

Part 3 Financial Status and Operational Results**13. Significant Financial Information****Auditor Report of the Independent Certified Public Accountants and Auditing Fees****Auditors****KPMG Phoomchai Audit Ltd.**

2014: Mr. Winid Silamongkol, CPA Registration No. 3378 of KPMG Phoomchai Audit Ltd.

2015: Mr. Winid Silamongkol, CPA Registration No. 3378 of KPMG Phoomchai Audit Ltd.

2016: Mr. Winid Silamongkol, CPA Registration No. 3378 of KPMG Phoomchai Audit Ltd.

Report of the Independent Certified Public Accountants for 2014-2016**2014**

Auditor's opinion was that the 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 2014 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

2015

Auditor's opinion was that the 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 2015 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

2016

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

Appointment of Auditors and Determining Auditing Fees

The Board assigned the Audit Committee to consider and propose the appointment of external auditors and auditing fees to shareholders for approval at every Annual General Meeting of shareholders. At the 2016 Annual General Meeting, shareholders approved the following items:

The appointment of Mr. Winid Silamongkol CPA Registration No. 3378, Mr. Charoen Phosamritlert CPA Registration No. 4068 and Miss Pantip Gulsantitamrong CPA Registration No. 4208, of KPMG Phoomchai Audit Ltd. to be auditors of the Bank for the financial year 2016. The Bank of Thailand concurred with these appointments.

Audit Fees

The Bank and its subsidiaries external audit fees for 2016 were Baht 27.9 million (*2015: Baht 25.4 million*).

Non-Audit Fees

The Bank and its subsidiaries paid fees for services other than statutory audits as follows:

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

Non-audit fees to the external auditors were Baht 9.2 million in 2016 (*2015: Baht 7.9 million*), of which Baht 1.2 million was paid in 2016, and Baht 8.0 million is due and payable in 2017.

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)
STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31

(in Baht thousand)

Assets	2016		2015		2014	
Cash	40,317,033	1.51%	38,737,313	1.51%	41,922,318	1.66%
Interbank and money market items, net	243,901,504	9.16%	246,492,375	9.64%	276,806,702	10.97%
Claims on security	-	0.00%	4,545,098	0.18%	6,059,162	0.24%
Derivative assets	59,634,746	2.24%	58,559,234	2.29%	43,759,401	1.73%
Investments, net	363,076,332	13.64%	333,861,095	13.05%	340,090,493	13.48%
Investments in subsidiaries and associate, net	16,741,514	0.63%	26,979,728	1.05%	22,128,612	0.88%
Loans to customers and accrued interest receivables, net						
Loans to customers	1,950,822,291	73.30%	1,844,260,304	72.11%	1,790,005,534	70.95%
Accrued interest receivables	3,504,906	0.13%	4,107,045	0.16%	3,543,663	0.14%
Total loans to customers and accrued interest receivables	1,954,327,197	73.43%	1,848,367,349	72.27%	1,793,549,197	71.09%
Less deferred revenue	(23,557,162)	-0.89%	(22,598,424)	-0.88%	(20,426,639)	-0.81%
Less allowance for doubtful accounts	(72,624,446)	-2.73%	(63,186,848)	-2.47%	(58,251,730)	-2.31%
Less revaluation allowance for debt restructuring	(4,003,522)	-0.15%	(354,520)	-0.01%	-	0.00%
Total loans to customers and accrued interest receivables, net	1,854,142,067	69.67%	1,762,227,557	68.91%	1,714,870,828	67.97%
Customers' liabilities under acceptances	35,296	0.00%	58,266	0.00%	47,747	0.00%
Properties for sale, net	11,599,777	0.44%	10,553,526	0.41%	9,711,206	0.38%
Premises and equipment, net	39,647,293	1.49%	38,713,417	1.51%	32,608,529	1.29%
Goodwill and other intangible assets, net	4,264,935	0.16%	2,250,011	0.09%	2,131,434	0.08%
Assets pending transfer	2,442,140	0.09%	2,352,923	0.09%	4,104,158	0.16%
Deferred tax assets	7,758	0.00%	2,073	0.00%	11,207	0.00%
Other assets, net	25,631,231	0.96%	32,093,243	1.25%	28,557,938	1.13%
Total assets	2,661,441,626	100.00%	2,557,425,859	100.00%	2,522,809,735	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

