repayments, auctions, and foreclosures	39.1%	34.1%
Debt restructuring	5.8%	27.7%
NPL sales*	28.9%	21.4%
Write off	26.1%	16.8%

* In 2017, the Bank solds NPLs of Baht 11.7 billion and Baht 10.7 billion in 2016.

VII. Credit Ratings

Credit Ratings of Siam Commercial Bank PCL

December 31, 2017

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

Fitch Ratings

<u>Foreign Currency</u>	
Long Term Issuer Default Rating	BBB+
Short Term Issuer Default Rating	F2
Outlook	Stable
Senior Unsecured	BBB+
Viability Rating	bbb+

National

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

7.4

COMPARATIVE KEY FINANCIAL STATISTICS

5 - YEAR: KEY FINANCIAL STATISTICS

Financial Status (Consolidated)

As of December 31,

Unit: Baht billion

	2013	2014	2015	2016	2017
Total Assets	2,534.2	2,699.7	2,774.3	2,913.0	3,024.0
- Loans	1,735.3	1,777.1	1,833.4	1,939.0	2,034.7
- Less allowance for doubtful accounts	-60.3	-59.0	-64.8	-77.4	-90.0
- Net loans	1,675.0	1,718.1	1,768.6	1,861.7	1,944.7
- Investment-net	504.9	502.8	537.0	590.9	570.4
- Properties foreclosed	9.6	9.7	10.6	11.6	11.3
Total liabilities	2,286.2	2,413.4	2,466.6	2,578.7	2,660.3
- Deposits	1,822.9	1,895.3	1,890.7	2,026.3	2,092.5
- Borrowings	95.0	113.9	121.2	106.8	78.5
Total shareholders' equity	248.0	286.3	307.7	334.3	363.8

161

Financial Results

For the year ended December 31,

Unit: Baht billion

	2013	2014	2015	2016	2017
Interest income	120.7	123.4	122.5	122.4	125.1
Less interest expenses	47.7	42.3	39.6	34.0	32.8
Net interest income	73.0	81.1	82.8	88.4	92.3
Non-interest income	50.5	47.0	54.4	44.9	43.9
Total income	123.5	128.1	137.3	133.3	136.2
Less non-interest expense	47.3	48.1	48.8	51.6	57.7
Income before impairment loss of loans and debt securities	76.2	80.0	88.5	81.7	78.6
Less impairment loss of loans and debt securities	13.6	13.2	29.7	22.5	25.1
Less income tax and non-controlling interests	12.3	13.5	11.6	11.6	10.3
Net profit	50.2	53.3	47.2	47.6	43.2
(attributable to shareholders of the Bank)					

Key Financial Ratios (Consolidated)

Unit: Percent

	2013	2014	2015	2016	2017
Profitability ratio					
Return on assets (ROA)	2.1	2.0	1.7	1.7	1.5
Return on equity (ROE)	21.8	20.1	15.9	14.8	12.4
Net interest margin (NIM)	3.2	3.3	3.2	3.3	3.2
Non-interest income to total income	40.9	36.7	39.7	33.7	32.2
Efficiency ratio					
Cost income ratio	38.3	37.5	35.6	38.7	42.3
Cost to assets	2.0	1.8	1.8	1.8	1.9
Financial ratio					
Equity to assets	9.7	10.6	11.1	11.5	12.0
Loans to deposits	95.2	93.8	97.0	95.7	97.2
Capital adequacy ratio ^{1/}					
Total capital to risk assets	15.4	17.0	17.3	17.7	17.7
Tier 1 capital to risk assets	12.0	13.7	14.1	14.8	15.6
Tier 2 capital to risk assets	3.4	3.3	3.2	2.9	2.1
Asset quality ratio					
Non-performing loans to total loans	2.14	2.11	2.89	2.67	2.83
Total allowance to non-performing loans	150.8	138.1	109.8	134.3	137.3
Total allowance to total loans	3.5	3.3	3.5	4.0	4.4
Accrued interest to total loans	0.2	0.2	0.2	0.2	0.2

Share Information ^{2/}

	2013	2014	2015	2016	2017
Earnings per share - EPS (Baht)	14.78	15.69	13.88	14.01	12.69
Book value per share (Baht)	72.45	83.94	90.45	98.28	106.93
Dividend per share ^{3/} (Baht)	5.25	6.00	5.50	5.50	5.50
Market capitalization (Billion Baht)	487.8	618.6	406.2	518.3	509.9
Number of shares (Million)	3,399	3,399	3,399	3,399	3,399

^{1/} 2013-2016 figures are disclosed under Basel III framework.^{2/} The Bank's share includes ordinary shares and preferred shares.^{3/} Dividend per share in 2017 as proposed to the Annual General Meeting of Shareholders in April 2018. (Interim dividend Baht 1.50 per share)

7.5

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 2017, 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 2017 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 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 3.5, 4.1 and 11.

The key audit matter

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.

As at 31 December 2017, loans to customers recorded in the consolidated and the Bank's financial statements amounted to Baht 2,060 billion and Baht 2,046 billion (approximately 68.1% and 75.1% of total assets), against which allowances for doubtful accounts of Baht 86 billion and Baht 85 billion, respectively, were provided.

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 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 Non-Performing Loans.
 - The allowances are assessed on a portfolio basis for certain portfolios with similar risk characteristics. Expected Loss Model methodologies incorporating assumptions such as customer behavior and repayment abilities are selected, approved and applied to portfolios of loans of a similar nature and risk profile.
-

How the matter was addressed in the audit

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 parameter assumptions and methodologies, where appropriate, with involvement of my own credit risk specialists, and including 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 instruments and fair values, refer to notes 3.3, 3.25, 3.26, 4, 5, 8 and 9.

The key audit matter

The valuation of financial instruments is considered a Key Audit Matter due to the degree of complexity involved in valuing certain level 2 instruments and the significance of judgment and estimates involved.

As at 31 December 2017, financial assets measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 491 billion and Baht 331 billion, respectively. Financial liabilities measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 45 billion and Baht 44 billion, respectively. As at 31 December 2017, financial assets measured at fair value classified as level 2 in the consolidated and the Bank's financial statements amounted to Baht 462 billion and Baht 322 billion, respectively. Financial liabilities measured at fair value classified as level 2 in the consolidated and the Bank's financial statements amounted to Baht 44 billion and Baht 44 billion, respectively.

There is a risk that financial instruments classified as "level 2" in the fair value hierarchy, 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.

How the matter was addressed in the audit

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 a sample of financial instruments, I checked 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 3.28, 4.6 and 23.

The key audit matter

The valuation of life insurance policy reserves is considered a Key Audit Matter as it 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.

As at 31 December 2017, liabilities under insurance contracts recorded by the subsidiary in the consolidated financial statements amounted to Baht 248 billion, mainly comprising long-term technical reserves (approximately 99.6% of liabilities under insurance contracts).

How the matter was addressed in the audit

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.

With my audit procedures the assistance of my actuarial specialists, included 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 projected cash flows, discount rate and of 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 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 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 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
22 February 2018

7.6

STATEMENT OF FINANCIAL POSITION

(in thousand Baht)

Assets	Note	Consolidated		The Bank	
		31 December		31 December	
		2017	2016	2017	2016
Cash		40,797,176	40,488,512	40,591,037	40,317,033
Interbank and money market items, net	7	316,733,080	257,256,079	303,476,880	243,901,504
Derivatives assets	8	43,499,427	58,590,670	46,035,173	59,634,746
Investments, net	9	570,370,844	590,586,901	299,032,913	363,076,332
Investments in subsidiaries and associate, net	10	-	333,702	18,016,700	16,741,514
Loans to customers and accrued interest receivables, net	11				
Loans to customers		2,059,948,448	1,962,604,955	2,046,282,647	1,950,822,291
Accrued interest receivables		3,328,131	4,128,530	2,963,859	3,504,906
Total loans to customers and accrued interest receivables		2,063,276,579	1,966,733,485	2,049,246,506	1,954,327,197
Less deferred revenue		(25,216,416)	(23,557,162)	(25,216,417)	(23,557,162)
Less allowance for doubtful accounts	11.9	(85,699,301)	(73,353,575)	(84,936,081)	(72,624,446)
Less revaluation allowance for debt restructuring	12	(4,291,141)	(4,003,522)	(4,291,141)	(4,003,522)
Total loans to customers and accrued interest receivables, net		1,948,069,721	1,865,819,226	1,934,802,867	1,854,142,067
Properties for sale, net	14	11,283,644	11,604,427	11,280,102	11,599,777
Premises and equipment, net	15	44,164,383	40,887,724	42,890,983	39,647,293
Goodwill and other intangible assets, net	16	18,107,161	13,514,334	8,778,161	4,264,935
Assets pending transfer	17	2,234,515	2,370,538	2,300,059	2,442,140
Deferred tax assets	42	110,753	410,314	25,740	7,758
Other assets, net	18	28,661,317	31,125,417	18,401,385	25,631,231
Total assets		3,024,032,021	2,912,987,844	2,725,632,000	2,661,406,330

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 shareholders' equity	Note	Consolidated		The Bank	
		31 December		31 December	
		2017	2016	2017	2016
Liabilities					
Deposits	19	2,092,457,200	2,026,272,115	2,087,890,289	2,021,453,602
Interbank and money market items	20	108,573,192	100,953,159	110,911,960	103,778,925
Liability payable on demand		23,670,751	10,526,319	23,670,230	10,521,749
Liabilities to deliver security	3.11	59,900	50,594	-	-
Derivatives liabilities	8	44,984,107	54,192,365	44,620,824	54,138,466
Debt issued and borrowings	21	78,538,067	106,837,890	75,379,761	106,652,606
Provisions	22	7,729,706	7,461,771	7,340,382	7,116,836
Liabilities under insurance contracts	23	248,244,534	216,994,447	-	-
Liabilities pending transfer	24	14,615,892	13,471,154	14,488,352	13,428,370
Deferred tax liabilities	42	3,589,507	2,327,820	2,559,950	2,186,016
Other liabilities	25	37,806,171	39,601,988	29,802,716	32,935,499
Total liabilities		2,660,269,027	2,578,689,622	2,396,664,464	2,352,212,069

171

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 shareholders' equity	Note	Consolidated		The Bank	
		31 December		31 December	
		2017	2016	2017	2016
Shareholders' equity					
Share capital	26				
Authorised share capital					
3,583,825,728 preferred shares					
of Baht 10 each		35,838,257	35,838,257	35,838,257	35,838,257
3,416,174,272 common shares					
of Baht 10 each		34,161,743	34,161,743	34,161,743	34,161,743
Issued and paid-up share capital					
3,784,972 preferred shares					
of Baht 10 each		37,850	38,903	37,850	38,903
3,395,407,226 common shares					
of Baht 10 each		33,954,072	33,953,019	33,954,072	33,953,019
Premium on share capital					
Premium on preferred shares		14,802	15,213	14,802	15,213
Premium on common shares		11,109,389	11,108,978	11,109,389	11,108,978
Other reserves	27	19,985,092	15,342,084	18,654,960	18,312,436
Retained earnings					
Appropriated					
Legal reserve	27	7,000,000	7,000,000	7,000,000	7,000,000
Unappropriated		291,362,368	266,630,575	258,196,463	238,765,712
Total owners of the company		363,463,573	334,088,772	328,967,536	309,194,261
Non-controlling interests		299,421	209,450	-	-
Total shareholders' equity		363,762,994	334,298,222	328,967,536	309,194,261
Total liabilities and shareholders' equity		3,024,032,021	2,912,987,844	2,725,632,000	2,661,406,330

(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	
		2017	2016	2017	2016
Interest income	36	125,113,063	122,443,063	115,630,594	114,144,175
Interest expenses	37	32,803,548	33,993,718	32,766,978	33,973,975
Net interest income		92,309,515	88,449,345	82,863,616	80,170,200
Fees and service income	38	36,854,858	34,379,242	37,424,662	36,608,736
Fees and service expenses	38	6,530,982	5,965,037	5,337,478	4,912,879
Net fees and service income	38	30,323,876	28,414,205	32,087,184	31,695,857
Gains on trading	39	7,089,951	6,713,833	6,888,659	6,547,319
Gains on investments	40	1,610,763	2,534,734	704,314	1,278,831
Share of loss from investment for using equity method	10.2	(8,949)	(10,513)	-	-
Dividend income		1,032,097	1,119,392	3,349,891	3,535,324
Net earned insurance premiums		49,231,848	52,314,254	-	-
Other operating income		989,649	433,225	681,923	93,614
Total operating income		182,578,750	179,968,475	126,575,587	123,321,145
Net insurance claims		46,366,273	46,634,372	-	-
Net operating income		136,212,477	133,334,103	126,575,587	123,321,145
Other operating expenses					
Employee's expenses		27,488,330	24,597,294	24,207,823	21,571,637
Directors' remuneration		98,940	96,707	91,635	89,972
Premises and equipment expenses		11,553,836	10,823,314	10,744,254	10,045,782
Taxes and duties		4,417,007	4,261,769	4,050,500	3,996,871
Others		14,091,949	11,864,578	16,349,431	13,603,800
Total operating expenses		57,650,062	51,643,662	55,443,643	49,308,062
Impairment loss on loans and debt securities	41	25,066,653	22,527,984	25,030,000	22,530,000
Profit from operating before income tax expense		53,495,762	59,162,457	46,101,944	51,483,083
Income tax expenses	42	10,291,148	11,493,030	8,247,976	9,318,038
Net profit		43,204,614	47,669,427	37,853,968	42,165,045

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	
		2017	2016	2017	2016
Other comprehensive income (loss)					
Items that will be reclassified					
subsequently to profit or loss					
Gains (losses) on remeasuring					
available-for-sale investments		6,079,641	(2,641,408)	717,378	(121,585)
Losses arising from translating the					
financial statements of a foreign operation		(204,089)	(23,420)	-	-
Share of other comprehensive income (loss)					
of associate (using equity method)		72	(22,820)	-	-
Changes in hedge reserve		370,849	(136,252)	51,202	(51,212)
Income tax relating to components					
of other comprehensive (loss)					
income will be reclassified					
subsequently to profit or loss	42	(1,290,097)	558,327	(153,716)	34,559
		4,956,376	(2,265,573)	614,864	(138,238)

174

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)

		Consolidated		The Bank	
		For the year ended 31 December		For the year ended 31 December	
	Note	2017	2016	2017	2016
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Changes in revaluation surplus		-	(53,058)	-	(53,058)
Income tax relating to components of other comprehensive income will not be reclassified subsequently to profit or loss	42	-	10,612	-	10,612
		-	(42,446)	-	(42,446)
Total other comprehensive income (loss), net of income tax		4,956,376	(2,308,019)	614,864	(180,684)
Total comprehensive income		48,160,990	45,361,408	38,468,832	41,984,361
Net profit attributable to:					
Owners of the company		43,151,904	47,612,227	37,853,968	42,165,045
Non-controlling interests		52,710	57,200	-	-
Total comprehensive income attributable to:					
Owners of the company		48,070,604	45,321,598	38,468,832	41,984,361
Non-controlling interests		90,386	39,810	-	-
Earnings per share of the parent company					
Basic earnings per share <i>(in Baht)</i>	43	12.69	14.01	11.14	12.40

175

(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)	
Note	Other reserves															
	Issued and paid-up share capital	Premium on share capital		Gains on remeasuring available-for-sale investments	Losses arising from translating the financial statements of a foreign operation	Share of other comprehensive (loss) income of associate (using equity method)	Changes in hedge reserve	Changes in revaluation surplus	Others	Total other reserves	Retained earnings		Total owners of the company	Non-controlling interests	Total shareholders' equity	
		Preferred shares	Common shares								Legal reserve	Unappropriated reserve				
Year ended 31 December 2017																
Balance at																
1 January 2017	38,903	33,953,019	15,213	11,108,978	1,186,362	(125,943)	(72)	40,608	16,605,336	(2,364,207)	15,342,084	7,000,000	266,630,575	334,088,772	209,450	334,298,222
Dividend paid 28	-	-	-	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)	-	(18,695,557)
Conversion of preferred shares to common shares	(1,053)	1,053	(411)	411	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions of non-controlling interests without a change in control	-	-	-	-	40	-	-	3	-	(289)	(246)	-	-	(246)	(415)	(661)
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	43,151,904	43,151,904	52,710	43,204,614
Other comprehensive income (loss)	-	-	-	-	4,828,156	(204,089)	72	294,561	-	-	4,918,700	-	-	4,918,700	37,676	4,956,376
Total comprehensive income (loss)	-	-	-	-	4,828,156	(204,089)	72	294,561	-	-	4,918,700	-	43,151,904	48,070,604	90,386	48,160,990
Transfer to retained earnings	-	-	-	-	-	-	-	-	(275,446)	-	(275,446)	-	275,446	-	-	-
Balance at																
31 December 2017	37,850	33,954,072	14,802	11,109,389	6,014,558	(330,032)	-	335,172	16,329,890	(2,364,496)	19,985,092	7,000,000	291,362,368	363,463,573	299,421	363,762,994

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																	
	Other reserves																
	Note	Issued and paid-up share capital		Premium on share capital		Gains (losses) on remeasuring available-for-sale investments	Losses arising from translating the financial statements of a foreign operation	Share of other comprehensive income (loss) of associate (using equity method)	Changes in hedge reserve	Changes in revaluation surplus	Others	Total other reserves	Retained earnings		Total owners of the company	Non-controlling interests	Total shareholders' equity
		Preferred shares	Common shares	Preferred shares	Common shares								Legal reserve	Unappropriated reserve			
Year ended 31 December 2016																	
Balance at																	
1 January 2016	47,033	33,944,889	18,392	11,105,799	3,279,867	(102,523)	22,748	149,046	16,941,148	(2,364,207)	17,926,079	7,000,000	237,420,539	307,462,731	230,303	307,693,034	
Dividend paid	28	-	-	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)	(8,883)	(18,704,440)	
Conversion of preferred shares to common shares		(8,130)	8,130	(3,179)	3,179	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions of non-controlling interests with a change in control		-	-	-	-	-	-	-	-	-	-	-	-	-	(51,780)	(51,780)	
Net profit		-	-	-	-	-	-	-	-	-	-	-	47,612,227	47,612,227	57,200	47,669,427	
Other comprehensive loss		-	-	-	(2,093,505)	(23,420)	(22,820)	(108,438)	(42,446)	-	(2,290,629)	-	-	(2,290,629)	(17,390)	(2,308,019)	
Total comprehensive (loss) income		-	-	-	(2,093,505)	(23,420)	(22,820)	(108,438)	(42,446)	-	(2,290,629)	-	47,612,227	45,321,598	39,810	45,361,408	
Transfer to retained earnings		-	-	-	-	-	-	-	(293,366)	-	(293,366)	-	-	293,366	-	-	-
Balance at																	
31 December 2016		38,903	33,953,019	15,213	11,108,978	1,186,362	(125,943)	(72)	40,608	16,605,336	(2,364,207)	15,342,084	7,000,000	266,630,575	334,088,772	209,450	334,298,222

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	Issued and paid-up share capital			Premium on share capital		Gains on remeasuring available-for-sale investments	Other reserves			Total shareholders' equity	
	Preferred shares	Common shares	Common shares	Preferred shares	Common shares		Changes in hedge reserve	Changes in revaluation surplus	Total other reserves		
Year ended 31 December 2017											
Balance at											
1 January 2017	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
Dividend paid 28	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)
Conversion of preferred shares to common shares	(1,053)	1,053	(411)	411	-	-	-	-	-	-	-
Net profit	-	-	-	-	-	-	-	-	-	37,853,968	37,853,968
Other comprehensive income	-	-	-	-	573,902	40,962	-	614,864	-	-	614,864
Total comprehensive income	-	-	-	-	573,902	40,962	-	614,864	-	37,853,968	38,468,832
Transfer to retained earnings	-	-	-	-	-	-	(272,340)	(272,340)	-	272,340	-
Balance at											
31 December 2017	37,850	33,954,072	14,802	11,109,389	2,899,569	(8)	15,755,399	18,654,960	7,000,000	258,196,463	328,967,536

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)

The Bank												
Note	Other reserves											
	Issued and paid-up share capital		Premium on share capital		Gains (losses) on remeasuring available-for-sale investments		Changes in hedge reserve		Changes in revaluation surplus		Total other reserves	
											Legal reserve	Unappropriated
	Preferred shares	Common shares	Preferred shares	Common shares								
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	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)	
Conversion of preferred shares to common shares	(8,130)	8,130	(3,179)	3,179	-	-	-	-	-	-	-	
Net profit	-	-	-	-	-	-	-	-	-	42,165,045	42,165,045	
Other comprehensive loss	-	-	-	-	(97,268)	(40,970)	(42,446)	(180,684)	-	-	(180,684)	
Total comprehensive (loss) income	-	-	-	-	(97,268)	(40,970)	(42,446)	(180,684)	-	42,165,045	41,984,361	
Transfer to retained earnings	-	-	-	-	-	-	(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	