(in Baht thousand)

Liabilities and equity	2016		2015		2014	
Liabilities						
Deposits	2,021,453,602	75.95%	1,884,903,678	73.70%	1,890,388,475	74.93%
Interbank and money market items	103,778,925	3.90%	145,717,872	5.70%	146,014,407	5.79%
Liabilities payable on demand	10,521,749	0.40%	8,480,486	0.33%	7,399,327	0.29%
Liabilities to deliver security	-	0.00%	4,545,098	0.18%	6,059,162	0.24%
Derivative liabilities	54,138,466	2.03%	59,498,470	2.33%	42,486,703	1.68%
Debt issued and borrowings	106,652,606	4.01%	121,385,957	4.75%	114,485,513	4.54%
Bank's liabilities under acceptances	35,296	0.00%	58,266	0.00%	47,747	0.00%
Provisions	7,116,836	0.27%	6,876,481	0.27%	6,881,247	0.27%
Liabilities pending transfer	13,428,370	0.50%	11,479,413	0.45%	14,027,322	0.56%
Deferred tax liabilities	2,186,016	0.08%	2,771,706	0.11%	2,941,078	0.12%
Other liabilities	32,935,499	1.24%	25,802,975	1.01%	25,796,218	1.02%
Total liabilities	2,352,247,365	88.38%	2,271,520,402	88.82%	2,256,527,199	89.45%
Equity						
Share capital						
Authorised share capital						
3,583,825,728 preference shares of Baht 10 each	35,838,257	1.35%	35,839,655	1.40%	35,842,374	1.42%
3,416,174,272 ordinary shares of Baht 10 each	34,161,743	1.28%	34,160,345	1.34%	34,157,626	1.35%
Issued and paid-up share capital						
3,890,300 preference shares of Baht 10 each	38,903	0.00%	47,033	0.00%	48,802	0.00%
3,395,301,898 ordinary shares of Baht 10 each	33,953,019	1.28%	33,944,889	1.33%	33,943,120	1.35%
Premium on share capital						
Premium on preference shares	15,213	0.00%	18,392	0.00%	19,084	0.00%
Premium on ordinary shares	11,108,978	0.42%	11,105,799	0.43%	11,105,107	0.44%
Other reserves	18,312,436	0.69%	18,783,380	0.73%	19,461,413	0.77%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.26%	7,000,000	0.27%	7,000,000	0.28%
Unappropriated	238,765,712	8.97%	215,005,964	8.41%	194,705,010	7.72%
Total shareholders' equity	309,194,261	11.62%	285,905,457	11.18%	266,282,536	10.55%
Total equity	309,194,261	11.62%	285,905,457	11.18%	266,282,536	10.55%
Total liabilities and equity	2,661,441,626	100.00%	2,557,425,859	100.00%	2,522,809,735	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2016		2015		2014	
Interest income	114,144,175	92.56%	115,032,853	90.71%	116,949,638	97.49%
Interest expense	<u>33,973,975</u>	27.55%	<u>39,662,902</u>	31.28%	<u>42,359,301</u>	35.31%
Net interest income	80,170,200	65.01%	75,369,951	59.44%	74,590,337	62.18%
Fees and service income	36,608,736	29.69%	35,524,464	28.01%	35,216,039	29.36%
Fees and service expense	<u>4,912,879</u>	3.98%	<u>4,832,784</u>	3.81%	<u>4,646,435</u>	3.87%
Net fees and service income	31,695,857	25.70%	30,691,680	24.20%	30,569,604	25.48%
Net trading income	6,547,319	5.31%	7,799,882	6.15%	7,316,173	6.10%
Net gain on investments	1,278,831	1.04%	8,590,566	6.77%	1,908,935	1.59%
Dividend income	3,535,324	2.87%	4,295,049	3.39%	5,493,311	4.58%
Other operating income	<u>93,614</u>	0.08%	<u>63,532</u>	0.05%	<u>85,002</u>	0.07%
Total operating income	123,321,145	100.00%	126,810,660	100.00%	119,963,362	100.00%
Other operating expenses						
Staff costs	21,571,637	17.49%	19,578,782	15.44%	19,198,084	16.00%
Directors' remuneration	89,972	0.07%	89,200	0.07%	86,724	0.07%
Premises and equipment expenses	10,045,782	8.15%	8,837,972	6.97%	8,963,860	7.47%
Taxes and duties	3,996,871	3.24%	3,997,561	3.15%	4,055,682	3.38%
Others	<u>13,603,800</u>	11.03%	<u>13,918,855</u>	10.98%	<u>13,574,991</u>	11.32%
Total operating expenses	49,308,062	39.98%	46,422,370	36.61%	45,879,341	38.24%
Impairment loss of loans and debt securities	<u>22,530,000</u>	18.27%	<u>29,725,915</u>	23.44%	<u>13,238,851</u>	11.04%
Profit before tax	51,483,083	41.75%	50,662,375	39.95%	60,845,170	50.72%
Income tax expense	<u>9,318,038</u>	7.56%	<u>9,325,316</u>	7.35%	<u>11,091,389</u>	9.25%
Net profit	42,165,045	34.19%	41,337,059	32.60%	49,753,781	41.47%
Other comprehensive income (loss)						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
(Loss) gain on remeasuring available-for-sale investments	(121,585)	-0.10%	(6,270,799)	-4.95%	1,516,921	1.26%
Change in hedge reserve	(51,212)	-0.04%	-	0.00%	-	0.00%
Income tax on other comprehensive income (loss)	<u>34,559</u>	0.03%	<u>1,231,828</u>	0.97%	<u>(281,052)</u>	-0.23%
	<u>(138,238)</u>	-0.11%	<u>(5,038,971)</u>	-3.97%	<u>1,235,869</u>	1.03%
<i>Items that will not be reclassified to profit or loss</i>						
Change in revaluation surplus	(53,058)	-0.04%	5,728,326	4.52%	(28,982)	-0.02%
Defined benefit plan actuarial losses	-	0.00%	(589,164)	-0.46%	-	0.00%
Income tax on other comprehensive income (loss)	10,612	0.01%	(1,027,832)	-0.81%	5,796	0.00%
	<u>(42,446)</u>	-0.03%	<u>4,111,330</u>	3.24%	<u>(23,186)</u>	-0.02%
Total other comprehensive loss, net of income tax	(180,684)	-0.15%	(927,641)	-0.73%	1,212,683	1.01%
Total comprehensive income	41,984,361	34.04%	40,409,418	31.87%	50,966,464	42.49%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2016	2015	2014
<i>Cash flows from operating activities</i>			
Profit before tax	51,483,083	50,662,375	60,845,170
<i>Adjustments for</i>			
Depreciation and amortisation	2,609,470	2,567,272	2,593,170
Impairment loss on loans and debt securities	24,696,417	31,644,746	14,818,145
Loss (reversal) on impairment of properties for sale	57,877	(383,064)	(213,289)
Reversal on impairment of premises and equipment	-	(167,041)	-
Gain on sales of premises and equipment	(130,154)	(16,084)	(16,590)
Net trading income	(6,547,319)	(7,799,882)	(7,316,173)
Net gain on investments	<u>(1,278,831)</u>	<u>(8,590,566)</u>	<u>(1,908,935)</u>
	70,890,543	67,917,756	68,801,498
Net interest income	(80,170,200)	(75,369,951)	(74,590,337)
Dividend income	(3,535,324)	(4,295,049)	(5,493,311)
Proceeds from interest	115,294,836	114,208,308	116,674,379
Interest paid	(35,617,882)	(40,639,152)	(46,443,362)
Proceeds from dividend	3,535,324	4,295,049	5,493,627
Income tax paid	<u>(9,878,484)</u>	<u>(9,852,396)</u>	<u>(11,343,262)</u>
Income from operations before changes in operating assets & liabilities	60,518,813	56,264,565	53,099,232
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	2,605,860	30,248,280	(121,776,340)
Claims on securities	4,545,098	1,514,064	(2,970,222)
Derivative assets	6,319,869	(603,736)	9,318,342
Investment in securities for trading	(8,198,192)	6,533,998	19,830,325
Loans to customers	(126,653,978)	(87,819,654)	(67,330,415)
Properties for sale	8,310,553	8,846,117	10,221,530
Other assets	8,599,920	(2,643,198)	(2,801,952)
<i>Increase (decrease) in operating liabilities</i>			
Deposits	136,549,924	(5,484,797)	69,660,164
Interbank and money market items	(41,938,947)	(296,535)	22,022,880
Liabilities payable on demand	2,041,263	1,081,159	(968,046)
Liabilities to deliver security	(4,545,098)	(1,514,064)	2,970,222
Derivative liabilities	(6,123,900)	17,011,767	(4,336,263)
Short-term debt issued and borrowings	(14,024,726)	(81,142)	(5,265,966)
Other liabilities	10,857,321	(2,145,331)	1,198,099
Net cash from (used in) operating activities	38,863,780	20,911,493	(17,128,410)