—
(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 2017	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2016
Cash flows from operating activities				
Profit from operating before income tax expense	53,495,762	59,162,457	46,101,944	51,483,083
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>				
Depreciation and amortisation	3,271,861	2,796,878	3,103,600	2,609,470
Impairment loss on loans and debt securities	27,497,266	24,694,401	27,460,613	24,696,417
Losses on impairment of properties for sale	12,411	57,877	11,304	57,877
Gains on sales of premises and equipment	(24,479)	(136,790)	(21,405)	(130,154)
Losses (gains) on trading	3,084,349	(4,588,393)	2,685,110	(5,009,286)
Gains on investments	(1,610,763)	(2,534,734)	(704,314)	(1,278,831)
Share of loss from investment for using equity method	8,949	10,513	-	-
	85,735,356	79,462,209	78,636,852	72,428,576
Net interest income	(92,309,515)	(88,449,345)	(82,863,616)	(80,170,200)
Dividend income	(1,032,097)	(1,119,392)	(3,349,891)	(3,535,324)
Proceeds from interest	126,765,200	123,854,189	116,837,369	115,294,836
Interest paid	(33,262,642)	(35,631,228)	(33,211,538)	(35,617,882)
Proceeds from dividend	1,028,378	1,114,134	2,303,359	3,535,324
Income tax paid	(10,793,147)	(12,094,448)	(8,604,425)	(9,878,484)
Profit from operating before changes in operating assets and liabilities	76,131,533	67,136,119	69,748,110	62,056,846
<i>(Increase) decrease in operating assets</i>				
Interbank and money market items	(59,424,924)	3,722,055	(59,585,388)	2,605,860
Derivatives assets	7,527,791	2,845,244	7,061,739	4,781,836
Investment in securities for trading	14,543,299	(9,125,622)	19,682,058	(8,198,192)
Loans to customers	(118,710,261)	(127,196,979)	(116,824,562)	(126,653,978)
Properties for sale	8,512,888	8,310,458	8,512,888	8,310,553
Other assets	2,984,061	5,712,177	7,282,392	8,599,920

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 2017	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2016
Cash flows from operating activities				
<i>Increase (decrease) in operating liabilities</i>				
Deposits	66,185,085	135,543,193	66,436,687	136,549,924
Interbank and money market items	7,620,033	(41,983,904)	7,133,035	(41,938,947)
Liability payable on demand	13,144,432	2,042,112	13,148,481	2,041,263
Liabilities to deliver security	9,306	32,254	-	-
Derivatives liabilities	(8,005,015)	(5,584,736)	(9,742,892)	(6,123,900)
Short-term debt issued and borrowings	(36,174,269)	(13,617,480)	(39,147,291)	(14,024,726)
Liabilities under insurance contracts	31,250,087	32,215,481	-	-
Other liabilities	359,863	11,177,143	(1,017,702)	10,857,321
Net cash from (used in) operating activities	5,953,909	71,227,515	(27,312,445)	38,863,780
Cash flows from investing activities				
Acquisition of available-for-sale securities	(516,878,010)	(571,471,012)	(376,873,023)	(454,907,621)
Proceeds from sales of available-for-sale securities	528,910,230	515,870,226	421,918,513	433,785,212
Acquisition of held-to-maturity securities	(669,600)	(9,231,641)	(669,600)	(710,400)
Proceeds from redemption of held-to-maturity securities	1,707,990	19,679,259	1,900,898	1,453,201
Acquisition of general securities	(243,070)	(801,555)	(234,570)	(801,555)
Proceeds from sales of general securities	30,208	13,791	30,208	13,791
Acquisition of investments in subsidiaries and/or associate	-	-	(457,553)	(421,098)
Proceeds from decrease in capital of subsidiary	-	-	-	8,442,471
Acquisition of premises and equipment	(5,768,414)	(3,265,479)	(5,644,363)	(3,210,640)
Proceeds from sales of premises and equipment	83,694	277,106	78,654	272,002
Acquisition of intangible assets	(5,367,363)	(2,061,133)	(5,216,555)	(2,503,866)
Net cash from (used in) investing activities	1,805,665	(50,990,438)	34,832,609	(18,588,503)

181

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 2017	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2016
Cash flows from financing activities				
Repayment from long-term debt issued	(20,000,000)	-	(20,000,000)	-
Proceeds from long-term debt issued	31,296,938	-	31,296,938	-
Proceeds from long-term borrowings	152,459	-	152,459	-
Dividend paid to equity holders of the Bank	(18,695,557)	(18,695,557)	(18,695,557)	(18,695,557)
Dividend paid to non-controlling interests	-	(8,883)	-	-
Payment of change in ownweship interest in subsidiaries without a change in control	(661)	-	-	-
Net cash used in financing activities	(7,246,821)	(18,704,440)	(7,246,160)	(18,695,557)
Losses arising from translating the financial statements of a foreign operation	(204,089)	(23,420)	-	-
Net increase in cash	308,664	1,509,217	274,004	1,579,720
Cash at 1 January	40,488,512	38,979,295	40,317,033	38,737,313
Cash at 31 December	40,797,176	40,488,512	40,591,037	40,317,033

Supplementary disclosures of cash flow information

Significant non-cash items were as follows:

Gains (losses) on remeasuring available-for-sale investments	6,079,641	(2,641,408)	717,378	(121,585)
Losses arising from translating the financial statements of a foreign operation	(204,089)	(23,420)	-	-
Share of other comprehensive income (loss) of associate (using equity method)	72	(22,820)	-	-
Changes in hedge reserve	370,849	(136,252)	51,202	(51,212)
Changes in revaluation surplus	-	(53,058)	-	(53,058)
Properties for sale from loan payment	8,204,517	9,414,680	8,204,517	9,414,680

- -

(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

For the year ended 31 December 2017

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 22 February 2018.

I General information

The Siam Commercial Bank Public Company Limited, the “Bank”, is incorporated in Thailand and has its registered office at 9 Ratchadapisek 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 2017 and 2016 are given in note 10.

183

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 2017. The initial application of these new and revised TFRS has resulted in changes in certain of the Bank and its subsidiaries’ accounting policies. These changes have no material effect on the financial statements.

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 2018 and have not been adopted in the preparation of these financial statements.

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 revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(b) Basis of measurement

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

Items	Measurement bases
Derivative financial instruments	Fair value
Trading investments	Fair value
Available-for-sale investments	Fair value
Premises	Revaluation to fair value

(c) Functional and presentation currency

The financial statements are presented in Thai Baht, which is the Bank and its subsidiaries' functional currency.

(d) Use of judgments and estimates

184

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 assumptions and estimation uncertainties that create a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements is included in the following notes:

Note 8	Derivatives
Note 11.9	Allowance for doubtful accounts
Note 23	Liabilities under insurance contracts

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 discount 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.

185

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 methods to estimate the ultimate cost of claims.

Process involved in determining 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 5 and 15.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 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, as describe in subsidiaries section, other than those with entities under common control.

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

187

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 initially recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 2017 and 2016 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".

3.2 Cash

Cash includes cash in hand and cash on collection.

3.3 Investments

The Bank classifies its investments in securities as trading securities, available-for-sale securities, held-to-maturity securities, general investments and investments 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 gains on tradings. 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

3.4 Loans

189

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.

Finance 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.

3.5 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.

In addition, the BoT requires banks 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

For corporate loans, the Bank considers a borrower's ability to repay the obligation on an individual basis based on recent payment history, ability to generate future cash flows and other qualitative factors and the net present value of proceeds from liquidating collateral, 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. 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 has sought collection but has no prospect of further recovery. These procedures comply with BoT's notification and guidelines.

3.6 Troubled debt restructuring

190

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 transfers and debt to equity swaps, 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 (revised 2016) 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

3.7 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 2016) Impairment of Assets.

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

3.8 Premises and equipment

Recognition and measurement

Owned assets

Premises and equipment are measured at cost less accumulated depreciation and impairment losses except for land and buildings which are measured at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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 labour, 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.

Any 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 in profit or loss.

Revalued assets

Revaluations are performed by independent professional valuers 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

3.9 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 3.1. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 3.10. Negative goodwill is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Other intangible assets

Other intangible assets which are software licenses 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
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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.

3.10 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

3.11 Liabilities to deliver security

The subsidiary records its obligations to return borrowed securities as "liabilities to deliver security" in the statement of financial position.

This represents the subsidiary's liability to return collateral, 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 profit or loss. Fees for borrowing and lending are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

3.12 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 expenses 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 expenses and other expenses related to defined benefit plans are recognised in profit or loss.

195

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

3.13 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.

3.14 Initial recognition

The Bank and its subsidiaries initially recognise the purchase and sale of investments on the settlement date. All other financial instruments, 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.

Preferred shares

196

Preferred 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.

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity, net of any tax effects.

3.15 Interest income and interest expenses

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 expenses are recognised in profit or loss on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

3.16 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 receivables which are outstanding over three months from the due date is made in order to comply with the guidelines of the BoT.

3.17 Fees and service income

Fees and service income for the performance of services are recognised as and when the related services are performed.

197

3.18 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.

3.19 Gains on trading

Gains on trading are recognised based on the remeasurement to fair value of the underlying instruments in profit or loss on an accrual basis.

3.20 Contributions to the Deposit Protection Agency

Contributions to the Deposit Protection Agency are recorded as expenses on an accrual basis.

3.21 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

3.22 Earnings per share

Since 10 May 2009, the conversion option of the preferred shares expired. Therefore, the preferred shares' rights are equivalent to the common shares. Basic earnings per share is calculated from net profit attributable to common shareholders of the Bank divided by the total number of common shares and preferred shares.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

3.23 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.

3.24 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

3.25 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.

3.26 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.

3.27 Sales of bills of exchange

Sales of bills of exchange, with recourse, 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

3.28 Other significant accounting policies of the life insurance subsidiary

3.28.1 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.

3.28.2 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 mentioned on insurance policy.

203

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

4 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.

205

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.

4.1 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

The Bank and its subsidiaries have 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.

206

The Bank and its subsidiaries have 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.

4.2 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 and its subsidiaries' assets, liabilities, equity and off-financial reporting items.

The Bank and its subsidiaries have established policies for interest rate risk management to ensure that interest rate risk remains within the Bank's risk appetite. The Bank and its subsidiaries use 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).

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

As at 31 December 2017 and 2016, significant financial assets and liabilities can be repriced as follows:

(in million Baht)

	Consolidated							
	2017							
	Reprice on demand	Reprice within 3 - 12 months	Reprice within 1 - 5 years	Reprice Over 5 years	Non Performing Loans	Non interest bearing	Total	
Financial assets								
Cash	-	-	-	-	-	-	40,797	40,797
Interbank and money market items *	15,180	270,023	3,629	2,018	4,648	-	21,465	316,963
Investments, net	-	84,337	144,281	98,655	212,727	-	30,371	570,371
Loans to customers **	967,200	385,341	180,035	399,538	37,058	65,560	-	2,034,732
Total financial assets	982,380	739,701	327,945	500,211	254,433	65,560	92,633	2,962,863
Financial liabilities								
Deposits	1,300,295	317,140	375,980	20,826	-	-	78,216	2,092,457
Interbank and money market items	13,381	69,062	2,444	3,899	12,920	-	6,867	108,573
Debt issued and borrowings	-	4,371	127	24,773	49,267	-	-	78,538
Total financial liabilities	1,313,676	390,573	378,551	49,498	62,187	-	85,083	2,279,568
Difference	(331,296)	349,128	(50,606)	450,713	192,246	65,560	7,550	683,295

* Before deducting allowance for doubtful accounts amounting to Baht 230 million

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	Consolidated							
	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	-	-	-	-	-	-	40,489	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
Total financial assets	1,004,519	674,874	333,432	446,474	223,064	57,593	87,611	2,827,567
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
Total financial liabilities	1,174,532	450,723	454,112	35,782	51,498	-	67,416	2,234,063
Difference	(170,013)	224,151	(120,680)	410,692	171,566	57,593	20,195	593,504

* Before deducting allowance for doubtful accounts amounting to Baht 187 million

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank							
	2017							
	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	-	-	-	-	-	-	40,591	40,591
Interbank and money market items *	13,170	269,439	763	-	-	-	20,335	303,707
Investments, net	-	80,917	142,249	55,541	10,414	-	9,912	299,033
Loans to customers **	956,586	385,341	180,035	397,509	37,058	64,537	-	2,021,066
Total financial assets	969,756	735,697	323,047	453,050	47,472	64,537	70,838	2,664,397
Financial liabilities								
Deposits	1,296,985	316,925	375,976	20,826	-	-	77,178	2,087,890
Interbank and money market items	14,436	69,062	2,444	3,899	13,820	-	7,251	110,912
Debt issued and borrowings	-	556	127	25,430	49,267	-	-	75,380
Total financial liabilities	1,311,421	386,543	378,547	50,155	63,087	-	84,429	2,274,182
Difference	(341,665)	349,154	(55,500)	402,895	(15,615)	64,537	(13,591)	390,215

* Before deducting allowance for doubtful accounts amounting to Baht 230 million

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(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
Total financial assets	993,547	668,065	330,235	410,389	46,757	56,544	69,210	2,574,747
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
Total financial liabilities	1,173,390	449,212	454,108	36,511	51,948	-	66,717	2,231,886
Difference	(179,843)	218,853	(123,873)	373,878	(5,191)	56,544	2,493	342,861

* Before deducting allowance for doubtful accounts amounting to Baht 187 million

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

As at 31 December 2017 and 2016, interest earning and interest bearing financial instruments were as follows:

	Consolidated					
	2017			2016		
	Average	Interest	Average	Average	Interest	Average
	(in million Baht)		interest rate	(in million Baht)		interest rate
			(%)			(%)
Interbank and money market items, net (Assets)	286,995	5,028	1.8	259,100	4,206	1.6
Investments, net	580,479	13,185	2.3	563,621	12,827	2.3
Loans to customers *	1,986,890	106,812	5.4	1,886,227	105,323	5.6
Deposits	2,059,365	19,006	0.9	1,958,501	20,225	1.0
Interbank and money market items (Liabilities)	104,763	1,218	1.2	121,945	1,034	0.8
Debt issued and borrowings	92,688	3,091	3.3	114,001	3,904	3.4

* Net of deferred revenue

	The Bank					
	2017			2016		
	Average	Interest	Average	Average	Interest	Average
	(in million Baht)		interest rate	(in million Baht)		interest rate
			(%)			(%)
Interbank and money market items, net (Assets)	273,689	4,583	1.7	245,197	3,794	1.5
Investments, net	331,055	4,969	1.5	348,469	5,428	1.6
Loans to customers *	1,974,166	105,991	5.4	1,874,464	104,835	5.6
Deposits	2,054,672	18,984	0.9	1,953,179	20,220	1.0
Interbank and money market items (Liabilities)	107,345	1,245	1.2	124,748	1,049	0.8
Debt issued and borrowings	91,016	3,050	3.4	114,019	3,874	3.4

* Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

4.3 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 2017 and 2016, financial assets and liabilities denominated in the various currencies as follows:

(in million Baht)

	Consolidated				
	USD	EURO	2017 YEN	SGD	Others
Financial assets					
Cash	592	204	98	38	307
Interbank and money market items *	22,605	298	537	585	2,518
Investments, net	11,555	2,238	871	756	331
Loans to customers **	98,360	5,512	217	11,527	1,435
Accrued interest receivables	186	14	-	4	4
Total financial assets	133,298	8,266	1,723	12,910	4,595
Financial liabilities					
Deposits	48,108	1,125	542	2	1,410
Interbank and money market items	8,250	271	-	-	546
Debt issued and borrowings	53,785	20	-	-	-
Other liabilities	476	-	-	-	4
Total financial liabilities	110,619	1,416	542	2	1,960
On-financial reporting items, net	22,679	6,850	1,181	12,908	2,635
Off-financial reporting items - contingencies					
(currency swap contracts)	(8,589)	(7,461)	780	(12,584)	(1,047)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	Consolidated				
	2016				
	USD	EURO	YEN	SGD	Others
Financial assets					
Cash	495	166	102	39	240
Interbank and money market items *	29,992	375	452	232	2,070
Investments, net	14,431	2,264	23,154	773	453
Loans to customers **	102,157	2,428	217	11,381	888
Accrued interest receivables	250	15	-	3	4
Total financial assets	147,325	5,248	23,925	12,428	3,655
Financial liabilities					
Deposits	69,013	1,014	242	2	1,444
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	2	1,458
On-financial reporting items, net	9,569	3,987	23,683	12,426	2,197
Off-financial reporting items - contingencies					
(currency swap contracts)	(1,174)	(3,257)	(25,264)	(12,129)	1,160

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank				
	2017				
	USD	EURO	YEN	SGD	Others
Financial assets					
Cash	394	204	98	38	306
Interbank and money market items *	17,355	298	537	585	2,498
Investments, net	2,566	3	871	756	331
Loans to customers **	95,802	5,512	217	11,527	1,435
Accrued interest receivables	172	14	-	4	4
Total financial assets	116,289	6,031	1,723	12,910	4,574
Financial liabilities					
Deposits	42,648	1,125	542	2	1,390
Interbank and money market items	8,315	271	-	-	546
Debt issued and borrowings	54,442	20	-	-	-
Other liabilities	475	-	-	-	4
Total financial liabilities	105,880	1,416	542	2	1,940
On-financial reporting items, net	10,409	4,615	1,181	12,908	2,634
Off-financial reporting items - contingencies					
(currency swap contracts)	(1,973)	(5,939)	780	(12,584)	(1,047)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank				
	2016				
	USD	EURO	YEN	SGD	Others
Financial assets					
Cash	330	166	102	39	239
Interbank and money market items *	25,242	375	452	232	2,061
Investments, net	1,791	3	23,104	773	310
Loans to customers **	99,248	2,428	217	11,381	888
Accrued interest receivables	233	15	-	3	4
Total financial assets	126,844	2,987	23,875	12,428	3,502
Financial liabilities					
Deposits	63,359	1,014	242	2	1,439
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	2	1,453
On-financial reporting items, net	(6,162)	1,726	23,633	12,426	2,049
Off-financial reporting items - contingencies					
(currency swap contracts)	6,207	(1,784)	(25,329)	(12,129)	1,079

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

4.4 Equity risk

Equity risk is the risk arising from changes in the price of equities or common stock that may cause volatility in earning or fluctuations in the value of 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 9 and 10).

4.5 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.

216

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 2017, the liquidity ratio (liquid assets to total deposits) stood at 26.9% on a bank-only basis (2016: 28.8%).

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

As at 31 December 2017 and 2016, financial assets and liabilities were classified according to their contractual maturity as follows:

(in million Baht)

	Consolidated						
	2017						
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	40,797	40,797
Interbank and money market items*	35,996	269,383	3,037	3,522	5,025	-	316,963
Investments, net**	-	80,937	141,856	55,552	10,414	17,010	305,769
Loans to customers***	184,694	302,526	209,018	683,988	654,506	-	2,034,732
Accrued interest receivables	-	3,328	-	-	-	-	3,328
Total financial assets	220,690	656,174	353,911	743,062	669,945	57,807	2,701,589
Financial liabilities							
Deposits	1,360,166	324,417	382,032	25,842	-	-	2,092,457
Interbank and money market items	20,248	63,777	2,990	8,638	12,920	-	108,573
Debt issued and borrowings	-	4,371	127	24,773	49,267	-	78,538
Other liabilities	-	892	3,491	51	-	-	4,434
Total financial liabilities	1,380,414	393,457	388,640	59,304	62,187	-	2,284,002
Net liquidity gap	(1,159,724)	262,717	(34,729)	683,758	607,758	57,807	417,587

* Before deducting allowance for doubtful accounts amounting to Baht 230 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank						
	2017						
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	Total
Financial assets							
Cash	-	-	-	-	-	40,591	40,591
Interbank and money market items*	33,438	268,769	-	1,500	-	-	303,707
Investments, net	-	80,917	142,249	55,541	10,414	9,912	299,033
Loans to customers**	174,022	302,526	208,852	681,160	654,506	-	2,021,066
Accrued interest receivables	-	2,964	-	-	-	-	2,964
Total financial assets	207,460	655,176	351,101	738,201	664,920	50,503	2,667,361
Financial liabilities							
Deposits	1,355,818	324,202	382,028	25,842	-	-	2,087,890
Interbank and money market items	21,687	63,777	2,990	8,638	13,820	-	110,912
Debt issued and borrowings	-	556	127	25,430	49,267	-	75,380
Other liabilities	-	891	3,491	51	-	-	4,433
Total financial liabilities	1,377,505	389,426	388,636	59,961	63,087	-	2,278,615
Net liquidity gap	(1,170,045)	265,750	(37,535)	678,240	601,833	50,503	388,746

* Before deducting allowance for doubtful accounts amounting to Baht 230 million

** Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(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

Loans to deposits ratio

As at 31 December 2017 and 2016, the loans to deposits ratios in the consolidated financial statements were as follows:

	2017		2016	
Gross loans to deposits ratio (Consolidated financial statements)	97.2		95.7	
Gross loans to deposits and B/E ratio (Consolidated financial statements)	97.2		95.7	

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

4.6 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 and appropriateness 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.

221

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 2017, 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. ranging between 25 - 42 basis points) as at 31 December 2017. Management monitors the sensitivity to changes in interest rates on an ongoing basis. A decrease of 8 basis points from current market interest rates would not trigger an increase in liability adequacy test reserves.

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

5 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 these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the 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 observable market 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 2017.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Carrying amounts 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 for financial instruments measured at fair value. 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.

5.1 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	Total	Level 1	Level 2	Total
2017						
Financial assets						
Derivatives assets						
- Foreign exchange rate	-	26,362	26,362	-	26,728	26,728
- Interest rate	-	15,749	15,749	-	15,583	15,583
- Others	-	195	195	-	2,531	2,531
Total	-	42,306	42,306	-	44,842	44,842
Investments						
- Trading securities	7,066	9,127	16,193	-	9,101	9,101
- Available-for-sale securities	21,863	410,201	432,064	8,482	268,383	276,865
Total	28,929	419,328	448,257	8,482	277,484	285,966
Total financial assets	28,929	461,634	490,563	8,482	322,326	330,808
Financial liabilities						
Derivatives liabilities						
- Foreign exchange rate	-	24,526	24,526	-	27,519	27,519
- Interest rate	-	14,398	14,398	-	14,351	14,351
- Others	278	5,524	5,802	-	2,493	2,493
Total financial liabilities	278	44,448	44,726	-	44,363	44,363

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	Consolidated			The Bank		
	Fair value			Fair value		
	Level 1	Level 2	Total	Level 1	Level 2	Total
2016						
Financial assets						
Derivatives assets						
- Foreign exchange rate	-	36,637	36,637	-	37,372	37,372
- Interest rate	-	19,056	19,056	-	19,056	19,056
- Others	-	47	47	-	356	356
Total	-	55,740	55,740	-	56,784	56,784
Investments						
- 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
Total	24,915	442,434	467,349	7,882	341,212	349,094
Total financial assets	24,915	498,174	523,089	7,882	397,996	405,878
Financial liabilities						
Derivatives liabilities						
- Foreign exchange rate	-	37,520	37,520	-	37,485	37,485
- Interest rate	-	15,675	15,675	-	15,675	15,675
- Others	59	244	303	-	284	284
Total financial liabilities	59	53,439	53,498	-	53,444	53,444

The Bank and its subsidiaries determine Level 2 fair values for debt securities using quoted market prices for identical or similar instruments in active markets or other inputs that are observable market data.

Level 2 fair values for over-the-counter derivative financial instruments are derived using broker quotes in active markets. Fair values reflect the credit risk of the counterparty.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

5.2 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 2017 and 2016 were as follows:

(in million Baht)

	Consolidated		The Bank	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2

2017

Financial assets

Derivatives assets	1,193	692	1,193	692
Held-to-maturity securities	120,671	134,404	11,637	12,749

Financial liabilities

Derivatives liabilities	258	285	258	285
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(in million Baht)

	Consolidated		The Bank	
	Carrying amount	Fair value Level 2	Carrying amount	Fair value Level 2

2016

Financial assets

Derivatives assets	2,851	2,984	2,851	2,984
Held-to-maturity securities	122,166	133,768	12,915	13,998

Financial liabilities

Derivatives liabilities	694	651	694	651
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NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

The following methods and assumptions are used 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, where available. 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:	<p>The following methodologies are used to determine the fair value of securities held by the Bank.</p> <ul style="list-style-type: none"> - 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 and listed unit trust. - The fair value of non listed 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:	<ul style="list-style-type: none"> - 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Deposits and interbank and money market items (Liabilities):	<ul style="list-style-type: none"> - 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:	<ul style="list-style-type: none"> - 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.

228

6 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 8 May 2015, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2017 and 2016, the Consolidated Supervision group and the Bank's total capital funds were categorised as follows:

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	Basel III	
	Consolidated Supervision	
	2017	2016
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	265,905	236,110
Disclosed reserves		
Other comprehensive income	20,476	16,709
Other owner changes items	(2,365)	(2,364)
Capital deduction items on CET1	(14,193)	(8,005)
Total Tier 1 capital	321,939	294,566
Tier 2 capital		
Subordinated debt	20,000	36,000
Allowance for classified assets of "normal" category	22,564	21,752
Total Tier 2 capital	42,564	57,752
Total capital funds	364,503	352,318

Total risk weighted assets	2,055,938	1,986,927
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Total capital / Total risk weighted assets	(minimum 9.75%*)	17.7%	17.7%
Total Tier 1 capital / Total risk weighted assets	(minimum 7.25%*)	15.6%	14.8%
Total Tier 1 common equity / Total risk weighted assets	(minimum 5.75%*)	15.6%	14.8%
Total Tier 2 capital / Total risk weighted assets		2.1%	2.9%

* 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	363,997	351,110
Capital ratio after deducting capital add-on arising from Single Lending Limit	17.7%	17.7%

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

		Basel III	
		The Bank	
		2017	2016
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		242,348	218,192
Other comprehensive income		16,596	16,672
Capital deduction items on CET1		(11,082)	(6,872)
Total Tier 1 capital		299,978	280,108
Tier 2 capital			
Subordinated debt		20,000	36,000
Allowance for classified assets of "normal" category		21,754	21,165
Total Tier 2 capital		41,754	57,165
Total capital funds		341,732	337,273
Total risk weighted assets		1,984,315	1,933,848
Total capital / Total risk weighted assets	(minimum 9.75%*)	17.2%	17.4%
Total Tier 1 capital / Total risk weighted assets	(minimum 7.25%*)	15.1%	14.5%
Total Tier 1 common equity / Total risk weighted assets	(minimum 5.75%*)	15.1%	14.5%
Total Tier 2 capital / Total risk weighted assets		2.1%	2.9%
* 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		341,029	336,083
Capital ratio after deducting capital add-on arising from Single Lending Limit		17.2%	17.4%

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Disclosures of capital maintenance information under Bank of Thailand Notification number Sor Nor Sor 4/2556 dated 2 May 2013 on the Public Disclosures of Capital Maintenance for Commercial Banks and Bank of Thailand Notification number Sor Nor Sor 5/2556 dated 2 May 2013 on 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 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

7 Interbank and money market items, net (Assets)

As at 31 December 2017 and 2016, interbank and money market items, net (Assets) were as follows:

(in million Baht)

	Consolidated					
	2017			2016		
	Demand	Time	Total	Demand	Time	Total
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	13,731	241,439	255,170	14,667	181,545	196,212
Commercial banks	1,824	20,303	22,127	1,389	18,533	19,922
Specialised financial institutions*	-	-	-	-	3,293	3,293
Other financial institutions**	1,325	10,206	11,531	1,113	5,447	6,560
Total	16,880	271,948	288,828	17,169	208,818	225,987
Add accrued interest receivables	-	651	651	-	558	558
Less allowance for doubtful accounts	-	(163)	(163)	-	(107)	(107)
Total domestic items	16,880	272,436	289,316	17,169	209,269	226,438
Foreign items:						
US Dollar	14,244	8,284	22,528	11,668	15,485	27,153
Japanese YEN	537	-	537	452	-	452
Euro	298	-	298	360	15	375
Other currencies	4,037	70	4,107	2,786	125	2,911
Total	19,116	8,354	27,470	15,266	15,625	30,891
Add accrued interest receivables	-	14	14	-	7	7
Less allowance for doubtful accounts	-	(67)	(67)	-	(80)	(80)
Total foreign items	19,116	8,301	27,417	15,266	15,552	30,818
Total domestic and foreign items	35,996	280,737	316,733	32,435	224,821	257,256

* Specialised financial institutions represent 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 represent 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank					
	2017			2016		
	Demand	Time	Total	Demand	Time	Total
Domestic items:						
Bank of Thailand and Financial						
Institutions Development Fund	13,731	241,439	255,170	14,667	181,545	196,212
Commercial banks	1,602	11,553	13,155	922	10,738	11,660
Specialised financial institutions*	-	-	-	-	3,293	3,293
Other financial institutions**	1,325	11,706	13,031	1,113	5,447	6,560
Total	16,658	264,698	281,356	16,702	201,023	217,725
Add accrued interest receivables	-	72	72	-	38	38
Less allowance for doubtful accounts	-	(163)	(163)	-	(107)	(107)
Total domestic items	16,658	264,607	281,265	16,702	200,954	217,656
Foreign items:						
US Dollar	11,926	5,424	17,350	8,995	13,589	22,584
Japanese YEN	537	-	537	452	-	452
Euro	298	-	298	360	15	375
Other currencies	4,019	70	4,089	2,783	125	2,908
Total	16,780	5,494	22,274	12,590	13,729	26,319
Add accrued interest receivables	-	5	5	-	7	7
Less allowance for doubtful accounts	-	(67)	(67)	-	(80)	(80)
Total foreign items	16,780	5,432	22,212	12,590	13,656	26,246
Total domestic and foreign items	33,438	270,039	303,477	29,292	214,610	243,902

* Specialised financial institutions represent 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 represent 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

8 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

As at 31 December 2017 and 2016, the notional amount of derivatives was as follows:

(in million Baht)

	Consolidated			
	2017			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	Total
Forward exchange contracts	1,239,306	20,297	13,128	1,272,731
Currency swap contracts	174,908	282,595	164,862	622,365
Interest rate swap contracts	547,982	1,180,473	356,081	2,084,536
Equity derivatives	4,648	7,257	-	11,905
Commodity derivatives	706	-	-	706

(in million Baht)

	Consolidated			
	2016			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank			
	2017			
	Notional amount			Total
	Less than 1 year	Within 1 - 5 years	More than 5 years	
Forward exchange contracts	1,239,138	20,297	13,128	1,272,563
Currency swap contracts	174,908	289,152	166,933	630,993
Interest rate swap contracts	547,282	1,170,472	356,982	2,074,736
Equity derivatives	7,171	7,257	-	14,428
Commodity derivatives	706	-	-	706

(in million Baht)

	The Bank			
	2016			
	Notional amount			Total
	Less than 1 year	Within 1 - 5 years	More than 5 years	
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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

8.1 Trading book derivatives

As at 31 December 2017 and 2016, carrying amount and notional amount classified by type of risk were as follows:

(in million Baht)

Type of risk	Consolidated					
	2017			2016		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	26,362	24,526	1,761,757	36,637	37,520	1,807,039
Interest rate	15,749	14,398	2,002,122	19,056	15,675	1,858,306
Equity derivatives	135	5,741	11,905	40	296	4,044
Commodity derivatives	60	61	706	7	7	104
Total	42,306	44,726	3,776,490	55,740	53,498	3,669,493

237

(in million Baht)

Type of risk	The Bank					
	2017			2016		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	26,728	27,519	1,770,217	37,372	37,485	1,818,525
Interest rate	15,583	14,351	1,992,322	19,056	15,675	1,858,756
Equity derivatives	2,471	2,432	14,428	349	277	6,335
Commodity derivatives	60	61	706	7	7	104
Total	44,842	44,363	3,777,673	56,784	53,444	3,683,720

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

8.2 Banking book derivatives

As at 31 December 2017 and 2016, carrying amount and notional amount classified by type of risk were as follows:

(in million Baht)

Type of risk	Consolidated					
	2017			2016		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	1,193	258	133,339	2,851	694	102,721
Interest rate ⁽¹⁾	189	31	82,414	92	18	98,158
Total	1,382	289	215,753	2,943	712	200,879

(in million Baht)

Type of risk	The Bank					
	2017			2016		
	Carrying amount Assets	Liabilities	Notional amount	Carrying amount Assets	Liabilities	Notional amount
Foreign exchange rate	1,193	258	133,339	2,851	694	102,721
Interest rate ⁽¹⁾	189	31	82,414	92	18	98,158
Total	1,382	289	215,753	2,943	712	200,879

⁽¹⁾ Carrying amount at the end of the 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.

The carrying amount of derivative assets and liabilities for trading book derivatives is based on fair value and banking book derivatives is based on an accrual basis in accordance with the accounting policy disclosed in note 3.25.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

As at 31 December 2017 and 2016, the proportions, determined based on the notional amount of derivatives contracts divided by type of counterparty were as follows:

	Consolidated		The Bank	
	2017	2016	2017	2016
(%)				
Counterparty				
Financial institutions	79.97	74.41	79.64	74.07
Affiliated companies	-	-	0.44	0.46
Third parties	20.03	25.59	19.92	25.47

9 Investments, net**9.1 Classification of investments in securities**

As at 31 December 2017 and 2016, the investments in securities of the Bank and its subsidiaries were classified as follows:

	Consolidated		The Bank	
	2017	2016	2017	2016
	Fair value	Fair value	Fair value	Fair value
(in million Baht)				
Trading securities				
Government and state enterprise securities	9,089	27,291	9,063	27,269
Corporate debt securities	38	23	38	23
Domestic equity securities	7,066	1,562	-	-
Total	16,193	28,876	9,101	27,292
(in million Baht)				
	Consolidated		The Bank	
	2017	2016	2017	2016
	Fair value	Fair value	Fair value	Fair value
Available-for-sale securities				
Government and state enterprise securities	362,079	347,394	265,702	289,548
Corporate debt securities	37,224	31,952	-	-
Foreign debt securities	10,898	35,752	2,681	24,372
Domestic equity securities	20,248	19,292	6,867	6,817
Foreign equity securities	1,615	4,083	1,615	1,065
Total	432,064	438,473	276,865	321,802

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

Held-to-maturity securities

Government and state enterprise securities

Corporate debt securities

Foreign debt securities

Other securities

Total

Less allowance for impairment

Total

Consolidated		The Bank	
2017	2016	2017	2016
Cost / Amortised cost	Cost / Amortised cost	Cost / Amortised cost	Cost / Amortised cost
119,125	120,589	10,992	12,215
36	36	399	423
246	277	246	277
1,300	1,300	-	-
120,707	122,202	11,637	12,915
(36)	(36)	-	-
120,671	122,166	11,637	12,915

(in million Baht)

General investments

Domestic non-marketable equity securities

Foreign non-marketable equity securities

Total

Less allowance for impairment

Total

Consolidated		The Bank	
2017	2016	2017	2016
Cost	Cost	Cost	Cost
1,092	934	1,079	928
532	319	532	319
1,624	1,253	1,611	1,247
(181)	(181)	(181)	(180)
1,443	1,072	1,430	1,067
570,371	590,587	299,033	363,076

Total investments, net

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

9.2 Unrealised gains (losses) on available-for-sale securities and held-to-maturity securities

As at 31 December 2017 and 2016, unrealised gains (losses) on available-for-sale securities and held-to-maturity securities were as follows:

(in million Baht)

Type of securities	Consolidated							
	2017				2016			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised cost	Unrealised gains	Unrealised losses	Fair value
Available-for-sale securities	424,496*	9,201	(1,633)	432,064	437,566*	5,484	(4,577)	438,473
Held-to-maturity securities	120,671*	13,739	(6)	134,404	122,166*	11,602	-	133,768
Total	545,167	22,940	(1,639)	566,468	559,732	17,086	(4,577)	572,241

* Net of allowance for impairment

(in million Baht)

Type of securities	The Bank							
	2017				2016			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised cost	Unrealised gains	Unrealised losses	Fair value
Available-for-sale securities	273,496*	3,412	(43)	276,865	319,721*	2,645	(564)	321,802
Held-to-maturity securities	11,637*	1,112	-	12,749	12,915*	1,083	-	13,998
Total	285,133	4,524	(43)	289,614	332,636	3,728	(564)	335,800

* Net of allowance for impairment

9.3 Investments in companies with holding of 10% and upwards

As at 31 December 2017 and 2016, 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)

Number of companies	Consolidated		The Bank	
	2017	2016	2017	2016
Mutual funds and financial services	2	-	-	-
Others	6 - 9	226	76	226
		226	76	76

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

9.4 Investments in companies with problems in their financial positions

As at 31 December 2017, 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 (2016: Baht 59 million).

10 Investments in subsidiaries and associate, net

10.1 Type of investments in subsidiaries and associate

As at 31 December 2017 and 2016, the Bank and its subsidiaries had an investment in associate, net of any impairment provisions, as follows:

				Consolidated					
				Direct and indirect		Investment value			
	Type of	Type of	shareholding			Cost method		Equity method	
	business	share	2017	2016	2017	2016	2017	2016	2016
				(%)		(in million Baht)			
Associate									
Services									
Supernap (Thailand) Co., Ltd.*	Data center	Common	-	24.9	-	351	-	334	
Less allowance for impairment					-	(17)	-	-	
Total investments in associate, net					-	334	-	334	

* The Bank has lost significant influence from investments in associate to general investments due to the partial disposal in 2nd quarter of 2017, so the remaining shareholding is at 10%. Accordingly the investment is no longer classified as an associate.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

As at 31 December 2017 and 2016, the Bank had investments in subsidiaries and associate, net of impairment provisions, as follows:

			The Bank			
			Direct		Investment value	
			shareholding		Cost method	
Type of business	Type of share		2017	2016	2017	2016
			(%)		(in million Baht)	
Subsidiaries						
Finance & Insurance						
Cambodian Commercial Bank Ltd.	Banking	Common	100.0	100.0	2,688	1,284
Rutchayothin Assets Management Co., Ltd.	Asset management	Common	100.0	100.0	25	25
SCB Securities Co., Ltd.	Securities	Common	100.0	100.0	2,207	2,207
SCB Asset Management Co., Ltd.	Asset management	Common	100.0	100.0	222	222
Siam Commercial Leasing PCL*	Collection	Common	99.4	99.4	1,533	1,533
SCB Life Assurance PCL	Life insurance	Common	99.2	99.2	12,540	12,540
Services						
SCB Training Centre Co., Ltd.	Training center	Common	100.0	100.0	390	390
Siam Phitiwat Co., Ltd.*	Appraisal services	Common	100.0	100.0	10	10
SCB Plus Co., Ltd.	Collection	Common	100.0	100.0	1	1
SCB Protect Co., Ltd. **	Non-life insurance broker	Common	100.0	-	2	-
SCB Abacus Co., Ltd. **	Data analytics	Common	100.0	-	10	-
Other						
Sor. Or. Kor. PCL*	Commercial	Common	99.7	99.7	583	583
Indirect subsidiaries						
Mahisorn Co., Ltd.***	Property management	Common	-	-	-	-
Digital Ventures Co., Ltd.****	Venture capital	Common	-	-	-	-
Associate						
Services						
Supernap (Thailand) Co., Ltd. *****	Data center	Common	-	10.0	-	141
Total					20,211	18,936
Less allowance for impairment					(2,194)	(2,194)
Total investments in subsidiaries and associate, net					18,017	16,742

* The Company is under liquidation

** Newly established in 2017

*** Subsidiary of SCB Plus Co., Ltd. (100% shareholding)

**** Subsidiary of SCB Securities Co., Ltd. (100% shareholding)

***** The Bank has lost significant influence from investments in associate to general investments due to the partial disposal in 2nd quarter of 2017. Accordingly the investment is no longer classified as an associate.

All subsidiaries and associate were registered and operate in Thailand except for the Cambodian Commercial Bank Ltd., which is registered and operate in Cambodia.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

10.2 The summarised financial information of the associate was as follows:

(in million Baht)

	2017			2016		
	(Unaudited)			(Audited)		
	Total assets	Total liabilities	Equity	Total assets	Total liabilities	Equity
Services*	4,181	2,878	1,303	3,736	2,415	1,321
	4,181	2,878	1,303	3,736	2,415	1,321

(in million Baht)

	For the year ended 31 December					
	2017			2016		
	(Unaudited)			(Audited)		
	Revenue	Expenses	Net loss	Revenue	Expenses	Net loss
Services*	27	45	(18)	6	69	(63)
	27	45	(18)	6	69	(63)

(in million Baht)

For the year ended 31 December	Supernap (Thailand) Co., Ltd.	
	2017	2016
Carrying amount of interests in associate		
Group's share of:		
- Loss from continuing operations	(9)	(11)
- Total comprehensive loss	(9)	(11)

* The Bank has lost significant influence from investments in associate to general investments due to the partial disposal in 2nd quarter of 2017. Accordingly the investment is no longer classified as an associate.

As at 31 December 2017 and 2016, 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 SG Star Property Co., Ltd. Their financial statements have reported balances which do not have a material impact on the Bank's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

10.3 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 the 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 2017 and 2016 amounted to Baht 6,184 million and Baht 6,037 million, respectively.