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

(in Baht thousand)

	2016	2015	2014
<i>Cash flows from investing activities</i>			
Purchases of available-for-sale securities	(454,907,621)	(341,944,291)	(335,417,562)
Proceeds from sales of available-for-sale securities	433,785,212	344,219,996	344,751,568
Purchases of held-to-maturity securities	(710,400)	(450,000)	(942,000)
Proceeds from redemption of held-to-maturity securities	1,453,201	1,857,696	3,526,579
Purchases of general securities	(801,555)	(2,091)	(1,463)
Proceeds from sales of general securities	13,791	27	55,909
Purchases of investments in subsidiaries and/or associate	(421,098)	(4,743,021)	(365,590)
Proceeds from sales of investments in subsidiaries and/or associate	-	-	3,744,239
Proceeds from decrease in capital of subsidiary	8,442,471	202,601	2,979,420
Purchases of premises and equipment	(3,210,640)	(2,493,312)	(1,233,927)
Proceeds from sales of premises and equipment	272,002	193,888	179,582
Purchases of intangible assets	(2,503,866)	(542,838)	(361,698)
Net cash (used in) from investing activities	(18,588,503)	(3,701,345)	16,915,057
<i>Cash flows from financing activities</i>			
Proceeds from long-term debt issued and borrowings	-	-	24,397,500
Dividend paid to equity holders of the Bank	(18,695,557)	(20,395,153)	(17,845,759)
Net cash (used in) from financing activities	(18,695,557)	(20,395,153)	6,551,741
Net increase (decrease) in cash	1,579,720	(3,185,005)	6,338,388
Cash at 1 January	38,737,313	41,922,318	35,583,930
Cash at 31 December	40,317,033	38,737,313	41,922,318

Supplementary disclosures of cash flow information

Significant non-cash items were as follows:

(Loss) gain on remeasuring available-for-sale investments	(121,585)	(6,270,799)	1,516,921
Change in hedge reserve	(51,212)	-	-
Change in revaluation surplus	(53,058)	5,728,326	(28,982)
Defined benefit plan actuarial losses	-	(589,164)	-
Properties for sale from loan payment	9,414,680	9,305,372	10,083,919

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31

(in thousand Baht)