11 Loans to customers and accrued interest receivables, net

11.1 Classified by product as at 31 December 2017 and 2016

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Overdrafts	101,065	103,864	100,536	103,217
Loans	1,401,337	1,349,447	1,389,019	1,338,845
Bills	297,401	268,031	297,401	268,031
Finance leases	204,877	191,971	204,877	191,971
Others	55,268	49,292	54,449	48,758
Less deferred revenue	(25,216)	(23,557)	(25,216)	(23,557)
Total loans to customers, net	2,034,732	1,939,048	2,021,066	1,927,265
Add accrued interest receivables	3,328	4,128	2,964	3,505
Total loans to customers and accrued interest receivables, net	2,038,060	1,943,176	2,024,030	1,930,770
Less allowance for doubtful accounts				
– allowance established per BoT regulations.				
– Individual approach	(46,752)	(44,063)	(45,998)	(43,339)
– Collective approach	(6,767)	(6,569)	(6,767)	(6,569)
– allowance established in excess of BoT minimum regulations	(32,180)	(22,721)	(32,171)	(22,716)
Less revaluation allowance for debt restructuring	(4,291)	(4,004)	(4,291)	(4,004)
Total	1,948,070	1,865,819	1,934,803	1,854,142

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

11.2 Classified by currency and residential status of customers as at 31 December 2017 and 2016

(in million Baht)

	Consolidated					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,892,701	24,980	1,917,681	1,795,790	26,187	1,821,977
US Dollar	42,333	56,027	98,360	39,234	62,923	102,157
Other currencies	6,812	11,879	18,691	1,289	13,625	14,914
Total			2,034,732			1,939,048

(in million Baht)

	The Bank					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	1,881,593	24,980	1,906,573	1,786,916	26,187	1,813,103
US Dollar	42,333	53,469	95,802	39,234	60,014	99,248
Other currencies	6,812	11,879	18,691	1,289	13,625	14,914
Total			2,021,066			1,927,265

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

11.3 Classified by business type and quality of loan classification as at 31 December 2017 and 2016

(in million Baht)

	Consolidated											
	2017						2016					
	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total*	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total*
Agriculture and mining	16,625	2,290	336	124	179	19,554	14,676	170	86	62	172	15,166
Manufacturing and commercial	565,471	16,976	5,043	3,684	21,559	612,733	558,665	16,628	8,287	3,709	18,061	605,350
Real estate and construction	140,789	3,210	952	655	3,517	149,123	125,456	2,201	1,543	882	2,673	132,755
Utilities and services	338,868	1,493	1,023	1,209	3,701	346,294	319,793	610	2,481	626	1,776	325,286
Housing loans	514,815	12,329	6,042	5,649	3,729	542,564	500,840	10,672	4,736	3,128	2,493	521,869
Others	340,964	15,342	3,718	2,108	2,332	364,464	317,525	14,219	3,541	1,300	2,037	338,622
Total *	1,917,532	51,640	17,114	13,429	35,017	2,034,732	1,836,955	44,500	20,674	9,707	27,212	1,939,048

247

* Net of deferred revenue, excludes accrued interest receivables

(in million Baht)

	The Bank											
	2017						2016					
	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total*	Normal	Special Mention	Sub- Standard	Doubtful	Loss	Total*
Agriculture and mining	16,571	2,290	336	124	179	19,500	14,621	170	86	62	172	15,111
Manufacturing and commercial	563,091	16,976	5,043	3,684	21,559	610,353	556,043	16,628	8,287	3,709	18,061	602,728
Real estate and construction	140,786	3,210	952	655	2,553	148,156	125,456	2,201	1,543	882	1,683	131,765
Utilities and services	338,798	1,493	1,023	1,209	3,701	346,224	319,608	610	2,481	626	1,776	325,101
Housing loans	514,764	12,329	6,042	5,649	3,729	542,513	500,794	10,672	4,736	3,128	2,493	521,823
Others	330,879	15,342	3,718	2,108	2,273	354,320	309,699	14,219	3,541	1,300	1,978	330,737
Total *	1,904,889	51,640	17,114	13,429	33,994	2,021,066	1,826,221	44,500	20,674	9,707	26,163	1,927,265

* Net of deferred revenue, excludes accrued interest receivables

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

11.4 Finance leases

As at 31 December 2017 and 2016, the Bank had finance leases as follows:

(in million Baht)

	Consolidated and the Bank							
	2017				2016			
	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	58,153	140,118	6,606	204,877	57,715	129,122	5,134	191,971
Less deferred revenue				(24,997)				(23,350)
Present value of the lease payments				179,880				168,621
Allowance for doubtful accounts				(6,767)				(6,569)
Finance leases, net				173,113				162,052

248

11.5 Loans to listed companies identified for delisting

	Consolidated and the Bank							
	2017				2016			
	Loans and accrued				Loans and accrued			
	No. of companies	interest receivables*	Collateral provision	Amount of provision	No. of companies	interest receivables*	Collateral provision	Amount of provision
				(in million Baht)				(in million Baht)
Listed companies								
identified for delisting	2	12,045	5,914	9,771	4	12,724	5,914	8,721

* Including loans to financial institutions but excluding other expenses

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

11.6 Non-Performing Loans

As at 31 December 2017 and 2016, the Bank used the guidelines specified in the BoT's notification dated 10 June 2016 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	
	2017	2016	2017	2016
Non-Performing Loans (net of allowance for doubtful accounts)	35,592	29,309	35,289	28,949
% of Non-Performing Loans to total loans (net)	1.6	1.4	1.6	1.4
Non-Performing Loans (gross)	65,560	57,593	64,537	56,544
% of Non-Performing Loans to total loans	2.8	2.7	2.8	2.6

As at 31 December 2017, Rutchayothin Assets Management Co., Ltd. which is a subsidiary of the Bank, had Non-Performing Loans of Baht 433 million (2016: Baht 459 million). However, the Non-Performing Loans based on principal of loan purchased from the Bank and its subsidiaries as at 31 December 2017 was Baht 964 million (2016: Baht 990 million).

249

11.7 Non-accrual loans

Non-accrual loans, gross, (including loans to financial institutions) as at 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Loans where recognition of income has been suspended*	57,988	55,129	56,958	54,074
% of loans where recognition of income has been suspended	2.5	2.6	2.5	2.5

* Non-accrual loans as announced by the Notification of the Bank of Thailand number Sor Nor Sor 20/2558

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

11.8 Classified assets

The Bank and its subsidiaries had classified assets as at 31 December 2017 and 2016 as follows:

(in million Baht)

Consolidated						
2017						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
Normal	1,920,725	281,672	-	-	16	2,202,413
Special Mention	51,721	-	-	-	4	51,725
Sub-Standard	17,161	-	-	-	3	17,164
Doubtful	13,429	-	-	-	6	13,435
Doubtful Loss	35,024	-	2,051	444	1,096	38,615
	2,038,060	281,672	2,051	444	1,125	2,323,352

* Net of deferred revenue

(in million Baht)

Consolidated						
2016						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
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

* Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank					
	2017					
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
Normal	1,907,725	274,343	-	-	16	2,182,084
Special Mention	51,721	-	-	-	4	51,725
Sub-Standard	17,161	-	-	-	3	17,164
Doubtful	13,429	-	-	-	6	13,435
Doubtful Loss	33,994	-	2,550	441	1,073	38,058
	2,024,030	274,343	2,550	441	1,102	2,302,466

* Net of deferred revenue

251

(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

* Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

11.9 Allowance for doubtful accounts

11.9.1 Loans classified by quality as at 31 December 2017 and 2016 (inclusive of accrued interest receivables)

Consolidated						
2017						
	Individual approach (All loans except for finance leases) Net amount		Collective approach (Finance leases)			
	Loans and accrued interest receivables	% used for setting the allowance doubtful accounts	Allowance for doubtful accounts****	Loans and accrued interest receivables	Allowance for doubtful accounts****	Total
(in million Baht)						
Minimum allowance of BoT regulations						
- Normal	1,754,409	1,727,479**	1	17,173	166,316	2,791
- Special Mention	41,422	40,650*	2	813	10,299	2,412
- Sub-Standard	16,222	7,488**	100	7,488	939	473
- Doubtful	12,807	3,855**	100	3,855	622	308
- Doubtful Loss	33,320	17,423**	100	17,423	1,704	783
Total	1,858,180	1,796,895		46,752	179,880	6,767
Allowance established in excess of BoT regulations						
Total						32,180
						85,699

* 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	Consolidated				
	2016				
	Individual approach (All loans except for finance leases)		Collective approach (Finance leases)		
	Net amount	% used for setting the allowance	Allowance for doubtful accounts***	Loans and accrued interest receivables	Allowance for doubtful accounts***
	used to set the allowance for doubtful accounts				
	(in million Baht)		(in million Baht)		
	Loans and accrued interest receivables				Total
Minimum allowance of BoT regulations					
- Normal	1,685,033	1	16,388	155,903	2,796
- Special Mention	34,992	2	664	9,626	2,336
- Sub-Standard	19,803	100	9,204	895	450
- Doubtful	9,291	100	2,956	416	197
- Doubtful Loss	25,436	100	14,851	1,781	790
Total	1,774,555		44,063	168,621	6,569
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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	The Bank					
	2017			Collective approach (Finance leases)		
	Individual approach (All loans except for finance leases)			Loans and accrued interest receivables		Total
	Net amount	% used for setting the allowance		Allowance for doubtful accounts***	Allowance for doubtful accounts***	
	(in million Baht)					
Minimum allowance of BoT regulations						
- Normal	1,741,409	1	17,148	166,316	2,791	19,939
- Special Mention	41,422	2	813	10,299	2,412	3,225
- Sub-Standard	16,222	100	7,488	939	473	7,961
- Doubtful	12,807	100	3,855	622	308	4,163
- Doubtful Loss	32,290	100	16,694	1,704	783	17,477
Total	1,844,150		45,998	179,880	6,767	52,765
Allowance established in excess of BoT regulations						
Total						32,171
						84,936

* 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	The Bank				
	2016				
	Individual approach (All loans except for finance leases) Net amount		Collective approach (Finance leases)		
	Loans and accrued interest receivables	% used for setting the allowance doubtful accounts	Allowance for doubtful accounts***	Loans and accrued interest receivables	Allowance for doubtful accounts***
	(in million Baht)		(in million Baht)		
					Total
Minimum allowance of BoT regulations					
- Normal	1,673,681	1,635,940*	1	16,359	155,903
- Special Mention	34,992	33,195*	2	664	9,626
- Sub-Standard	19,803	9,204**	100	9,204	895
- Doubtful	9,291	2,956**	100	2,956	416
- Doubtful Loss	24,382	14,156**	100	14,156	1,781
Total	1,762,149	1,695,451		43,339	168,621
Allowance established in excess of BoT regulations				6,569	49,908
Total					22,716
					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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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 2017 and 2016 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.

11.9.2 Changes to the allowance for doubtful accounts

As at 31 December 2017 and 2016, the changes to the allowance for doubtful accounts were as follows:

(in million Baht)

	Consolidated						
	2017						
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Allowance established in excess of BoT regulations	Total
As at 1 January 2017	19,184	3,000	9,654	3,153	15,641	22,721	73,353
Bad debt and doubtful accounts	783	225	(1,693)	1,010	17,640	9,817	27,782
Bad debts written off	-	-	-	-	(15,075)	-	(15,075)
Others	(3)	-	-	-	-	(358)	(361)
As at 31 December 2017	19,964	3,225	7,961	4,163	18,206	32,180	85,699

(in million Baht)

	Consolidated						
	2016						
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Allowance established in excess of BoT regulations	Total
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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank						
	2017						
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Allowance established in excess of BoT regulations	Total
As at 1 January 2017	19,155	3,000	9,654	3,153	14,946	22,716	72,624
Bad debt and doubtful accounts	784	225	(1,693)	1,010	17,606	9,813	27,745
Bad debts written off	-	-	-	-	(15,075)	-	(15,075)
Others	-	-	-	-	-	(358)	(358)
As at 31 December 2017	19,939	3,225	7,961	4,163	17,477	32,171	84,936

(in million Baht)

257

	The Bank						Total
	2016						
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss	Allowance established in excess of BoT regulations	
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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

12 Troubled debt restructuring

During the years ended 31 December 2017 and 2016, troubled debt restructuring was as follows:

Types of debt restructuring	Consolidated and the Bank								
	Outstanding debts						Transferred assets		
	No. of		Before debt		After debt		Types	Fair value	
	accounts		restructuring		restructuring				
	2017	2016	2017	2016	2017	2016	2017	2016	
(in million Baht)						(in million Baht)			
Transfers of assets	-	11	-	95	-	94	Immovable properties	-	1
Debt restructuring in various forms	12	15	153	666	124	661	Immovable properties	-	8
Changes of repayment conditions	8,634	12,600	10,954	24,314	10,681	24,307			
Total	8,646	12,626	11,107	25,075	10,805	25,062			

As at 31 December 2017 and 2016, the Bank and its subsidiaries had outstanding balances relating to troubled debt restructured loans were as follows:

	Consolidated and the Bank			
	2017		2016	
	No. of accounts	Outstanding debts	No. of accounts	Outstanding debts
	(in million Baht)		(in million Baht)	
Restructured loans which were classified as NPL	1,804	8,595	3,047	9,651
Restructured loans which were not classified as NPL	13,307	27,128	14,207	30,839
Total	15,111	35,723	17,254	40,490

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Supplementary information relating to restructured loans for the years ended 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated and the Bank	
	2017	2016
Interest income recognised in the statement of profit or loss and other comprehensive income	1,153	1,626

Revaluation allowance for debt restructuring

As at 31 December 2017 and 2016, the changes to the revaluation allowance for debt restructuring was as follows:

(in million Baht)

	Consolidated and the Bank	
	2017	2016
At 1 January	4,004	354
Increase during the year	287	3,650
At 31 December	4,291	4,004

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

13 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)

		Year ended 31 December	
		2017	2016
		(Unaudited)	(Audited)
Cash flows from operating activities			
260	Loss from operating before income tax expense	(46)	(2)
	<i>Adjustments to reconcile loss from operating before income tax expense to cash receipts (payments) from operating activities</i>		
	Losses (reversal) of impairment on loans and debt securities	36	(6)
	Losses on impairment of property for sale	1	-
	Net interest expenses	7	7
	Loss from operating before changes in operating assets and liabilities	(2)	(1)
	<i>Decrease in operating assets</i>		
	Intercompany and money market items	6	22
	Investments	26	7
	Other assets	1	-
	<i>Decrease in operating liabilities</i>		
	Debt issued and short-term borrowing	(31)	(27)
	Accrued expense	-	(1)
	Net cash from operating activities	-	-
	Net increase in cash	-	-
	Cash at 1 January	-	-
	Cash at 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

14 Properties for sale, net

As at 31 December 2017 and 2016, the changes to the properties for sale, net were as follows:

(in million Baht)

	Consolidated			
	2017			
	Beginning balance	Additions	Disposals/ Decreases	Ending balance
Foreclosed assets				
Immovable assets	11,696	1,094	(1,900)	10,890
Movable assets	389	6,451	(6,398)	442
Total	12,085	7,545	(8,298)	11,332
Others	154	659	(417)	396
Total properties for sale	12,239	8,204	(8,715)	11,728
Less allowance for impairment	(635)	-	191	(444)
Total properties for sale, net	11,604	8,204	(8,524)	11,284

261

(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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank			
	2017			
	Beginning balance	Additions	Disposals/ Decreases	Ending balance
Foreclosed assets				
Immovable assets	11,689	1,094	(1,900)	10,883
Movable assets	389	6,451	(6,398)	442
Total	12,078	7,545	(8,298)	11,325
Others	154	659	(417)	396
Total properties for sale	12,232	8,204	(8,715)	11,721
Less allowance for impairment	(632)	-	191	(441)
Total properties for sale, net	11,600	8,204	(8,524)	11,280

262

(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

The losses on sales of properties for sale recognised in the consolidated profit or loss for the years ended 31 December 2017 and 2016 were Baht 463 million and Baht 484 million respectively, and for the Bank's profit or loss were Baht 462 million and Baht 482 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Immovable assets for sale classified by internal appraisers as at 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Foreclosed assets				
Immovable assets				
Appraised by internal appraisers	10,890	11,696	10,883	11,689
Total	10,890	11,696	10,883	11,689

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

15 Premises and equipment, net

As at 31 December 2017 and 2016, the changes to the premises and equipment, net were as follows:

	Consolidated								(in million Baht)
	2017								
	Cost				Accumulated depreciation				
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation Disposals	Ending balance	Allowance for impairment	Net balance
Land									
Cost	5,849	1	(6)	5,844	-	-	-	(146)	5,698
Appraisal *	13,387	-	-	13,387	-	-	-	-	13,387
Premises and building improvements									
Cost	18,330	1,267	(54)	19,543	(8,581)	(465)	28	(176)	10,349
Appraisal *	9,220	-	-	9,220	(1,856)	(345)	1	(17)	7,003
Equipment	21,310	3,377	(1,270)	23,417	(16,762)	(1,623)	1,244	-	6,276
Others	330	1,141	(20)	1,451	-	-	-	-	1,451
Total	68,426	5,786	(1,350)	72,862	(27,199)	(2,433)	1,273	(339)	44,164

* 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 2017 and 2016 amounted to Baht 2,433 million and Baht 2,248 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)									
Consolidated									
2016									
	Beginning balance	Cost	Disposals/ Transfer out	Ending balance	Beginning balance	Accumulated depreciation	Ending balance	Allowance for impairment	Net balance
Land									
Cost	5,858	-	(9)	5,849	-	-	-	(146)	5,703
Appraisal *	13,435	-	(48)	13,387	-	-	-	-	13,387
Premises and building improvements									
Cost	17,660	736	(66)	18,330	(8,228)	(409)	56	(176)	9,573
Appraisal *	9,225	-	(5)	9,220	(1,489)	(367)	-	(17)	7,347
Equipment	19,975	2,819	(1,484)	21,310	(16,781)	(1,472)	1,491	-	4,548
Others	672	2,789	(3,131)	330	-	-	-	-	330
Total	66,825	6,344	(4,743)	68,426	(26,498)	(2,248)	1,547	(339)	40,888

* 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 2017 amounted to Baht 22,954 million (2016: Baht 22,025 million).

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

The Bank										(in million Baht)
2017										
	Beginning balance	Cost		Ending balance	Beginning balance	Accumulated depreciation		Ending balance	Allowance for impairment	Net balance
		Additions/	Disposals/			Depreciation	Disposals			
		Transfer in	Transfer out							
Land										
Cost	5,654	-	-	5,654	-	-	-	-	(145)	5,509
Appraisal *	12,744	-	-	12,744	-	-	-	-	-	12,744
Premises and building improvements										
Cost	17,770	1,227	(39)	18,958	(8,204)	(439)	15	(8,628)	(176)	10,154
Appraisal *	9,121	-	-	9,121	(1,829)	(341)	-	(2,170)	-	6,951
Equipment	20,410	3,312	(1,211)	22,511	(16,030)	(1,563)	1,177	(16,416)	-	6,095
Others	332	1,107	(1)	1,438	-	-	-	-	-	1,438
Total	66,031	5,646	(1,251)	70,426	(26,063)	(2,343)	1,192	(27,214)	(321)	42,891

* Appraisal values are based on valuations completed in 2015

Depreciation presented in the Bank's profit or loss for the years ended 31 December 2017 and 2016 amounted to Baht 2,343 million and Baht 2,081 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank									
	2016									
	Cost		Accumulated depreciation		Transfer		Disposals		Allowance	
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation	Disposals	Ending balance	for impairment	Net balance
Land										
Cost	5,662	-	(8)	5,654	-	-	-	-	(145)	5,509
Appraisal *	12,792	-	(48)	12,744	-	-	-	-	-	12,744
Premises and building improvements										
Cost	17,127	707	(64)	17,770	(7,870)	(388)	54	(8,204)	(176)	9,390
Appraisal *	9,126	-	(5)	9,121	(1,466)	(363)	-	(1,829)	-	7,292
Equipment	18,881	2,763	(1,313)	20,410	(15,894)	(1,330)	1,270	(16,030)	-	4,380
Others	676	2,785	(3,130)	332	-	-	-	-	-	332
Total	64,264	6,255	(4,568)	66,031	(25,230)	(2,081)	1,324	(26,063)	(321)	39,647

* 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 2017 amounted to Baht 22,207 million (2016: Baht 21,267 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

16 Goodwill and other intangible assets, net

As at 31 December 2017 and 2016, the changes to the goodwill and other intangible assets, net were as follows:

	Consolidated								(in million Baht)	
	2017									
	Cost			Accumulated amortisation						
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Amortisations	Disposals	Ending balance	Allowance for impairment	Net balance
Goodwill	10,135	-	-	10,135	-	-	-	-	-	10,135
Software licenses	7,120	3,490	(535)	10,075	(5,293)	(772)	276	(5,789)	(3)	4,283
Software under installation	1,645	2,050	(7)	3,688	-	-	-	-	-	3,688
Others	8	1	-	9	(7)	(1)	-	(8)	-	1
Total	18,908	5,541	(542)	23,907	(5,300)	(773)	276	(5,797)	(3)	18,107

Amortisation presented in the consolidated profit or loss for the years ended 31 December 2017 and 2016 amounted to Baht 773 million and Baht 599 million, respectively.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)									
Consolidated									
2016									
	Beginning balance	Cost		Ending balance	Beginning balance	Accumulated amortisation		Ending balance	Net balance
		Additions/	Disposals/			Amortisations	Disposals		
		Transfer in	Transfer out					allowance for impairment	
Goodwill	10,135	-	-	10,135	-	-	-	-	10,135
Software licenses	6,046	1,125	(51)	7,120	(4,733)	(599)	39	(94)	1,733
Software under installation	582	1,063	-	1,645	-	-	-	-	1,645
Others	8	-	-	8	(7)	-	-	(7)	1
Total	16,771	2,188	(51)	18,908	(4,740)	(599)	39	(94)	13,514

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2017 amounted to Baht 4,344 million (2016: Baht 3,634 million)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

	The Bank							(in million Baht)	
	2017								
	Cost			Accumulated amortisation					
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Amortisations	Disposals	Ending balance	Net balance
Goodwill	1,270	-	-	1,270	-	-	-	-	1,270
Software licenses	6,223	3,348	(264)	9,307	(4,751)	(701)	81	(5,371)	3,936
Software under installation	1,523	2,049	-	3,572	-	-	-	-	3,572
Total	9,016	5,397	(264)	14,149	(4,751)	(701)	81	(5,371)	8,778

Amortisation presented in the Bank's profit or loss for the years ended 31 December 2017 and 2016 amounted to Baht 701 million and Baht 510 million, respectively.

	The Bank							(in million Baht)
	2016							
	Cost			Accumulated amortisation				
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Amortisations	Ending balance	Net balance
Goodwill	804	-	466	1,270	-	-	-	1,270
Software licenses	5,162	1,061	-	6,223	(4,241)	(510)	(4,751)	1,472
Software under installation	525	998	-	1,523	-	-	-	1,523
Total	6,491	2,059	466	9,016	(4,241)	(510)	(4,751)	4,265

The gross amount of the Bank's fully amortised intangible assets that were still in use as at 31 December 2017 amounted to Baht 4,222 million (2016: Baht 3,483 million).

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

17 Assets pending transfer

As at 31 December 2017 and 2016, assets pending transfer were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Pending for E-Banking receivables	1,155	1,076	1,155	1,076
Sundry receivables	621	707	686	778
Prepayment of option premium	-	336	-	336
Others	459	252	459	252
Total	2,235	2,371	2,300	2,442

18 Other assets, net

As at 31 December 2017 and 2016, other assets, net were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Collateral per Credit Support Annex	7,115	13,467	7,093	13,467
Securities business receivables and receivables from clearing house	7,024	3,168	-	-
Prepaid expenses	3,149	3,707	3,075	3,648
Accrued interest on investment and interest rate derivatives	2,025	1,976	650	655
Net inter-account balance	1,950	666	1,949	666
Accrued service income	1,273	836	1,857	2,175
Receivables from sale of NPL	575	2,564	575	2,564
Others	5,550	4,741	3,202	2,456
Total	28,661	31,125	18,401	25,631

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

19 Deposits

19.1 Classified by product as at 31 December 2017 and 2016

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Demand	78,274	61,585	77,235	60,582
Savings	1,281,892	1,148,768	1,278,583	1,145,554
Fixed				
- Less than 6 months	164,034	201,141	163,819	200,544
- 6 months and less than 1 year	176,335	392,309	176,331	392,305
- Over 1 year	391,922	222,469	391,922	222,469
Total	2,092,457	2,026,272	2,087,890	2,021,454

272

19.2 Classified by currency and residence of customer as at 31 December 2017 and 2016

(in million Baht)

	Consolidated					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	2,040,698	572	2,041,270	1,954,081	476	1,954,557
US Dollar	35,865	12,243	48,108	59,607	9,406	69,013
Other currencies	2,335	744	3,079	1,553	1,149	2,702
Total	2,078,898	13,559	2,092,457	2,015,241	11,031	2,026,272

(in million Baht)

	The Bank					
	2017			2016		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Baht	2,041,620	563	2,042,183	1,954,939	459	1,955,398
US Dollar	35,865	6,783	42,648	59,607	3,752	63,359
Other currencies	2,335	724	3,059	1,553	1,144	2,697
Total	2,079,820	8,070	2,087,890	2,016,099	5,355	2,021,454

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

20 Interbank and money market items (Liabilities)

As at 31 December 2017 and 2016, interbank and money market items (Liabilities) were as follows:

(in million Baht)

	Consolidated					
	2017			2016		
	Demand	Time	Total	Demand	Time	Total
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	-	1,921	1,921	-	17,830	17,830
Commercial banks	2,688	29,600	32,288	1,541	22,850	24,391
Specialised financial institutions*	99	40,229	40,328	88	32,483	32,571
Other financial institutions**	14,223	8,185	22,408	13,805	7,031	20,836
Total domestic items	17,010	79,935	96,945	15,434	80,194	95,628
Foreign items:						
US Dollar	406	7,844	8,250	677	1,791	2,468
Euro	271	-	271	247	-	247
Other currencies	2,561	546	3,107	2,610	-	2,610
Total foreign items	3,238	8,390	11,628	3,534	1,791	5,325
Total domestic and foreign items	20,248	88,325	108,573	18,968	81,985	100,953

* Specialised financial institutions represent 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 represent 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank					
	2017			2016		
	Demand	Time	Total	Demand	Time	Total
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	-	1,921	1,921	-	17,830	17,830
Commercial banks	2,688	29,600	32,288	1,541	22,850	24,391
Specialised financial institutions*	99	40,229	40,328	88	32,483	32,571
Other financial institutions **	15,590	9,085	24,675	15,987	7,481	23,468
Total domestic items	18,377	80,835	99,212	17,616	80,644	98,260
Foreign items:						
US Dollar	471	7,844	8,315	853	1,791	2,644
Euro	271	-	271	247	-	247
Other currencies	2,568	546	3,114	2,628	-	2,628
Total foreign items	3,310	8,390	11,700	3,728	1,791	5,519
Total domestic and foreign items	21,687	89,225	110,912	21,344	82,435	103,779

* Specialised financial institutions represent 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 represent 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

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

21 Debt issued and borrowings

As at 31 December 2017 and 2016, debt issued and borrowings were as follows:

	Consolidated							
	Interest rate (%)	Year of maturity	Domestic	2017		2016		
				Foreign	Total	Domestic	Foreign	Total
(in million Baht)								
Bonds								
- US Dollar	0 - 3.50	2019 - 2023	715	53,070	53,785	-	65,573	65,573
- Baht	-	2020	737	-	737	267	-	267
- Euro	-	2018	20	-	20	-	-	-
Subordinated bonds								
- Baht	4.65	2024	20,000	-	20,000	40,000	-	40,000
Structured notes								
- Baht	0.27 - 0.75	2018	3,815	-	3,815	914	-	914
Others			181	-	181	84	-	84
Total			25,468	53,070	78,538	41,265	65,573	106,838

	The Bank							
	Interest rate (%)	Year of maturity	Domestic	2017		2016		
				Foreign	Total	Domestic	Foreign	Total
(in million Baht)								
Bonds								
- US Dollar	0 - 3.50	2019 - 2023	715	53,727	54,442	-	66,302	66,302
- Baht	-	2020	737	-	737	267	-	267
- Euro	-	2018	20	-	20	-	-	-
Subordinated bonds								
- Baht	4.65	2024	20,000	-	20,000	40,000	-	40,000
Others			181	-	181	84	-	84
Total			21,653	53,727	75,380	40,351	66,302	106,653

275

	The Bank							
	Interest rate (%)	Year of maturity	Domestic	2017		2016		
				Foreign	Total	Domestic	Foreign	Total
(in million Baht)								
Bonds								
- US Dollar	0 - 3.50	2019 - 2023	715	53,727	54,442	-	66,302	66,302
- Baht	-	2020	737	-	737	267	-	267
- Euro	-	2018	20	-	20	-	-	-
Subordinated bonds								
- Baht	4.65	2024	20,000	-	20,000	40,000	-	40,000
Others			181	-	181	84	-	84
Total			21,653	53,727	75,380	40,351	66,302	106,653

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

22 Provisions

As at 31 December 2017 and 2016, provisions were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Reserve for pension and gratuity	4,904	4,541	4,527	4,206
Reserve for reward points	2,712	2,579	2,705	2,575
Others	114	342	108	336
Total	7,730	7,462	7,340	7,117

Pension and other post-retirement employee benefits

The Bank and its subsidiaries operate 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 provisions as at 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Severance Payment (SP) benefits scheme	4,041	3,728	3,719	3,445
Other schemes	863	813	808	761
Total present value of unfunded provisions	4,904	4,541	4,527	4,206

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Movement in the present value of the defined benefit obligations.

(in million Baht)

	Consolidated			
	2017		2016	
	SP	Others	SP	Others
At 1 January	3,728	813	3,549	766
Included in profit or loss:				
Current service cost	346	35	287	34
Interest on obligation	132	29	124	27
	478	64	411	61
Others				
Benefits paid	(165)	(14)	(232)	(14)
	(165)	(14)	(232)	(14)
At 31 December	4,041	863	3,728	813

(in million Baht)

	The Bank			
	2017		2016	
	SP	Others	SP	Others
At 1 January	3,445	761	3,257	718
Included in profit or loss:				
Current service cost	306	31	252	30
Interest on obligation	122	27	116	25
	428	58	368	55
Others				
Transfer in	-	-	30	-
Benefits paid	(154)	(11)	(210)	(12)
	(154)	(11)	(180)	(12)
At 31 December	3,719	808	3,445	761

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

	Consolidated and the Bank	
	2017	2016
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.

278

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 obligation by the amounts shown below.

	(in million Baht)			
	Consolidated		The Bank	
	Increase	Decrease	Increase	Decrease
At 31 December 2017				
Discount rate (1% movement)	(571)	697	(528)	646
Future salary growth (1% movement)	489	(421)	444	(382)
At 31 December 2016				
Discount rate (1% movement)	(528)	645	(490)	599
Future salary growth (1% movement)	449	(387)	409	(352)

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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Post-employee benefit expenses included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2017 and 2016 were as follows:

	Consolidated		The Bank	
	2017	2016	2017	2016
<i>(in million Baht)</i>				
Recognised in profit or loss:				
Defined contribution plans	1,147	1,010	1,025	897
Defined benefit plans	542	472	486	423
Total post-employment benefit expenses	1,689	1,482	1,511	1,320

23 Liabilities under insurance contracts

As at 31 December 2017 and 2016, liabilities under insurance contracts were as follows:

	Consolidated	
	2017	2016
<i>(in million Baht)</i>		
SCB Life Assurance PCL		
Long-term technical reserves	247,319	215,958
Short-term technical reserves	926	1,036
Total	248,245	216,994

Liabilities under insurance contract for SCB life Assurance PCL are calculated as described in note 3.28.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Long-term technical reserves

(in million Baht)

	Consolidated	
	2017	2016
At 1 January	215,958	183,717
Reserve increase from new and inforce policies in the year	43,796	43,720
Reserve released for benefit payments, lapse and cancellation in the year	(12,435)	(11,479)
At 31 December	247,319	215,958

24 Liabilities pending transfer

As at 31 December 2017 and 2016, liabilities pending transfer were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Unsettled remittance transaction	6,068	2,047	6,608	2,047
Pending for payment E-banking	4,547	4,354	4,547	4,354
Other payables	2,937	4,802	2,853	4,795
Others	1,064	2,268	1,020	2,232
Total	14,616	13,471	14,488	13,428

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

25 Other liabilities

As at 31 December 2017 and 2016, other liabilities were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Accrued expenses	18,793	19,053	15,730	15,761
Other payable per Credit Support Annex	7,033	9,573	6,949	9,573
Accrued interest payable	4,447	5,014	4,476	5,029
Securities business payables and payables to clearing house	4,172	2,892	-	-
Withholding tax payable	706	675	583	546
Margin deposits	335	965	311	942
Others	2,320	1,430	1,754	1,084
Total	37,806	39,602	29,803	32,935

281

26 Share capital

All preferred shares had a period of 10 years, which expired on 10 May 2009. Hence, rights of preferred shareholders has been the same as those of the common shareholders since then.

Holders of preferred shares are entitled to convert the shares they hold into common shares, with the conversion ratio of 1:1. The holders of common 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.

27 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserve

Under the Public Companies Act B.E. 2535 Section 116 requires the Bank and its subsidiaries which are public companies shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward (if any), to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

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.

28 Dividends

The Board of Directors Meeting held on 22 August 2017 passed a resolution approving an interim dividend payment in respect of the half-year result of 2017 of Baht 1.50 per share, amounting to Baht 5,099 million. The interim dividend was paid to shareholders on 19 September 2017.

At the annual general meeting of the shareholders of the Bank held on 11 April 2017, the shareholders approved the dividend in respect of the Bank result of the year 2016 at Baht 5.50 per share, amounting to Baht 18,696 million. The interim dividend was paid to shareholders on 16 September 2016 of Baht 1.50 per share amounting to Baht 5,099 million. The remaining dividend of Baht 4.00 per share, amounting to Baht 13,597 million. The remaining dividend was paid to shareholders on 9 May 2017.

At the annual general meeting of the shareholders of the Bank held on 5 April 2016, the shareholders approved the dividend in respect of the Bank result of the year 2015 at Baht 5.50 per share, amounting to Baht 18,696 million. The interim dividend was paid to shareholders on 18 September 2015 of Baht 1.50 per share amounting to Baht 5,099 million. The remaining dividend of Baht 4.00 per share, amounting to Baht 13,597 million. The remaining dividend was paid to shareholders on 3 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

29 Assets pledged as collateral and under restriction

As at 31 December 2017 and 2016, assets pledged as collateral and under restriction were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Government securities pledged for life policy reserve	53,092	43,349	-	-
Securities pledged as collateral for repurchase	26,179	21,570	26,179	21,570
Others	211	201	156	167
Total	79,482	65,120	26,335	21,737

30 Contingencies

As at 31 December 2017 and 2016, contingencies were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Avals to bills	4,195	9,505	4,195	9,505
Guarantees of loans	14,476	19,442	13,757	18,627
Liability under unmatured import bills	6,794	10,403	6,794	10,403
Letters of credit	22,256	24,152	21,779	23,961
Other contingencies				
- Amount of unused bank overdrafts	179,213	165,963	178,446	165,176
- Other guarantees	176,112	165,493	175,127	164,386
- Receivables / payables from investments	3,232	3,972	3,212	3,474
- Others	28,232	28,562	24,032	23,562
Total	434,510	427,492	427,342	419,094

As at 31 December 2017, 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 (2016: Baht 3 million).

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

31 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:

31.1 Loans, deposits, borrowings and contingencies

Loans, deposits, borrowings and contingencies to related parties or persons as at 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated			
	2017			
	Loans*	Deposits	Borrowings	Contingencies
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	1
Major shareholders (more than 10% ownership)	-	21,393	-	-
Entities in which the directors, management or close members of their families have significant influence	7,281	53,693	1,015	2,774
Directors and key executive officers	174	1,434	23	-
Total	7,455	76,520	1,038	2,775

* Net of provision (1%)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	Consolidated			
	2016			
	Loans*	Deposits	Borrowings	Contingencies
Associate	1,907	378	-	-
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	2
Major shareholders (more than 10% ownership)	-	10,372	-	-
Entities in which the directors, management or close members of their families have significant influence	12,250	33,103	178	106
Directors and key executive officers	170	1,166	13	-
Total	14,327	45,019	191	108

* Net of provision (1%)

(in million Baht)

285

	The Bank				
	2017				
	Investments	Loans*	Deposits	Borrowings	Contingencies
Subsidiaries					
Finance & Insurance	399	1,485	1,930	1,821	17,642
Others	-	-	165	-	-
Total subsidiaries	399	1,485	2,095	1,821	17,642
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	-	1
Major shareholders (more than 10% ownership)	-	-	21,393	-	-
Entities in which the directors, management or close members of their families have significant influence	-	7,281	53,693	1,015	2,774
Directors and key executive officers	-	174	1,434	23	-
Total	399	8,940	78,615	2,859	20,417

* Net of provision (1%)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank				
	2016				
	Investments	Loans*	Deposits	Borrowings	Contingencies
Subsidiaries					
Finance & Insurance	423	-	2,126	2,140	14,938
Others	-	-	145	-	-
Total subsidiaries	423	-	2,271	2,140	14,938
Associate	-	1,907	378	-	-
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	-	2
Major shareholders (more than 10% ownership)	-	-	10,372	-	-
Entities in which the directors, management or close members of their families have significant influence	-	12,250	33,103	178	106
Directors and key executive officers	-	170	1,166	13	-
Total	423	14,327	47,290	2,331	15,046

* Net of provision (1%)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

31.2 Income and expenses

Significant income and expenses between the Bank and its subsidiaries, associate and related companies for the years ended 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated							
	2017				2016			
	Income		Expenses		Income		Expenses	
	Interest	Others	Interest	Others	Interest	Others	Interest	Others
Associate	-	-	-	-	-	10	6	-
Major shareholders	-	-	206	24	-	-	143	23
Entities in which the directors, management or close members of their families have significant influence	205	-	604	65	5	-	88	65
Directors and key executive officers	5	-	10	-	5	-	5	-

287

(in million Baht)

	The Bank							
	2017				2016			
	Income		Expenses		Income		Expenses	
	Interest	Others	Interest	Others	Interest	Others	Interest	Others
Subsidiaries	10	12,487	63	3,475	7	12,617	55	2,702
Associate	-	-	-	-	-	10	6	-
Major shareholders	-	-	206	24	-	-	143	23
Entities in which the directors, management or close members of their families have significant influence	205	-	604	65	5	-	88	65
Directors and key executive officers	5	-	10	-	5	-	5	-

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

32 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 and its subsidiaries, holding the position of Executive Vice President or higher.

The Bank and its subsidiaries have 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 and its subsidiaries' regulations.

(in million Baht)

For the year ended 31 December	Consolidated		The Bank	
	2017	2016	2017	2016
Short-term employee benefits	1,726	1,686	1,422	1,389
Post-employment benefits	24	95	22	93
Total	1,750	1,781	1,444	1,482

288

33 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 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(a) Future minimum lease payments

As at 31 December 2017 and 2016, the future minimum lease payments under non-cancellable leases were payable as follows.

(in million Baht)

Type of lease	Period	Consolidated		The Bank	
		2017	2016	2017	2016
Land and/or premises	Within 1 year	2,310	2,046	2,143	1,951
	1 - 5 years	1,839	1,668	1,692	1,520
	Over 5 years	192	219	192	219
Equipment	Within 1 year	143	163	143	163
Vehicles	Within 1 year	287	214	277	206
	1 - 5 years	695	562	672	551
	Over 5 years	-	80	-	80

289

(b) Amount recognised in profit or loss

(in million Baht)

For the year ended 31 December	Consolidated		The Bank	
	2017	2016	2017	2016
Lease expense	2,952	2,658	2,973	2,658

34 Operating segments

As at 31 December 2017 and 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

In the information provided below, the results of subsidiaries together with the income from the Banks' interbank and money market and investments, 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)

For the year ended 31 December 2017	Consolidated						
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	Elimination	Total
Net interest income	15,821	16,183	41,087	9,260	9,959	-	92,310
Non-interest income, net	9,725	3,030	24,543	1,096	12,856	(7,347)	43,903
Total operating income	25,546	19,213	65,630	10,356	22,815	(7,347)	136,213
Total operating expenses	(9,229)	(5,826)	(34,532)	(2,470)	(9,775)	4,182	(57,650)
Profit before impairment loss and income tax	16,317	13,387	31,098	7,886	13,040	(3,165)	78,563
Impairment loss and income tax							(35,358)
Net profit							43,205

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

For the year ended 31 December 2016	Consolidated						
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	Elimination	Total
Net interest income	15,334	17,238	39,775	8,061	8,041	-	88,449
Non-interest income, net	9,499	3,464	23,912	3,555	11,580	(7,125)	44,885
Total operating income	24,833	20,702	63,687	11,616	19,621	(7,125)	133,334
Total operating expenses	(8,663)	(5,411)	(30,344)	(2,671)	(8,234)	3,679	(51,644)
Profit before impairment loss and income tax	16,170	15,291	33,343	8,945	11,387	(3,446)	81,690
Impairment loss and income tax							(34,021)
Net profit							47,669

(in million Baht)

	Consolidated						
	2017						
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	Elimination	Total
Loans*	757,777	364,393	898,648	9,324	4,590	-	2,034,732
Total assets	833,987	324,596	863,152	289,506	732,112	(19,321)	3,024,032
Total liabilities	614,101	320,916	1,242,467	253,400	240,488	(11,103)	2,660,269

* Net of deferred revenue

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	Consolidated						Total
	2016						
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	Elimination	
Investment in associate	-	-	-	-	334	-	334
Loans*	708,683	364,940	856,276	7,351	1,798	-	1,939,048
Total assets	815,971	328,991	822,516	248,340	712,941	(15,771)	2,912,988
Total liabilities	642,788	324,029	1,141,460	223,144	256,412	(9,143)	2,578,690

* Net of deferred revenue

35 The financial position and results of operations classified by domestic and foreign business

35.1 As at 31 December 2017 and 2016, the financial position classified by domestic and foreign business was as follows:

(in million Baht)

	Consolidated							
	2017				2016			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Total assets	2,995,532	74,545	(46,045)	3,024,032	2,871,639	89,275	(47,926)	2,912,988
Interbank and money market items, net (Assets)	308,218	8,587	(72)	316,733	247,262	10,188	(194)	257,256
Investments, net *	569,284	1,087	-	570,371	587,405	3,516	-	590,921
Loans to customers and accrued interest receivables, net	1,930,702	17,368	-	1,948,070	1,847,244	18,575	-	1,865,819
Deposits	2,079,830	12,627	-	2,092,457	2,015,822	10,450	-	2,026,272
Interbank and money market items (Liabilities)	103,360	5,285	(72)	108,573	99,356	1,791	(194)	100,953
Debt issued and borrowings	25,468	53,070	-	78,538	41,265	65,573	-	106,838

* Includes net investments in subsidiaries and associate

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank							
	2017				2016			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Total assets	2,705,140	66,465	(45,973)	2,725,632	2,627,843	81,295	(47,732)	2,661,406
Interbank and money market								
items, net (Assets)	300,095	3,382	-	303,477	238,481	5,421	-	243,902
Investments, net *	315,963	1,087	-	317,050	376,302	3,516	-	379,818
Loans to customers and								
accrued interest								
receivables, net	1,919,980	14,823	-	1,934,803	1,838,463	15,679	-	1,854,142
Deposits	2,080,752	7,138	-	2,087,890	2,016,678	4,776	-	2,021,454
Interbank and money								
market items (Liabilities)	105,627	5,285	-	110,912	101,988	1,791	-	103,779
Debt issued and borrowings	21,653	53,727	-	75,380	40,351	66,302	-	106,653

* Includes net investments in subsidiaries and associate

35.2 The results of operations classified by domestic and foreign business for the years ended 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated							
	2017				2016			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Interest income	124,139	3,101	(2,127)	125,113	121,387	3,451	(2,395)	122,443
Interest expenses	(31,669)	(3,261)	2,127	(32,803)	(32,990)	(3,399)	2,395	(33,994)
Net interest income	92,470	(160)	-	92,310	88,397	52	-	88,449
Net fees and service income	30,210	114	-	30,324	28,336	78	-	28,414
Other operating income	13,542	37	-	13,579	16,381	90	-	16,471
Other operating expenses	(82,251)	(466)	-	(82,717)	(73,870)	(302)	-	(74,172)
Profit before income tax	53,971	(475)	-	53,496	59,244	(82)	-	59,162