Assets	2016		2015		2014	
Cash	40,488,512	1.39%	38,979,295	1.41%	42,131,800	1.56%
Interbank and money market items, net	257,256,079	8.83%	260,942,972	9.41%	291,614,750	10.80%
Claims on security	-	0.00%	4,545,098	0.16%	6,059,162	0.22%
Derivative assets	58,590,670	2.01%	57,397,448	2.07%	43,629,965	1.62%
Investments, net	590,586,901	20.27%	536,655,307	19.34%	502,111,054	18.60%
Investments in subsidiaries and associate, net	333,702	0.01%	344,215	0.01%	696,829	0.03%
Loans to customers and accrued interest receivables, net						
Loans to customers	1,962,604,955	67.37%	1,856,004,740	66.90%	1,797,561,397	66.58%
Accrued interest receivables	4,128,530	0.14%	4,544,595	0.16%	3,814,239	0.14%
Total loans to customers and accrued interest receivables	1,966,733,485	67.52%	1,860,549,335	67.06%	1,801,375,636	66.72%
Less deferred revenue	(23,557,162)	-0.81%	(22,598,424)	-0.81%	(20,426,639)	-0.76%
Less allowance for doubtful accounts	(73,353,575)	-2.52%	(64,422,766)	-2.32%	(59,014,088)	-2.19%
Less revaluation allowance for debt restructuring	(4,003,522)	-0.14%	(354,520)	-0.01%	-	0.00%
Total loans to customers and accrued interest receivables, net	1,865,819,226	64.05%	1,773,173,625	63.91%	1,721,934,909	63.78%
Customers' liabilities under acceptances	35,296	0.00%	58,266	0.00%	47,747	0.00%
Properties for sale, net	11,604,427	0.40%	10,558,081	0.38%	9,720,839	0.36%
Premises and equipment, net	40,887,724	1.40%	39,987,650	1.44%	33,775,729	1.25%
Goodwill and other intangible assets, net	13,514,334	0.46%	12,031,442	0.43%	11,406,133	0.42%
Assets pending transfer	2,370,538	0.08%	2,268,037	0.08%	4,104,157	0.15%
Deferred tax assets	410,314	0.01%	65,586	0.00%	67,694	0.00%
Other assets, net	31,125,417	1.07%	37,302,153	1.34%	32,402,317	1.20%
Total assets	2,913,023,140	100.00%	2,774,309,175	100.00%	2,699,703,085	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

(in thousand Baht)

Liabilities and equity	2016		2015		2014	
Liabilities						
Deposits	2,026,272,115	69.56%	1,890,728,922	68.15%	1,895,343,384	70.21%
Interbank and money market items	100,953,159	3.47%	142,937,063	5.15%	140,285,606	5.20%
Liabilities payable on demand	10,526,319	0.36%	8,484,207	0.31%	7,400,145	0.27%
Liabilities to deliver security	50,594	0.00%	4,563,438	0.16%	6,063,117	0.22%
Derivative liabilities	54,192,365	1.86%	59,587,955	2.15%	42,413,034	1.57%
Debt issued and borrowings	106,837,890	3.67%	121,163,995	4.37%	113,916,834	4.22%
Bank's liabilities under acceptances	35,296	0.00%	58,266	0.00%	47,747	0.00%
Provisions	7,461,771	0.26%	7,227,782	0.26%	7,210,567	0.27%
Liabilities under insurance contracts	216,994,447	7.45%	184,778,966	6.66%	151,757,056	5.62%
Liabilities pending transfer	13,471,154	0.46%	11,544,516	0.42%	14,267,471	0.53%
Deferred tax liabilities	2,327,820	0.08%	3,141,226	0.11%	3,562,997	0.13%
Other liabilities	39,601,988	1.36%	32,399,805	1.17%	31,137,083	1.15%
Total liabilities	2,578,724,918	88.52%	2,466,616,141	88.91%	2,413,405,041	89.40%
Equity						
Share capital						
Authorised share capital						
3,583,825,728 preference shares of Baht 10 each	35,838,257	1.23%	35,839,655	1.29%	35,842,374	1.33%
3,416,174,272 ordinary shares of Baht 10 each	34,161,743	1.17%	34,160,345	1.23%	34,157,626	1.27%
Issued and paid-up share capital						
3,890,300 preference shares of Baht 10 each	38,903	0.00%	47,033	0.00%	48,802	0.00%
3,395,301,898 ordinary shares of Baht 10 each	33,953,019	1.17%	33,944,889	1.22%	33,943,120	1.26%
Premium on share capital						
Premium on preference shares	15,213	0.00%	18,392	0.00%	19,084	0.00%
Premium on ordinary shares	11,108,978	0.38%	11,105,799	0.40%	11,105,107	0.41%
Other reserves	15,342,084	0.53%	17,926,079	0.65%	21,914,917	0.81%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.24%	7,000,000	0.25%	7,000,000	0.26%
Unappropriated	266,630,575	9.15%	237,420,539	8.56%	211,301,429	7.83%
Total shareholders' equity	334,088,772	11.47%	307,462,731	11.08%	285,332,459	10.57%
Non-controlling interests	209,450	0.01%	230,303	0.01%	965,585	0.04%
Total equity	334,298,222	11.48%	307,693,034	11.09%	286,298,044	10.60%
Total liabilities and equity	2,913,023,140	100.00%	2,774,309,175	100.00%	2,699,703,085	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(in thousand Baht)

	2016		2015		2014	
Interest income	122,443,063	91.83%	122,462,489	89.22%	123,381,101	96.29%
Interest expense	33,993,718	25.50%	39,628,062	28.87%	42,281,297	33.00%
Net interest income	88,449,345	66.34%	82,834,427	60.35%	81,099,804	63.30%
Fees and service income	34,379,242	25.78%	32,704,402	23.83%	31,524,645	24.60%
Fees and service expense	5,965,037	4.47%	5,629,598	4.10%	5,215,834	4.07%
Net fees and service income	28,414,205	21.31%	27,074,804	19.73%	26,308,811	20.53%
Net trading income	6,713,833	5.04%	8,314,590	6.06%	7,303,791	5.70%
Net gain on investments	2,534,734	1.90%	9,390,068	6.84%	2,563,133	2.00%
Share of profit of associates	(10,513)	-0.01%	(89,120)	-0.06%	(78,950)	-0.06%
Dividend income	1,119,392	0.84%	1,386,124	1.01%	1,182,555	0.92%
Net earned insurance premiums	52,314,254	39.24%	52,419,038	38.19%	49,187,862	38.39%
Other operating income	433,225	0.32%	697,437	0.51%	595,669	0.46%
Total operating income	179,968,475	134.98%	182,027,368	132.62%	168,162,675	131.24%
Net insurance claims	46,634,372	34.98%	44,769,250	32.62%	40,032,843	31.24%
Net operating income	133,334,103	100.00%	137,258,118	100.00%	128,129,832	100.00%
Other operating expenses						
Staff costs	24,597,294	18.45%	22,378,785	16.30%	21,954,351	17.13%
Directors' remuneration	96,707	0.07%	95,120	0.07%	93,421	0.07%
Premises and equipment expenses	10,823,314	8.12%	9,664,552	7.04%	9,766,012	7.62%
Taxes and duties	4,261,769	3.20%	4,216,087	3.07%	4,240,704	3.31%
Others	11,864,578	8.90%	12,442,763	9.07%	12,034,114	9.39%
Total operating expenses	51,643,662	38.73%	48,797,307	35.55%	48,088,602	37.53%
Impairment loss of loans and debt securities	22,527,984	16.90%	29,722,628	21.65%	13,214,064	10.31%
Profit before tax	59,162,457	44.37%	58,738,183	42.79%	66,827,166	52.16%
Income tax expense	11,493,030	8.62%	11,498,256	8.38%	13,175,226	10.28%
Net profit	47,669,427	35.75%	47,239,927	34.42%	53,651,940	41.87%
Other comprehensive income (loss)						
<i>Items that are or may be reclassified subsequently to profit or loss</i>						
(Loss) gain on remeasuring available-for-sale investments	(2,641,408)	-1.98%	(7,906,424)	-5.76%	4,654,400	3.63%
Foreign currency translation differences for foreign operations	(23,420)	-0.02%	165,393	0.12%	3,993	0.00%
Share of other comprehensive (loss) income of investment in associate	(22,820)	-0.02%	53,769	0.04%	2,075	0.00%
Change in hedge reserve	(136,252)	-0.10%	(4,226)	0.00%	-	0.00%
Income tax on other comprehensive income (loss)	558,327	0.42%	1,484,998	1.08%	(902,499)	-0.70%
	(2,265,573)	-1.70%	(6,206,490)	-4.52%	3,757,969	2.93%
<i>Items that will not be reclassified to profit or loss</i>						
Change in revaluation surplus	(53,058)	-0.04%	5,823,356	4.24%	(28,982)	-0.02%