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank							
	2017				2016			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
Interest income	114,889	2,869	(2,127)	115,631	113,291	3,248	(2,395)	114,144
Interest expenses	(31,661)	(3,233)	2,127	(32,767)	(32,986)	(3,383)	2,395	(33,974)
Net interest income	83,228	(364)	-	82,864	80,305	(135)	-	80,170
Net fees and service income	32,033	54	-	32,087	31,679	17	-	31,696
Other operating income	11,604	21	-	11,625	11,379	76	-	11,455
Other operating expenses	(80,107)	(367)	-	(80,474)	(71,615)	(223)	-	(71,838)
Profit before income tax	46,758	(656)	-	46,102	51,748	(265)	-	51,483

294

36 Interest income

Interest income included in profit or loss for the years ended 31 December 2017 and 2016 was as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Interbank and money market items	5,028	4,206	4,583	3,794
Investments and trading transactions	312	597	312	597
Investments in debt securities	12,873	12,230	4,657	4,831
Loans	95,788	94,844	94,967	94,356
Finance leases	11,024	10,479	11,024	10,479
Others	88	87	88	87
Total	125,113	122,443	115,631	114,144

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

37 Interest expenses

Interest expenses included in profit or loss for the years ended 31 December 2017 and 2016 was as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Deposits	19,006	20,225	18,984	20,220
Interbank and money market items	1,218	1,034	1,245	1,049
Contributions to Deposit Protection Agency	9,419	8,810	9,419	8,810
Debt issued				
- Debentures	1,957	2,010	1,987	2,039
- Subordinated debentures	1,063	1,835	1,063	1,835
Borrowings	71	59	-	-
Others	69	21	69	21
Total	32,803	33,994	32,767	33,974

295

38 Net fees and service income

Net fees and service income included in profit or loss for the years ended 31 December 2017 and 2016 was as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Fees and service income				
- Acceptances, avals and guarantees	1,768	1,645	1,752	1,629
- ATM, Debit cards, Credit Cards and other banking electronic	12,355	11,965	12,368	11,980
- Others	22,732	20,769	23,305	23,000
Total fees and service income	36,855	34,379	37,425	36,609
Fees and service expenses	(6,531)	(5,965)	(5,338)	(4,913)
Net fees and service income	30,324	28,414	32,087	31,696

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

39 Gains on trading

Gains on trading included in profit or loss for the years ended 31 December 2017 and 2016 was as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Gains (losses) on trading				
- Foreign currencies and foreign currency related derivatives	5,253	5,161	4,983	5,228
- Interest rate related derivatives	1,507	1,223	1,507	1,223
- Debt securities	440	85	353	13
- Equity securities	(110)	245	46	83
Total	7,090	6,714	6,889	6,547

296

40 Gains on investments

Gains (losses) on investments included in profit or loss for the years ended 31 December 2017 and 2016 was as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Available-for-sale securities	1,634	2,695	536	1,264
Held-to-maturity securities	(191)	(191)	-	-
General investments	51	2	51	2
Investment in subsidiaries and associate	117	29	117	13
Total	1,611	2,535	704	1,279

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

41 Impairment loss on loans and debt securities

Impairment loss on loans and debt securities and loss on debt restructuring included in profit or loss for the years ended 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated		The Bank	
	2017	2016	2017	2016
Interbank and money market items	43	(26)	43	(26)
Loans to customers *	25,006	18,815	24,969	18,817
Loss on debt restructuring	18	3,739	18	3,739
Total	25,067	22,528	25,030	22,530

* Net of bad debts recovery

42 Income tax

297

Income tax recognised in profit or loss

(in million Baht)

For the year ended 31 December	Consolidated		The Bank	
	2017	2016	2017	2016
Current tax expense				
Current year	10,020	12,081	8,046	9,865
Deferred tax expense				
Movements in temporary differences	271	(588)	202	(547)
Total income tax expense	10,291	11,493	8,248	9,318

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Income tax recognised in other comprehensive income

(in million Baht)

For the year ended 31 December	Consolidated					
	2017			2016		
	Before Tax	Tax expense	Net of tax	Before tax	Tax benefit	Net of tax
Investments	6,080	(1,216)	4,864	(2,641)	531	(2,110)
Derivatives	371	(74)	297	(136)	27	(109)
Premises and equipment	-	-	-	(53)	11	(42)
Total	6,451	(1,290)	5,161	(2,830)	569	(2,261)

(in million Baht)

For the year ended 31 December	The Bank					
	2017			2016		
	Before Tax	Tax expense	Net of tax	Before tax	Tax benefit	Net of tax
Investments	717	(144)	573	(122)	24	(98)
Derivatives	51	(10)	41	(51)	10	(41)
Premises and equipment	-	-	-	(53)	11	(42)
Total	768	(154)	614	(226)	45	(181)

Reconciliation of effective tax rate

For the year ended 31 December	Consolidated			
	2017		2016	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax expense		53,496		59,162
Income tax using the Thai corporation tax rate	20.0	10,699	20.0	11,832
Tax effect of income and expenses that are not taxable				
income or not deductible in determining taxable profit, net		(408)		(339)
Total	19.2	10,291	19.4	11,493

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

For the year ended 31 December	The Bank			
	2017		2016	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax expense		46,102		51,483
Income tax using the Thai corporation tax rate	20.0	9,220	20.0	10,297
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(972)		(979)
Total	17.9	8,248	18.1	9,318

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.

299

Deferred tax

Deferred tax assets and liabilities as at 31 December 2017 and 2016 were as follows:

	(in million Baht)			
	Consolidated		The Bank	
	2017	2016	2017	2016
Deferred tax assets	111	410	26	8
Deferred tax liabilities	(3,590)	(2,328)	(2,560)	(2,186)
Net	(3,479)	(1,918)	(2,534)	(2,178)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

Movements in deferred tax assets and liabilities during for the years ended 31 December 2017 and 2016 were as follows:

(in million Baht)

	Consolidated			
	(Charged) / Credited to:			
	At 1 January 2017	Profit or loss	Other comprehensive income	At 31 December 2017
Deferred tax assets				
Derivatives assets	71	(29)	(10)	32
Investments	451	(2)	(426)	23
Investments in subsidiaries and associate	409	-	-	409
Loans to customers and accrued interest receivables	624	206	-	830
300 Properties for sale	127	(38)	-	89
Premises and equipment	1	-	-	1
Other intangible assets	58	(32)	-	26
Other assets	421	(318)	-	103
Deposits	-	10	-	10
Derivatives liabilities	159	(8)	(136)	15
Provisions	1,497	50	-	1,547
Liabilities under insurance contracts	44	2	-	46
Other liabilities	722	43	-	765
Total	4,584	(116)	(572)	3,896
Deferred tax liabilities				
Derivatives assets	(177)	(5)	72	(110)
Investments	(803)	(93)	(790)	(1,686)
Loans to customers and accrued interest receivables	(501)	(72)	-	(573)
Premises and equipment	(5,001)	12	-	(4,989)
Other assets	(20)	3	-	(17)
Total	(6,502)	(155)	(718)	(7,375)
Net	(1,918)	(271)	(1,290)	(3,479)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	Consolidated			
	(Charged) / Credited to:			
	At 1 January 2016	Profit or loss	Other comprehensive income	At 31 December 2016
Deferred tax assets				
Derivatives 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
Derivatives liabilities	279	2	(122)	159
Provisions	1,443	54	-	1,497
Liabilities under insurance contracts	36	8	-	44
Other liabilities	673	49	-	722
Total	3,991	589	4	4,584
Deferred tax liabilities				
Derivatives 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)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank			
	(Charged) / Credited to:			
	At 1 January 2017	Profit or loss	Other comprehensive income	At 31 December 2017
Deferred tax assets				
Derivatives assets	71	(29)	(10)	32
Investments	113	-	(104)	9
Investments in subsidiaries and associate	409	-	-	409
Loans to customers and accrued interest receivables	624	206	-	830
Properties for sale	126	(38)	-	88
Other intangible assets	50	(24)	-	26
Other assets	403	(321)	-	82
Deposits	-	10	-	10
Provisions	1,424	44	-	1,468
Other liabilities	676	27	-	703
Total	3,896	(125)	(114)	3,657
Deferred tax liabilities				
Investments	(695)	(19)	(40)	(754)
Loans to customers and accrued interest receivables	(501)	(72)	-	(573)
Premises and equipment	(4,858)	11	-	(4,847)
Other assets	(20)	3	-	(17)
Total	(6,074)	(77)	(40)	(6,191)
Net	(2,178)	(202)	(154)	(2,534)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

(in million Baht)

	The Bank			
	(Charged) / Credited to:			
	At 1 January 2016	Profit or loss	Other comprehensive income	At 31 December 2016
Deferred tax assets				
Derivatives 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
Deferred tax liabilities				
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)

NOTES TO THE FINANCIAL STATEMENTS

The Siam Commercial Bank Public Company Limited and its Subsidiaries

For the year ended 31 December 2017

43 Basic earnings per share

Basic earnings per share in the consolidated and the Bank's financial statements for the years ended 31 December 2017 and 2016 were calculated as follows:

	Consolidated		The Bank	
	2017	2016	2017	2016
Profit attributable to common shareholders of the Bank (basic)	43,152	47,612	37,854	42,165
Number of common and preferred shares outstanding	3,399	3,399	3,399	3,399
Earnings per share (basic) (in Baht)	12.69	14.01	11.14	12.40

44 Events after the reporting period

304

On 11 January 2018, the Bank registered the conversion of 4,370 preferred shares to 4,370 common shares with the Ministry of Commerce.

08

SUPPLEMENTARY INFORMATION

CAPITAL STRUCTURE

Securities

Registered capital, as of December 31, 2017, stood at Baht 70,000 million and comprised:

3,416,174,272	ordinary shares	par value 10 Baht
3,583,825,728	preferred shares	par value 10 Baht

Paid-up capital, as of December 31, 2017, stood at

Baht 33,992 million and comprised:

3,395,407,226	ordinary shares	par value 10 Baht
3,784,972	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

Amount	3,395,407,226 shares as of December 31, 2017
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Company Limited
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

Amount	3,784,972 shares as of December 31, 2017
Issuer	The Siam Commercial Bank Public Company Limited
Registrar	Thailand Securities Depository Company Limited
Preferred share features	Preferential rights conferred to preferred shares have a 10-year validity from the date of the initial payment by the Ministry of Finance which had reached the expiration date on May 10, 2009. Therefore, the rights of preferred

Conversion rate

Conversion price
Conversion
schedule

Conversion
procedure

shareholders are now the same as those of ordinary shareholders. Preferred shares can be converted to ordinary shares in accordance with the conversion schedule and procedure specified by the Bank. Preferred shares can be converted to ordinary shares at the ratio of 1:1. None

Every quarter on March 31, June 30, September 30, and December 31 of each year:

- For conversion on March 31, request must be submitted during March 16-30.
- For conversion on June 30, request must be submitted during June 15-29.
- For conversion on September 30, request must be submitted during September 15-29.
- For conversion on December 31, request must be submitted during December 16-30.

If a conversion date falls on a bank holiday, conversion shall be made on the last business day prior to the bank holiday.

- (1) Conversion request form can be obtained at Thailand Securities Depository Company Limited or at any securities brokerage.
- (2) Conversion request form can be submitted at Thailand Securities Depository Company Limited or at any securities brokerage during business hours.
- (3) Documents required for conversion are:
 1. The Bank's conversion request form;
 2. Preferred share certificates or any permissible substitute (as specified by the SET);

3. For an individual, a certified copy of valid national identity card, foreigner identity card or passport (whichever is applicable);

For a juristic person, a copy of juristic person certificate issued by Ministry of Commerce within 1 year of the request submission date, together with a certified copy of valid national identity card of a director with signing authority.

Place for requesting
conversion

- (1) Thailand Securities Depository Co., Ltd. or
- (2) Brokerage

Future Share Issuance Obligation

The Bank has no future share issuance obligation.

Shareholding through Thai NVDR Co., Ltd (NVDR)

As of December 29, 2017, the Bank had 3,399,192,198 registered and paid-up shares outstanding, of which 287,206,657 shares (or 8.45% of total shares) were held through NVDR. All shares in NVDR were ordinary shares which accounted for 8.45% of total ordinary shares. NVDR has announced that it will abstain from attending and voting at shareholder meetings, except for the case that involves stock delisting from the SET. Investors can obtain the number of the Bank's shares held through NVDR directly from the Stock Exchange of Thailand at www.set.or.th/nvdr.

Note: NVDR, or non-voting depositary receipt, is tradeable financial instrument with claims on underlying shares listed on the SET. Thai NVDR Company Limited is a juristic person holding shares on behalf of foreign investors. This legal structure allows foreign investors to invest in Thai securities without foreign limit restriction.

Policy on Rights Issuance

The Bank has no plan to issue new shares to existing shareholders.

Shareholders

Principal shareholders (as of December 29, 2017)

No.	Name	Ordinary shares	Preferred shares	Total shares	Percentage of shares
1	VAYUPAK MUTUAL FUND I	785,298,200	-	785,298,200	23.10
2	BUREAU OF THE CROWN PROPERTY AND GROUP	666,734,185	-	666,734,185	19.61
3	THAI NVDR COMPANY LIMITED	287,206,657	-	287,206,657	8.45
4	STATE STREET BANK EUROPE LIMITED	181,467,118	-	181,467,118	5.34
5	His Majesty King Maha Vajiralongkorn Bodindradebayavarangkun	113,274,873	-	113,274,873	3.33
6	CHASE NOMINEES LIMITED	101,230,148	-	101,230,148	2.98
7	SOCIAL SECURITY OFFICE	67,913,700	-	67,913,700	2.00
8	THE BANK OF NEW YORK MELLON	57,340,400	-	57,340,400	1.69
9	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	55,228,449	-	55,228,449	1.62
10	NORTRUST NOMINEES LTD-CL AC	39,131,164	-	39,131,164	1.15
11	OTHERS	1,040,582,332	3,784,972	1,044,367,304	30.72
TOTAL PAID-UP CAPITAL		3,395,407,226	3,784,972	3,399,192,198	100.00
THAI SHAREHOLDERS		2,408,166,549	3,569,649	2,411,736,198	70.95
FOREIGN SHAREHOLDERS		987,240,677	215,323	987,456,000	29.05

Note: Ministry of Finance holds 3,071,786 ordinary shares, representing 0.09% of total share capital.

Dividend Policy

SCB Dividend Policy

The Bank has a policy to allocate 30-50% of reported consolidated net profits for dividend payment which is payable in any year of positive profits net of all legal reserve and other reserve requirements, provided that there is no accumulated loss and the Bank maintains sufficient capital to meet the legal requirements.

In 2017, the Bank paid dividend at Baht 5.50 per share to ordinary and preferred shareholders with the total amount of Baht 18,696 million or 39.3% of the Bank's 2016 consolidated net profits. Dividend payment from the Bank's 2017 profits will be proposed for approval at the Annual General Meeting of Shareholders in April 2018.

Dividend Policies of Subsidiaries

For a subsidiary over which the Bank has full control and is not listed on the Stock Exchange of Thailand (SET), dividends shall be paid at the maximum amount of net profits after appropriation for legal reserves or at an appropriate level given the subsidiary's business requirements.

In the case of a subsidiary being a SET-listed company or a company over which the Bank does not have full control, dividend payment will depend on the individual company's dividend policy and shall comply with applicable laws, rules and regulations.

Debt Securities

At the end of 2017, outstanding debt securities issued by the Bank were as follows:

	Amount	Interest rate	Maturity Date
Senior Unsecured Notes	USD 750 million	3.50%	April 2019
Senior Unsecured Notes	USD 400 million	3.20%	July 2022
Senior Unsecured Notes	USD 500 million	2.75%	May 2023
Subordinated Debenture No. 2/2012*	Baht 20 billion	4.65%	2024

* The issuer has the right to early redemption.

INVESTMENTS OF SIAM COMMERCIAL BANK PCL IN OTHER COMPANIES

As of December 31, 2017 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\$ 75,000,000	750,000	750,000	100.00%	2,687,888,635
2.	RUTCHAYOTHIN ASSETS MANAGEMENT CO., LTD. 9 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2544-2477 Fax 0-2544-2165	Asset Management	Ordinary	25,000,000	2,500,000	2,500,000	100.00%	25,000,000
3.	SCB PLUS CO., LTD. G Tower Grand Rama 9, 12 th and 14 th Floor; 9 Rama 9 Rd., Huai Khwang, Huai Khwang, Bangkok 10310 Tel: 0-2792-3800, 0-2792-3900 Fax: 0-2255-1565	Collection Company	Ordinary	1,000,000	100,000	100,000	100.00%	1,000,000
4.	SCB TRAINING CENTRE CO., LTD. SCB Head Office Bldg., 9 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2544-1702, 1704, 1707 Fax 0-2544-1701	Training center	Ordinary	549,000,000	5,490,000	5,490,000	100.00%	389,504,400
5.	MAHISORN CO., LTD. ⁽¹⁾ SCB Park Plaza, Tower East, 2 nd Floor; 18-19 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2937-5400 Fax: 0-2937-5437	Property (building) management	Ordinary	66,949,000	669,490	669,490	100.00%	88,168,273
6.	SCB ASSET MANAGEMENT CO., LTD. SCB Park Plaza Bldg., Tower 1 West, 7 th -8 th Floor, 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2949-1500 Fax 0-2949-1501	Asset management	Ordinary	100,000,000	20,000,000	20,000,000	100.00%	221,573,983
7.	SCB SECURITIES CO., LTD. SCB Park Plaza Bldg., Tower 3 East, 2 nd , 20 th -21 st Floor, 19 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2949-1000 Fax 0-2949-1001	Securities	Ordinary	2,100,000,000	240,000,000	240,000,000	100.00%	2,207,396,410
8.	DIGITAL VENTURES CO., LTD. ⁽²⁾ Mahanakorn CUBE Tower, 2 nd floor (L2-02), 96 Narathiwas Ratchanakharin Rd., Silom, Bangrak, Bangkok 10500 Tel: 0-2061-6166	Venture capital	Ordinary	103,750,000	4,000,000	4,000,000	100.00%	103,750,000

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)
9.	SCB ABACUS CO., LTD. SCB Park Plaza Bldg, Tower 3 East, 22 nd Floor; 19 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2544-6566	Data Analytics	Ordinary	10,000,000	1,000,000	999,997	100.00%	9,999,970
10.	SCB PROTECT CO., LTD. SCTower, 23 rd -25 th Floor; 418 Phahon Yothin Rd. Sam Sen Nai, Phaya Thai, Bangkok 10400 Tel: 0-2037-7899	Non-life insurance broker	Ordinary	2,000,000	200,000	199,997	100.00%	1,999,970
11.	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	65,949,550	99.17%	12,540,163,475
12.	SIAM PHITIWAT CO., LTD. ⁽³⁾ SCB Park Plaza, Tower A Zone A West, 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2795-1800	Appraisal service	Ordinary	10,000,000	1,000,000	1,000,000	100.00%	10,000,000
13.	SOR.ORKOR PCL ⁽³⁾ Siam Commercial Bank PCL, Head Office, Rutchayothin, 19 th Floor; Zone C, 9 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2544-2301-4 Fax: 0-2544-3317	Commercial	Ordinary	-	597,423,062	595,883,972	99.74%	582,731,604
14.	SIAM COMMERCIAL LEASING PCL ⁽³⁾ SCB Park Plaza Bldg., Tower 2 West, 22 nd Floor; 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900 Tel: 0-2949-1800 Fax: 0-2949-1900	Collection company	Ordinary	5,677,975,020	567,797,502	564,336,277	99.39%	1,533,329,032
15.	SIAM SAT NETWORK CO., LTD. ^{(2) (3)} SCB Park Plaza Bldg., Tower 2 West, 21 st Floor; 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900	Satellite service	Ordinary	112,500,000	11,250,000	9,182,012	81.62%	-
16.	SIAM TECHNOLOGY SERVICE CO., LTD. ^{(1) (3)} SCB Park Plaza Bldg., Tower 1 West, 18 Rutchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900	Consultant	Ordinary	30,000,000	3,000,000	2,249,993	75.00%	1

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)
17.	SIAM MEDIA AND COMMUNICATION CO., LTD. ⁽³⁾ SCB Park Plaza Bldg., Tower 2 West, 17 th -22 nd Floor, 18 Ratchadaphisek Rd., Jatujak, Jatujak, Bangkok 10900	Holding company	Ordinary	700,000,000	7,000,000	2,333,800	33.34%	1
18.	NATIONAL ITMX CO., LTD. 5/13 Moo 3, Chaengwattana Rd., Khlongkuea, Pakkret, Nonthaburi 11120 Tel: 0-2558-7555 Fax: 0-2558-7566	Payment system service provider	Ordinary	50,000,000	500,000	97,238	19.45%	13,529,863
19.	SUPERNAP (THAILAND) CO., LTD. Sinhorn Tower 3 Bldg. 18 th Floor, Wireless Rd. Lumpini, Pathumwan, Bangkok 10330 Tel: 0-3312-5114 Fax: 0-2558-7566	Data center	Ordinary	1,410,000,000	200,000,000	20,000,000	10.00%	141,000,000
20.	THAI U.S. LEATHER CO., LTD. ⁽³⁾ 39/98 Rama II Rd., Banghrachao, Muang, Samutsakhon 74000 Tel: (034) 490-082-7	Industry	Ordinary	193,750,000	25,000,000	2,500,000	10.00%	19,375,000
21.	NAVUTI CO., LTD. 920/4 Moo7, 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	10.00%	6,000,000
22.	THAI OBAYASHI CORP. LTD. Nantawan Bldg., 11 th Floor, 161 Soi Mahadlek Luang 3 Ratchadamri Rd. Lumpini, Pathum Wan, Bangkok 10330 Tel: 0-2252-5200 Fax 0-2252-5381	Construction	Ordinary	10,000,000	20,000	2,000	10.00%	61,753,160
23.	SIRI VENTURE CO., LTD. Siri Pinyo Bldg. 17 th Floor, 475 Sri Ayudhaya Rd., Payathai, Ratchathewi, Bangkok, 10400 Tel: 0-2201-3905-6 Fax: 0-2201-3477	Venture capital	Ordinary	100,000,000	1,000,000	100,000	10.00%	10,000,000

Remarks

* In case of indirect investment by bank's affiliates, in which the bank hold more than 30% of theirs shares, the figures will depict the total percentage of shareholding and investment value of the bank and its affiliate. (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 of the Directors and Executives of the Bank as of 31 December 2017

Name/Position	Age (yrs)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
I. Mr. Anand Panyarachun - Chairman of the Board (Independent Director)	85	- B.A. (Hons.) in Law, Trinity College, University of Cambridge, U.K.	0.00%	None	Past Positions 2008-2015 2009-2017	- Director, Siam Commercial Foundation - Chairman, Green Globe Institute
Current Positions in Other Listed Companies						
1989-Present - Chairman, Eastern Star Real Estate PCL						
Current Positions in Non-Listed Companies						
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, UThant Institute						
2003-Present - Fellow, Dulwich College, London, U.K.						
2006-Present - Consultant, Chevron Asia South Co., Ltd.						
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						
2017-Present - Honorary Advisor, AIDS-Almost Zero Project, Thai National AIDS Foundation						
2017-Present - Honorary Chairman, Green Globe Institute						
2017-Present - Fellow, Trinity College Cambridge, U.K.						

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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
2. Dr. Vichit Suraphongchai	72	- B.Sc. (Engineering), Chulalongkorn University	-	None	Past Positions 2008-2015 1997-2017	- Director, Siam Commercial Foundation - Advisor, The Bureau of the Crown Property
- Chairman of the Executive Committee		- M.Sc. (Engineering), University of California, Berkeley, U.S.A. - M.B.A. (Management), Graduate School of Management, UCLA, U.S.A. - Ph.D., Graduate School of Management, UCLA, U.S.A. - Role of the Chairman Program, Thai Institute of Directors Association			1999-2017 2006-2017	- Director, Kempinski AG - Director, CPB Equity Co., Ltd.
Current Positions in Other Listed Companies						
- None						
Current Positions in Non-Listed Companies						
2006-Present - Executive Director, The Tio Chew Association of Thailand						
2006-Present - Vice Chairman, Peing School Board						
2007-Present - Honorary Member of the Board of Governors, Amata Spring Country Club						
2009-Present - Chairman, X-Zell Biotech Co., Ltd.						
2015-Present - Director, Cycling Track Management Company Limited						

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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
3. Dr. Chirayu Isarangkun Nla Ayuthaya	75	- B. Sc. (Hons.) in Economics, London School of Economics, University of London, U.K.	-	None	Past Positions 1987-2016	- Grand Chamberlain, Bureau of the Royal Household
- Director		- Ph. D. (Economics), Australian National University, Australia			2008-2016	- Director, Siam Commercial Foundation
- Chairman of the Nomination, Compensation, and Corporate Governance Committee		- Role of the Chairman Program, Thai Institute of Directors Association				
					Current Positions in Other Listed Companies 2007-Present	- Chairman, The Siam Cement PCL
					Current Positions in Non-Listed Companies 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, Baanbong Vetchakij Co., Ltd.
					2001-Present	- Director, Siriraj Foundation
					2002-Present	- Chairman, Isarangkun Foundation
					2006-Present	- Chairman, CPB Equity Co., Ltd.
					2006-Present	- Chairman, The Crown Property Bureau Foundation
					2007-Present	- Director, Navuti Co., Ltd.
					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 executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Name/Position	Age (yrs)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
4. Khunying Jada Wattanasiritham	72	- 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.A. - 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	Past Positions 2011-2013 2011-2013 2003-2014 2013-2014 2008-2016	- 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 in Other Listed Companies						
					2008-Present	- Independent Director, Minor International PCL
Current Positions in Non-Listed Companies						
					1992-Present	- Director, Siam Piwat Co., Ltd.
					2006-Present	- Vice Chairman, Ramathibodi Foundation
					2006-Present	- Member, Srinakharinwirot University Council
					2007-Present	- Chairman, SCB Life Assurance PCL
					2009-Present	- Chairman, Chubb Samaggi Insurance PCL
					2009-Present	- Vice Chairman, Prince Mahidol Foundation
					2011-Present	- Chairman, Siam Paragon Development Co., Ltd.
					2011-Present	- Director, Royal Paragon Enterprise Co., Ltd.
					2012-Present	- Member, The National Institute of Development Administration Council (NIDA)
					2013-Present	- Director, Cambridge Thai Foundation under the Patronage of Her Majesty the Queen
					2013-Present	- Director and Treasurer, Thai Red Cross Society
					2014-Present	- Chairman, Bliss Foundation
					2014-Present	- Director, Anti-Corruption Organization of Thailand
					2014-Present	- Chairman, The Kenan Institute Asia
					2016-Present	- Chairman, Siam Commercial Foundation
					2017-Present	- Director, Cheevamitr Social Enterprise Co., Ltd
					2017-Present	- Advisor to Civil Sanction Committee, The Securities and Exchange Commission

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)	Education/Training program	% 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	65	- B.Acc. (2 nd 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.A. - Director Certification Program, Thai Institute of Directors Association - Finance Institutions Governance Program, Thai Institute of Directors Association - Ethical Leadership Program, Thai Institute of Directors Association - Strategy Board Master Class, Thai Institute of Directors Association - Board Matters and Trends, Thai Institute of Directors Association	-	None	Past Positions 2011-2014 2011-2014 2013-2014 2013-2015 2014-2015 2012-2016 2013-2016 2014-2017 2014-2017 2015-2017	- 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 - President, Federation of Accounting Professions under the Royal Patronage of His Majesty the King - 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
Current Positions in Other Listed Companies						
					2013-Present	- Independent Director, Thai Solar Energy PCL
					2016-Present	- Independent Director and Member of the Audit Committee, PTT Global Chemical PCL
					2017-Present	- Independent Director, Advanced Info Service PCL
Current Positions in Non-Listed Companies						
					2012-Present	- Expert Member, General Insurance Fund, Ministry of Finance
					2014-Present	- Member of the Audit Committee, Office of Insurance Commission
					2014-Present	- Expert Member on Accounting, Insurance Commission
					2014-Present	- Member, Anti-dumping and Subsidies Committee under the Ministry of Commerce
					2015-Present	- Member of Thailand's Private Sector Collective Action against Corruption Certification Committee
					2015-Present	- Member of the Finance and Property Committee, King Mongkut's University of Technology Thonburi
					2016-Present	- Director, OIC Advanced Insurance Institute
					2016-Present	- Member of the Mahidol University Internal Audit Committee, Mahidol University Council
					2017-Present	- Chairman, Thai Institute of Directors Association
					2017-Present	- Expert Member on Accounting, Public Sector Audit and Evaluation Committee

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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
6. M,R, Disnadda Diskul *	78	B. Sc. (Business Administration), Indiana University Bloomington, U.S.A.	-	None	Past Positions 2009-2013	- Director, Japan-America Institute of Management Science (Hawaii, U.S.A.)
- Director	-	Role of the Chairman Program, Thai Institute of Directors Association			1972-2015	- Director and Secretary-General, The Mae Fah Luang Foundation under Royal Patronage
					1992-2015	- Director, Prostheses Foundation of Her Royal Highness the Princess Mother
					2001-2015	- Chairman, Prince Damrong Rajanupab and Momjao Jongjitthanom Disakul Foundation
					2007-2015	- Director, Siam Commercial Foundation
					1985-2016	- Director, Volunteer Doctors Foundation of Her Royal Highness the Princess Mother
					2002-2016	- Director, Elephant Reintroduction Foundation

Current Positions in Other Listed Companies

- None

Current Positions in Non-Listed Companies

1989-Present - Director, Navuti Co., Ltd.
 1995-Present - Director, Breast Foundation under the Patronage of Her Royal Highness the Princess Mother
 1999-Present - Chairman, East Asia Development Foundation
 2003-Present - Director, Navutayay Co., Ltd.
 2010-Present - Chairman, Royal Initiative Discovery Institute
 2010-Present - Director and Secretary-General, Royal Initiative Discovery Foundation
 2011-Present - Chairman, Rakkaew Foundation
 2011-Present - Advisor, The Crown Property Bureau
 2012-Present - Director, King RamalIV Foundation
 2014-Present - Vice Chairman, Development Foundation
 2015-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 executive director, or authorized director, or all of the aforementioned positions in other companies exceeding 3 business groups.

Remark: * M,R, Disnadda Diskul resigned as a director of the Bank, effective on 31 January 2018.

Name/Position	Age (yrs)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
7. Dr. Kulpatra Sirodom - Independent Director - Member of the Audit Committee - Member of the Corporate Social Responsibility Committee	61	- B.B.A. (1 st Class Hons.) in Finance, Thammasat University - M.B.A. (Finance), West Virginia University, U.S.A. - Ph.D. (Finance), University of Pittsburgh, U.S.A. - Director Certification Program, Thai Institute of Directors Association - Audit Committee Program, Thai Institute of Directors Association	-	None	Past Positions 2010-2013 2012-2013 2013-2015 2006-2016 2010-2016 2013-2016 2011-2017 2013-2017 2014-2017	- 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 Pijitjirapa Tevakul Foundation - Member of the Risk Management Sub-Committee, Government Pension Fund - Member of the Sub-Performance Agreement Committee, The Comptroller General's Department - Advisor, The Federation of Accounting Professions - Expert Member, Investment Risk Management Sub-Committee, Social Security Fund - Independent Director, Total Industrial Services Co., Ltd.
Current Positions in Other Listed Companies						
1994-Present						
2002-Present						
2010-Present						
2012-Present						
2013-Present						
2017-Present						
Current Positions in Non-Listed Companies						
2006-Present						
2013-Present						
2013-Present						
2013-Present						
2013-Present						
2016-Present						
2016-Present						
2016-Present						
2016-Present						
2017-Present						
2017-Present						

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.

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.

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.

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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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
11. Dr.Taweesak Koanantakool	64	- B.Sc. (Electrical Engineering), Imperial College, University of London, U.K.	-	None	Past Positions 2010-2016	- President, National Science and Technology Development Agency
- Independent Director		- Ph.D. (Electrical Engineering), Imperial College, University of London, U.K.			2002-2017	- Vice Chairman, Member of the Executive Committee, and Member of the Risk Management Committee, Internet Thailand PCL
- Member of the Executive Committee		- Role of the Chairman Program, Thai Institute of Directors Association			2008-2017	- Chairman, T-Net Co., Ltd.
		- Director Certification Program, Thai Institute of Directors Association			2015-2017	- Member, National Reform Steering Assembly
					Current Positions in Other Listed Companies	
					- None	
					Current Positions in Non-Listed Companies	
					2003-Present	- Director, Internet Foundation for the Development of Thailand
					2005-Present	- Director and Chairman of the Executive Committee, Tradesiam Co., Ltd.
					2016-Present	- Director, Information Technology Projects Under the Initiative of H.R.H. Princess Maha Chakri Sirindhorn Foundation
					2016-Present	- Expert Member and Member of the Mahidol University Internal Audit Committee, Mahidol University Council
					2016-Present	- Member, Khon Kaen University Council
					2017-Present	- Director, Phoenix Co., Ltd.
					2017-Present	- Expert Member on Information Technology, Public Sector Audit and Evaluation Committee
					2017-Present	- Member, National Economic Reform Committee
					2017-Present	- Board Member, The National Economic and Social Development Board
					2017-Present	- Chairman, Electronic Government Agency (Public Organization)
					2017-Present	- Director, Foundation for Research in Information 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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
12. Mr. Veerawong Chittimittrapap	59	- LL.B., Chulalongkorn University	-	None	Past Positions	- Independent Director, Nok Airlines PCL
- Independent Director	-	- LL.M., University of Pennsylvania Law School, U.S.A.			2009-2013	- Independent Director, Minor International PCL
- Member of the Nomination, Compensation and Corporate Governance Committee	-	- Barrister-at-Law, Thai Bar Association			2011-2013	- Director, WC&P Holding Co., Ltd.
		- Director Certification Program, Thai Institute of Directors Association			1996-2014	- Chairman, Weerawong, Chinnawat and Peangpanor Limited (Formerly White & Case (Thailand) Limited)
		- The Executive Director Course			2006-2014	- Independent Director and Member of the Audit Committee, GMM Grammy PCL
		- Thai Institute of Directors Association			2009-2014	- Independent Director and Member of the Audit Committee, Thai Airways International PCL
		- Advanced Executive Program, Capital Market Academy			2009-2014	- Independent Director and Member of the Audit Committee, Golden Land Property Development PCL
					2013-2014	- Independent Director, Frasers and Neave Limited, Singapore
					2008-2017	- Director, National Power Supply PCL
					2014-2017	- Independent Director and Chairman of the Audit Committee, Thai Airways International PCL
					2015-2017	- Director, Thai Listed Companies Association
Current Positions in Other Listed Companies						
					2001-Present	- Independent Director, Berl Jucker PCL
					2015-Present	- Independent Director and Member of the Audit Committee, Bangkok Dusit Medical Services PCL
Current Positions in Non-Listed Companies						
					2004-Present	- Director, Saranee Co., Ltd.
					2005-Present	- Director, Punnakhat Co., Ltd.
					2006-Present	- Director, Pitchayarat Co., Ltd.
					2010-Present	- Director, Yaksa Co., Ltd.
					2011-Present	- Independent Director and Chairman of the Nomination, Compensation and Corporate Governance Committee, SCB Life Assurance PCL
					2013-Present	- Director, Frasers Centrepoint Limited, Singapore
					2016-Present	- 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.

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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
14. Mr. Kan Trakulhoon	62	- B.Sc. (Electrical Engineering) (1 st Class Hons.), Chulalongkorn University	-	None	Past Positions 2006-2015 2004-2016 2015-2016	- President, Siam Cement PCL - Chairman, SCG Legal Counsel Limited - Director, Advanced Info Services PCL
- Member of the Nomination, Compensation and Corporate Governance Committee		- M.S. (Engineering), Georgia Institute of Technology, U.S.A. - M.S. (Management), Georgia Institute of Technology, U.S.A. - Advanced Management Program (AMP), Harvard University, U.S.A. - Director Certification Program, Thai Institute of Directors Association			Current Positions in Other Listed Companies 2006-Present 2016-Present 2017-Present	- Director, Siam Cement PCL - Chairman and Chairman of the Leadership and Compensation Committee, Advanced Info Services PCL - Independent Director, Chairman of the Leadership Development & Compensation Committee, Member of the Nomination & Governance Committee, Member of the Strategic & Organizational Review Committee, and Member of the CSR Committee for Sustainable Development, Intouch Holding PCL - Independent Director, Bangkok Dusit Medical Services 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.

Current Positions in Non-Listed Companies

- None

Name/Position	Age (yrs)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
15. Mr. Chakkrit Parapuntakul	58	- B.B.A., Thammasat University	-	None	Past Positions	
- Director	-	- M.B.A., Angelo State University, Texas, USA			2012-2014	- Deputy Permanent Secretary, Ministry of Finance
- Member of the Corporate Social Responsibility Committee	-	- Director Accreditation Program, Thai Institute of Directors Association			2012-2015	- Chairman, ASEAN Potash Mining PCL
		- Audit Committee Program, Thai Institute of Directors Association			2013-2016	- Independent Director and Member of the Audit Committee, Vichitbhan Palmoil PCL
		- Advanced Executive Program, Capital Market Academy			2015-2016	- Director, PTT Exploration and Production PCL
		- Senior Executives on Process of Judgment Program, Judicial Training Institute			2015-2017	- Director General, The Treasury Department
		- Ethical Leadership Program, Thai Institute of Directors Association			2015-2017	- Chairman, Dhanarak Asset Development Co., Ltd.
		- Board Matters and Trends, Thai Institute of Directors Association			2015-2017	- Director, Real Estate Information Center
					Current Positions in Other Listed Companies	
					2013-Present	- Independent Director and Chairman of the Audit Committee, MPG Corporation PCL
					2017-Present	- Independent Director, Esso (Thailand) PCL
					Current Positions in Non-Listed Companies	
					2014-Present	- Director, Pinthong Industrial Park Co., Ltd.
					2016-Present	- Director, Siam Commercial Foundation
					2017-Present	- Deputy Permanent Secretary, Ministry of Finance
					2017-Present	- President, Federation of Accounting Professions under the Royal Patronage of His Majesty the King
					2017-Present	- Director, Tris Corporation 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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
16. Mr.Arthid Nanthawittaya	50	B.A. (Economics), Chulalongkorn University	-	None	Past Positions 2009-2015	- Chairman, SCB Securities Co., Ltd.
- President and Chief Executive Officer		M.B.A. (Finance), Sasin Graduate Institute of Business Administration			2009-2015	- Director and Chairman of the Investment Committee, SCB Life Assurance PCL
- Member of the Executive Committee		Director Accreditation Program, Thai Institute of Directors Association			2009-2015	- Vice Chairman, Vinasiam Bank
- Member of the Corporate Social Responsibility Committee		Advanced Executive Program, Capital Market Academy			2014-2015	- Director, CAT Telecom PCL
		Leadership Program, Office of the Attorney General			Current Positions in Other Listed Companies	
		Leadership Program, Urban Green Development Institute			- None	
		National Defense Course, Thailand Energy Academy			Current Positions in Non-Listed Companies	
					2015-Present	- Director, Siam Commercial Foundation
					2017-Present	- Director, Princess Pa Foundation
					2017-Present	- Chairman, 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.

Name/Position	Age (yrs)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
17. Mrs. Kritiya Todhanakasem - Senior Executive Vice President, Chief Financial Officer	59	<ul style="list-style-type: none"> - 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	Past positions 1997-2016 - First Senior Executive Vice President- Managing Director, Financial Management Group, Krungthai Bank PCL	
Current Positions in Other Listed Companies						
- None						
Current Positions in Non-Listed Companies						
2016-Present - Director, The Office of SMEs Promotion (OSMEP) 2017-Present - Chairman, SCB Abacus Co., Ltd. 2017-Present - Director, SCB Life Assurance 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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
18. Mr. Anucha Laokwansatit - Senior Executive Vice President, Chief Risk Officer	56	- 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	Past positions 1999-2015 - General Manager & Chief Investment Officer, AIA Current Positions in Other Listed Companies - None Current Positions in Non-Listed Companies 2015-Present - Director, SCB Life Assurance PCL 2015-Present - Chairman, SCB Asset Management Co., Ltd. 2017-Present - Director, 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.						
19. Mrs. Wallaya Kaewrungruang - Senior Executive Vice President, Chief Legal and Control Officer	55	- 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	Past positions 2005-2014 - Senior Executive Vice President, Managing Director, Compliance & Legal Management Group, Krungthai Bank PCL Current Positions in Other Listed Companies - None Current Positions in Non-Listed Companies - None	

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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
20. Mr. Colin Dinn - Senior Executive Vice President, Chief Technology Officer	65	- Diploma in Organic and Inorganic Chemistry – Old Swan Technical College - Management Training Program – Midland Bank, covering internal and external residential courses	-	None	Past positions 2010-2016	- Executive Vice President, Operations and Program Delivery, ANZ Bank
Current Positions in Other Listed Companies - None						
Current Positions in Non-Listed Companies 2017-Present - Director; Digital Ventures Co., Ltd. 2017-Present - Director; SCB Abacus Co.,Ltd.						
21. Dr. Jens Lottner - Senior Executive Vice President, Chief Transformation Officer	52	- Diploma of Economics, Rheinische Friederich Wilhelms Universitaet, Bonn, Germany - Bachelor of Economics, Technische Universitaet, Dresden, Germany - Master of Economics, Technische Universitaet, Dresden, Germany - Ph.D. in Economics, Technische Universitaet, Dresden, Germany	-	None	Past positions 2008-2012	- Director (Senior Partner), Financial Services Sector, McKinsey & Company 2012-2015 - Senior Partner and Managing Director, The Boston Consulting Group
Current Positions in Other Listed Companies - None						
Current Positions in Non-Listed Companies 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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
22. Mr.Thana Thienachariya - Senior Executive Vice President, Chief Marketing Officer	48	- Bachelor of Economics (2 nd Honors), Chulalongkorn University - MBA, Washington State University, U.S.A	-	None	Past positions 2012-2013 2012-2013 2013-2015 2015-2016	- Chief Executive Officer, PK Garment (Import - Export) Company Limited - Chief Executive Officer (Broadcasting Business), GMM Grammy PCL - Director and Chief Executive Officer, Southpaw Company Limited - Senior Advisor, Digital Ventures, Siam Commercial Bank PCL
Current Positions in Other Listed Companies						
2013-Present - Independent Director, Sappe Public Company Limited						
Current Positions in Non-Listed Companies						
2013-Present - Director, Aksorn Education PLC						
2014-Present - Director, Southpaw Business 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.						