Defined benefit plan actuarial losses	-	0.00%	(627,936)	-0.46%	-	0.00%
Income tax on other comprehensive income (loss)	10,612	0.01%	(1,039,083)	-0.76%	5,796	0.00%
	(42,446)	-0.03%	4,156,337	3.03%	(23,186)	-0.02%
Total other comprehensive income, net of income tax	(2,308,019)	-1.73%	(2,050,153)	-1.49%	3,734,783	2.91%
Total comprehensive income	45,361,408	34.02%	45,189,774	32.92%	57,386,723	44.79%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2016	2015	2014
<i>Cash flows from operating activities</i>			
Profit before tax	59,162,457	58,738,183	66,827,166
<i>Adjustments for</i>			
Depreciation and amortisation	2,796,878	2,755,448	2,786,909
Impairment loss on loans and debt securities	24,694,401	31,696,117	14,799,454
Loss (reversal) on impairment of properties for sale	57,877	(383,064)	(213,289)
Reversal on impairment of premises and equipment	-	(168,274)	-
Gain on sales of premises and equipment	(136,790)	(21,798)	(25,426)
Net trading income	(6,713,833)	(8,314,590)	(7,303,791)
Net gain on investments	(2,534,734)	(9,390,068)	(2,563,133)
Share of loss of investment in associate	10,513	89,120	78,950
	77,336,769	75,001,074	74,386,840
Net interest income	(88,449,345)	(82,834,427)	(81,099,804)
Dividend income	(1,119,392)	(1,386,124)	(1,182,555)
Proceeds from interest	123,854,189	121,709,859	123,126,122
Interest paid	(35,631,228)	(40,613,323)	(46,362,822)
Proceeds from dividend	1,114,134	1,385,197	1,185,693
Income tax paid	(12,094,448)	(11,819,484)	(13,107,624)
Income from operations before changes in operating assets and liabilities	65,010,679	61,442,772	56,945,850
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	3,722,055	31,336,321	(120,039,576)
Claims on securities	4,545,098	1,514,064	(2,970,222)
Derivative assets	4,970,684	808,881	9,222,461
Investment in securities for trading	(9,125,622)	6,662,233	19,784,581
Loans to customers	(127,196,979)	(90,210,184)	(68,158,773)
Properties for sale	8,310,458	8,851,194	10,225,890
Reinsurance receivables and assets	-	-	919,670
Other assets	5,712,177	(3,730,097)	(2,949,131)
<i>Increase (decrease) in operating liabilities</i>			
Deposits	135,543,193	(5,067,399)	72,432,390
Interbank and money market items	(41,983,904)	2,651,457	21,158,995
Liabilities payable on demand	2,042,112	1,084,062	(1,006,128)
Liabilities to deliver security	(4,512,844)	(1,499,679)	2,974,177
Derivative liabilities	(5,584,736)	17,174,921	(4,413,458)
Short-term debt issued and borrowings	(13,617,480)	265,575	(12,880,639)
Liabilities under insurance contracts	32,215,481	33,021,911	-
Other liabilities	11,177,143	(1,287,466)	21,086,445
Net cash from operating activities	71,227,515	63,018,566	2,332,532