23. Mr.Sarunthorn Chutima - Senior Executive Vice President, Head of Special Business	59	- Bachelor's Degree in Accounting, Chulalongkorn University - M.B.A., Ohio University, U.S. - National Defence Course, National Defence College of Thailand (2007) - International Management Program, MIT Sloan Management	0.00%	None	Past positions - None	
Current Positions in Other Listed Companies						
- None						
Current Positions in Non-Listed Companies						
2004-Present - Director, Donmuang International Airport Hotel Co., Ltd.						
2008-Present - Director, Nantawan Management Co., Ltd.						
2008-Present - Director, Nantawan Co., Ltd.						
2008-Present - Director, Rattana Court Co., Ltd.						
2010-Present - Chairman and Managing Director, Rutchayothin Assets Management Co., Ltd.						
2010-Present - Director, Khamtieng Pattana Co., Ltd.						
2010-Present - Director, Sarapee Gaskam 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.						

	Age	Educational Background	Past positions	None
25. Dr.Arak Sutivong	44	- Bachelor of Science in Electrical & Computer Engineering, Carnegie University, U.S.	2013-2014 - First Executive Vice President, Head of Wholesale Credit Product Division, Wholesale Banking Group	
- Senior Executive Vice President, Chief Strategy Officer and Company Secretary		- Master of Science in Electrical & Computer Engineering, Carnegie University, U.S.	2014-2015 - First Executive Vice President, Head of Wholesale Credit Product and Business Strategy & Development Division	
		- Ph. D in Electrical Engineering, Stanford University, U.S.	2015-2016 - First Executive Vice President, Head of Corporate Strategy Business Development	
		- Advanced Management Program, Wharton School, University of Pennsylvania, U.S.		
		- Top Executive Program in Commerce and Trade, Commerce Academy		
Current Positions in Other Listed Companies				
- None				
Current Positions in Non-Listed Companies				
2016-Present - Director, National ITMX Co.,Ltd.				
2017-Present - Director, SCB Asset Management Co., Ltd.				

Name/Position	Age (yrs)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
26. Mr. Sarut Ruttanaporn - Senior Executive Vice President, Head of Retail Segment and Branch Network	44	- Bachelor of Art in Economics, Boston University, USA - MBA in Finance, SASIN Graduate Institute of Business Administration - Leadership Program, Capital Market Academy (2012)	-	None	Past positions 2015-2016 2016-2017	First Executive Vice President, Head of Client Acquisition First Executive Vice President, Head of Corporate Segment
Current Positions in Other Listed Companies - None						
Current Positions in Non-Listed Companies						
2014-Present - Director; Don Muang International Airport Hotel Co., Ltd.						
2016-Present - Director; Amata Spring Development Co., Ltd.						
2017-Present - Director; SCB Life Assurance 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.						

27. Mr. Narong Srichukrin - Senior Executive Vice President, Head of Wealth Segment and Wealth Products	54	- Bachelor of Arts in Economics (2 nd Class Honors), Thammasat University - MBA in Finance and Banking, San Francisco State University, USA	-	None	Past positions 2014-2015 2015-2016 2016-2017	First Executive Vice President, Division Head, Auto Finance & Personal Loan First Executive Vice President, Head of Auto Finance & Personal Loan Product Senior Executive Vice President, Head of Wealth Segment, Head of Wealth Products and Head of Retail Banking Solutions
Current Positions in Other Listed Companies - None						
Current Positions in Non-Listed Companies						
2015-Present - Director; SCB Plus Co., Ltd.						
2016-Present - Director; SCB Life Assurance 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.						

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.

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)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
30. Mrs. Pimolpa Sunitichok - Senior Executive Vice President, Head of Commercial Banking Solutions	45	- Bachelor of Science in Statistics, Chulalongkorn University - MBA, Eastern Michigan University, Michigan, USA - Executive Development Program, Thai Listed Companies Association (TLCA) (2013)	-	None	Past positions 2013 2014-2015 2015-2016 2016-2017	First Executive Vice President, Head of Corporate Banking First Executive Vice President, Head of Corporate Segment I First Executive Vice President, Head of Corporate Segment First Executive Vice President, Head of Multi-Corporate Segment
Current Positions in Other Listed Companies - None						
Current Positions in Non-Listed Companies 2015-Present - Director, TRIS Corporation Limited 2017-Present - Director, SCB Securities Co., Ltd. 2017-Present - Director, Suparnap (Thailand) 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.						

31. Mrs. Apiphan Charoenanusorn - Senior Executive Vice President, Head of Operations, Head of Retail Products and Head of Retail Payments	52	- Bachelor in Finance and Accounting (2 nd Class Honors), Chulalongkorn University - MBA, Kasetsart University	-	None	Past positions 2013-2015 2015-2017	First Executive Vice President, Division Head, Retail Operations Division First Executive Vice President, Head of Operations
Current Positions in Other Listed Companies - None						
Current Positions in Non-Listed Companies 2009-Present - Director and Member of the Audit Committee, SCB Asset Management Co., Ltd. 2009-Present - Managing Director, SCB Plus Co., Ltd. 2014-Present - Chairman, SCB Training Centre Co., Ltd. 2016-Present - Chairman, Mahisorn Co., Ltd. 2017-Present - Director, SCB Protect Co., Ltd. 2017-Present - Director, Digital Ventures 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.						

Educational background, work experience and record on attending relevant training programs of personnel responsible for Board's support

Name/Position	Age (yrs)	Education/Training program	% of total shares	Family relationship with director and management	Period	Experience in the past 5 years Position/Company
1. Mr. Krieng Wongnongtaey - First Executive Vice President, Head of Audit	52	- Bachelor of Business Administration in Accounting, Thammasat University - Master of Science in Accounting, Thammasat University - Advanced Management Program, Wharton, USA - Banking and Financial Institution Executive Seminar	-	None	Past positions 2012-2015	First Executive Vice President, Finance Reporting & Control, Finance Group
Current Positions in Other Listed Companies - None						
Current Positions in Non-Listed Companies 2017-Present - Chairman, SCB Staff Savings Co-Operative Ltd.						
2. Mr. Nopadol Mungonchai - Executive Vice President, Head of Compliance	55	- LL.B (Hons), Thammasat University - LL.M in Commercial and Corporate Law, University College London, UK - National Defense Course, National Defense College of Thailand - Company Secretary Program (CSP) Director Certification Program (DCP), the Institute of Directors	-	None	Current Positions in Other Listed Companies - None	Current Positions in Non-Listed Companies - None

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 OF DIRECTORSHIP

Information of directorship of executives in other companies as of December 31, 2017

NO.	NAME	POSITION	COMPANY
1	Mr. Sarunthorn Chutima SEVP, Head of Special Business	Director	Nantawan Management Co., Ltd.
		Director	Nantawan Co., Ltd.
		Director	Don Muang International Airport Hotel Co., Ltd.
		Director	Primus Co., Ltd
		Chairman/Managing Director	Rutchayothin Assets Management Co., Ltd.
		Director	Kamthieng Development Co., Ltd.
		Director	Rattana Court Co., Ltd.
		Director	Sarapee Kasikam Co., Ltd.
2	Mr. Colin Dinn SEVP, Chief Technology Officer	Director	Digital Ventures Co., Ltd.
		Director	SCB Abacus Co., Ltd.
3	Mr. Thana Thienachariya SEVP, Chief Marketing Officer	Director	Southpaw Business Co., Ltd.
		Director	Aksorn Education PLC
		Independent Director	Sappe Public Company Limited
4	Mrs. Kittiya Todhanakasem SEVP, Chief Financial Officer	Chairman	SCB Abacus Co., Ltd.
		Director	The Office of SMEs Promotion (OSMEP)
		Director	SCB Life Assurance PCL
		Chairman	SCB Asset Management Co., Ltd.
		Director	SCB Life Assurance PCL
5	Mr. Anucha Laokwansatit SEVP, Chief Risk Officer	Director	Digital Ventures Co., Ltd.
		Director	
6	Ms. Phanporn Kongyingyong SEVP, Chief People Officer	Director	Digital Ventures Co., Ltd.
7	Mr. Narong Srichukrin SEVP, Head of Wealth Segment and Head of Wealth Products	Director	SCB Plus Co., Ltd.
		Director	SCB Life Assurance PCL

NO.	NAME	POSITION	COMPANY
8	Mrs. Apiphan Charoenanusorn SEVP, Head of Operations, Head of Retail Products and Head of Retail Payments	Director and Member of the Audit Committee Managing Director Chairman Chairman Director Director	SCB Asset Management Co., Ltd. SCB Plus Co., Ltd. Mahisorn Co., Ltd. SCB Training Centre Co., Ltd. SCB Protect Co., Ltd. Digital Ventures Co., Ltd.
9	Mr. Wasin Saiyawan SEVP, Head of Multi-Corporate Segment and Head of Corporate Segment	Independent Director	SCB Securities Co., Ltd.
10	Mrs. Pimolpa Suntichok SEVP, Head of Commercial Banking Solutions	Director Director Director	TRIS Corporation Limited SCB Securities Co., Ltd. Supernap (Thailand) Co., Ltd.
11	Dr. Arak Sutivong SEVP, Chief Strategy Officer	Director Director	SCB Asset Management Co., Ltd. National ITMX Co., Ltd.
12	Mrs. Pikun Srimahunt SEVP, Head of SME Segment	Director	SCB Securities Co., Ltd.
13	Mr. Sarut Ruttanaporn SEVP, Head of Retail Segment and Head of Branch Network	Director Director Director	Don Muang International Airport Hotel Co., Ltd. Amata Spring Development Co., Ltd. SCB Life Assurance PCL
14	Mr. Krieng Wongnongtaey FEVP, Head of Audit	President	S.C.B. Staff Savings Co-operative Ltd.
15	Mr. Kiradit Arromdee FEVP, Credit Product Division	Director Director	Saimake Co., Ltd. SCB Protect Co., Ltd.
16	Mr. Pongsit Chaichutpornasuk FEVP, Head of Financial Crime	Director	TOT Public Company Limited
17	Mr. Kamalkant Ishwalel Agarwal FEVP, Head of International Banking	Chairman of Liquidation	Vinasiam Bank Ltd.

NO.	NAME	POSITION	COMPANY
18	Mr. Suthipat Serirat FEVP, Head of Investment Banking and Capital Markets	Independent Director	SCB Securities Co., Ltd.
19	Mr. Pipat Assamongkol FEVP, Global Transaction Services Division	Partner	Yong Seng Pawnshop
20	Ms. Auraratana Jutimitta FEVP, Retail Segment Strategy and Planning Division	Director Partner Director	Avalant Co., Ltd AVA Solutions Work Co., Ltd. Avalant Global Co., Ltd.
21	Ms. Saranya Vajakul EVP, Head of Financial Planning and Analysis	Director Director	SCB Asset Management Co., Ltd. SCB Plus Co., Ltd.
22	Mr. Ekkapol Apinun EVP, Litigation Division	Director Director Director Director Director	SCB Plus Co., Ltd. Mahisorn Co., Ltd. SCB Training Centre Co., Ltd. Siam Phitiwat Co., Ltd. S.C.B. Staff Savings Co-operative Ltd.
23	Mr. Paiboon Tangkanokpairoj EVP, Prevention & Debt Management Division, Upcountry	Director	Siam Phitiwat Co., Ltd.
24	Mr. Aphisak Kiewkamkha EVP, Head of Group Treasury	Director	Cambodian Commercial Bank Ltd.
25	Mr. Somkiat Kuvichitsuwan EVP, Branch Network Upcountry Division	Director Director	S.C.B. Staffs Savings Co-operative Ltd. SCB Asset Management Co., Ltd.
26	Mr. Triirat Suwanprateeb EVP, Head of Technology Operations, Testing & Platforms	Partner	Thongrungrueang Registered Ordinary Partnership
27	Mr. Artapong Porndhiti EVP, Investment Banking 2	Director	Premium Management and Consultant Co., Ltd.
28	Mrs. Metinee Jongsaliswang EVP, Multi-Corporate Segment 5 Division	Director	Kumo Business Service Co., Ltd.

NO.	NAME	POSITION	COMPANY
29	Mr. Sirote Vichayabhai EVP, Corporate Segment-Thai 3	Partner	Wrap Inc.
30	Mr. Rungsi Vongkitbuncha EVP, Corporate Segment - MNC Division	Director	UD Drugstore (2001) Co., Ltd.
31	Mr. Somsakul Vinichbutr EVP, Client Coverage I	Partner	Impara Intertrade Limited Partnership
32	Ms. Lalitphat Toranavikrai EVP, Private Banking Division	Director	The Crestcent Co., Ltd.
33	Mrs. Kanognate Charoensedtasin Head of Project Delivery, Persistent Teams and Solutioning	Partner Partner	Arcadedesign Co., Ltd. Arcade Consultant Co., Ltd.
34	Mrs. Virasana Boonyasai EVP, Prevention & Debt Management Division, Bangkok	Director	Rutchayothin Assets Management Co., Ltd.
35	Mrs. Siribunchong Uthayophas EVP, Head of Corporate Office	Director Director	Kler Kaew Korkij Co., Ltd. Krabingern Food Co., Ltd.
36	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 AS THE MANAGEMENT OF THE SUBSIDIARY, ASSOCIATED AND RELATED COMPANY UNDER THE NAME OF BOARD DIRECTORS

Name of Director	Subsidiary Company													Related Company				
	Cambodian Commercial Bank Co., Ltd.	Rutchayothin Assets Management Co., Ltd.	SCB Plus Co., Ltd.	SCB Training Centre Co., Ltd.	Mahisorn Co., Ltd.	SCB Asset Management Co., Ltd.	SCB Securities Co., Ltd.	Digital Ventures Co., Ltd.	SCB Abacus Co., Ltd.	SCB Protect Co., Ltd.	SCB Life Assurance PCL	Siam Phitiwat Co., Ltd. ⁽¹⁾	SorOrKor PCL ⁽¹⁾	Siam Commercial Leasing PCL ⁽¹⁾	National ITMX Co., Ltd.	Supernap (Thailand) Co., Ltd.	Navuti Co., Ltd.	Thai Obayashi Corp., 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. Kriik Vanikkul																		
12 Mr. Chakkrit Parapuntakul																		
13 Dr. Ekniti Nitithanprapas																		
14 Dr. Thaweesak Koanantakool																		
15 Mr. Kan Trakulhoon																		
16 Mr. Arthid Nanthawithaya								X										
17 Mr. Sarunthorn Chutima		X																//
18 Mrs. Kittiya Todhanakasem									X		//							
19 Mrs. Wallaya Kaewrungruang																		
20 Mr. Anucha Laokwansatit						X		//			//							
21 Dr. Jens Lottner																		
22 Mr. Colin Dinn								//	//									
23 Mrs. Apiphan Charoenanusorn			X	X	X	//		//		//			/	/				

342

		Subsidiary Company																	
Name of Director		Cambodian Commercial Bank Co., Ltd.	Rutchayothin Assets Management Co., Ltd.	SCB Plus Co., Ltd.	SCB Training Centre Co., Ltd.	Mahisorn Co., Ltd.	SCB Asset Management Co., Ltd.	SCB Securities Co., Ltd.	Digital Ventures Co., Ltd.	SCB Abacus Co., Ltd.	SCB Protect Co., Ltd.	SCB Life Assurance PCL	Siam Phitiwat Co., Ltd. ⁽¹⁾	SorOrKor PCL ⁽¹⁾	Siam Commercial Leasing PCL ⁽¹⁾	National ITMX Co., Ltd.	Supernap (Thailand) Co., Ltd.	Navuti Co., Ltd.	Navuti Co., Ltd.
24	Ms. Phanporn Kongyingyong	//							//										
25	Mr. Sarut Ruttanaporn												//						
26	Mr. Narong Srichukrin		//										//						
27	Mr.Thana Thienachariya																		
28	Mr.Wasin Saiyawan							//	//										
29	Dr.Arak Sutivong							//	//								//		
30	Mrs. Pikun Srimahant								//										
31	Mrs. Pimolpa Suntichok								//									//	
32	Mr. Patiphan Lerdprasertsiri										//								

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 2017			as at 31 Dec 2016			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 Executive Committee	-	50,480	50,480	-	50,480	50,480	-
10. Dr.Thaweesak Koanantakool Independent Director and Member of the Executive Committee	-	-	-	-	-	-	-
11. Mr.Weerawong Chittmittrapap Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
12. Dr. Ekniti Nitithanprapas Director and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-
13. Mr. Kan Trakulhoon Independent Director and Member of the Nomination, Compensation and Corporate Governance Committee	-	-	-	-	-	-	-

Name	as at 31 Dec 2017			as at 31 Dec 2016			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	
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. Mr. Anucha Laokwansatit Senior Executive Vice President, Chief Risk Officer	-	-	-	-	-	-	-
19. Dr. Jens Lottner Senior Executive Vice President, Chief Transformation Officer	-	-	-	-	-	-	-
20. Mr. Colin Richard Dinn Senior Executive Vice President, Chief Technology Officer	-	-	-	-	-	-	-
21. Mrs. Wallaya Kaewrungruang Senior Executive Vice President, Chief Legal and Control Officer	-	-	-	-	-	-	-
22. Mrs. Kittiya Todhanakasem Senior Executive Vice President, Chief Financial Officer	-	-	-	-	-	-	-
23. Ms. Phanporn Kongyingyong Senior Executive Vice President, Chief People Officer	-	-	-	-	-	-	-
24. Mr. Thana Thienachariya Senior Executive Vice President, Chief Marketing Officer	-	-	-	-	-	-	-
25. Mrs. Apiphan Charoenanusorn Senior Executive Vice President, Head of Operations, Retail Products and Retail Payments	-	-	-	-	-	-	-
26. Mr. Narong Srichukrin Senior Executive Vice President, Head of Wealth Segment and Wealth Products	-	-	-	-	-	-	-
27. Dr. Arak Sutivong Senior Executive Vice President, Chief Strategy Officer and Company Secretary	-	-	-	-	-	-	-

Name	as at 31 Dec 2017			as at 31 Dec 2016			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	
28. Mr. Wasin Saiyawan Senior Executive Vice President, Head of Multi-Corporate Segment and Corporate Segment	-	-	-	-	-	-	-
29. Mrs. Pikun Srimahunt Senior Executive Vice President, Head of SME Segment	-	-	-	-	-	-	-
30. Mrs. Pimolpa Suntichok Senior Executive Vice President, Head of Commercial Banking Solutions	-	-	-	-	-	-	-
31. Mr. Sarut Ruttanaporn Senior Executive Vice President, Head of Retail Segment and Branch Network	-	-	-	-	-	-	-

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, 2017

Area Office		46	Offices
Branch, all nationwide		1,153	Branches
<hr/>			
Bangkok and its vicinity	514	Branches	
Upcountry	639	Branches	
<hr/>			
Investment Center		4	Branches
Business Center		3	Branches
Service Center		1	Branch
SCB Express		15	Branches
<hr/>			
Electronic branch (standalone)	6	Branches	
In-branch Express	9	Branches	
<hr/>			
Overseas Branch		5	Branches
Affiliated Bank (Cambodian Commercial Bank)		4	Branches
Representative Office		2	Branches
Business Relation Center		55	Centers
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Bangkok and its vicinity	10	Centers	
Upcountry	45	Centers	
<hr/>			
International Trade Service Center		47	Centers
Foreign Exchange Service Center		102	Centers
<hr/>			
Bangkok	53	Centers	
Tourist locations, Upcountry	49	Centers	
<hr/>			
ATM		9,560	Machines
<hr/>			
Bangkok	2,717	Machines	
Upcountry	6,843	Machines	

OVERSEA BRANCH

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

347

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

Affiliated Bank
Cambodian Commercial Bank Head Office - Phnom Penh

Director and
General Manager: Mr. Dara Chiv
Address: 26 Monivong Road, Sangkat Phsar
Thmei 2, Khan Daun Penh, Phnom Penh,
Cambodia
Telephone: +855-23-213-601, +855-23-213-602
+855-23-426-145
Fax: +855-23-426-116
Swift: SICOKHPP
E-Mail: dara.chiv@ccb.com.kh

Cambodian Commercial Bank - Siem Reap Branch

Branch Manager: Mr. Suriyah Termertmanuswong
Address: No. 130 Sivatha Road, Mondol I,
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 - 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 - 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

Representative Office
Beijing Representative Office

Chief Representative: Ms. Zhu Ying
Address: Room# 1565, 15F China World Tower 3,
No.1 Jianguomenwai Ave., Chaoyang District,
Beijing 100004, P.R. China
Telephone: +86-10-5737-2681
E-Mail: ying.zhu@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

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
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: 66 2009-9000 Fax: 66 2009-9991
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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 2544-1000
--	--

Senior Unsecured Notes USD 750 million 3.50% due April 2019	Deutsche Bank Trust Company Americas 60 Wall Street, 16 th Floor New York, New York 10005 United States
--	---

Senior Unsecured Notes USD 400 million 3.20% due July 2022	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
---	---

Senior Unsecured Notes USD 500 million 2.75% due May 2023	Deutsche Bank Luxembourg S.A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
--	---

Fiscal Agent

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

Senior Unsecured Notes
USD 400 million 3.20% due July 2022

Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Senior Unsecured Notes
USD 500 million 2.75% due May 2023

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: 66-2677-2000

Summary of Specified Items Per Form 56-2

Topic	Page
1. Policy and business overview	I, 40-41, 49-54
2. Nature of business performance	46-62
3. Risk factors and risk management	66-79
4. General information	310-312, 349-350
5. Shareholders	306-309
6. Dividend policy	308-309
7. Management structure	40-41, 109-126
8. Corporate governance	94-126
9. Corporate social responsibility	Refer to Sustainability Report
10. Internal control and risk management	128-131, 141-144
11. Related transactions	132-133
12. Financial information	161-162, 169-182
13. Management discussion and analysis (MD&A)	145-159



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