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

	2016	2015	2014
<i>Cash flows from investing activities</i>			
Purchases of available-for-sale securities	(571,471,012)	(437,902,894)	(355,646,130)
Proceeds from sales of available-for-sale securities	515,870,226	400,417,055	348,531,279
Purchases of held-to-maturity securities	(9,231,641)	(25,065,811)	(51,418,050)
Proceeds from redemption of held-to-maturity securities	19,679,259	24,585,638	47,002,356
Purchases of general securities	(801,555)	(2,091)	-
Proceeds from sales of general securities	13,791	27	55,909
Purchases of investments in subsidiaries and/or associate	-	(1,394,112)	(88,868)
Proceeds from sales of investments in subsidiaries and/or associate	-	-	3,744,239
Purchases of premises and equipment	(3,265,479)	(2,624,199)	(1,282,154)
Proceeds from sales of premises and equipment	277,106	230,162	195,972
Purchases of intangible assets	(2,061,133)	(663,175)	(472,758)
Net cash used in investing activities	(50,990,438)	(42,419,400)	(9,378,205)
<i>Cash flows from financing activities</i>			
Acquisitions of non-controlling interests	-	(3,506,085)	-
Proceeds from long-term debt issued and borrowings	-	-	31,397,500
Dividend paid to equity holders of the Bank	(18,695,557)	(20,395,153)	(17,845,759)
Dividend paid to non-controlling interests	(8,883)	(15,826)	(133,439)
Net cash (used in) from financing activities	(18,704,440)	(23,917,064)	13,418,302
Foreign currency translation differences for foreign operations	(23,420)	165,393	3,993
Net increase (decrease) in cash	1,509,217	(3,152,505)	6,376,622
Cash at 1 January	38,979,295	42,131,800	35,755,178
Cash at 31 December	40,488,512	38,979,295	42,131,800
Supplementary disclosures of cash flow information			
Significant non-cash items were as follows:			
(Loss) gain on remeasuring available-for-sale investments	(2,641,408)	(7,906,424)	4,654,400
Foreign currency translation differences for foreign operations	(23,420)	165,393	3,993
Share of other comprehensive (loss) income of investment in associate	(22,820)	53,769	2,075
Change in hedge reserve	(136,252)	(4,226)	-
Change in revaluation surplus	(53,058)	5,823,356	(28,982)
Defined benefit plan actuarial losses	-	(627,936)	-
Properties for sale from loan payment	9,414,680	9,305,372	10,083,919

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)

FINANCIAL RATIOS

	2016	2015	2014
PROFITABILITY RATIO			
Operating Profit Margin ⁽¹⁾	56.56%	54.60%	55.04%
Net Profit Margin	35.71%	34.37%	41.63%
Return on Equity	14.84%	15.92%	20.07%
Yield ⁽²⁾	5.71%	5.88%	6.21%
Cost of Funds ⁽³⁾	1.54%	1.83%	2.01%
Spread ⁽⁴⁾	4.17%	4.05%	4.19%
Return on Investment	2.72%	4.28%	3.11%
EFFICIENCY RATIO			
Cost Income Ratio	38.73%	35.55%	37.53%
Net Interest Income to Asset	3.11%	3.03%	3.10%
Return on Asset	1.67%	1.72%	2.04%
Asset Turnover Ratio (times)	0.05	0.05	0.05
FINANCIAL POLICY RATIO			
Liability to Total Equity (Times)	7.71	8.02	8.43
Loan to Borrowing Ratio	90.46%	90.75%	88.12%
Loan to Deposit Ratio	95.70%	96.97%	93.76%
Deposit to Liability Ratio	78.58%	76.65%	78.53%
Dividend payout ⁽⁵⁾	39.27%	39.62%	38.24%
Total Capital Funds	17.73%	17.26%	16.98%
ASSET QUALITY RATIO			
Allowance for Doubtful Account to Loan and Accrued Interest Receivables	3.77%	3.51%	3.31%
Credit Cost ⁽⁶⁾	1.19%	1.65%	0.75%
% Non-Performing Loan to Total Loans ⁽⁷⁾	2.67%	2.89%	2.11%
Accrued Interest Receivables to Loan and Accrued Interest Receivables	0.21%	0.25%	0.21%

Remark:

(1) Operating Profit Margin = (Net interest income + net fee income + net insurance premium - tax and duties) / (Total interest income + gross fee income + gross insurance premium)

(2) Yield = Total interest income / (avg. loans + avg. interbank and money market assets)

(3) Cost of Funds = Total interest expense / (avg. deposits + avg. borrowings + avg. liability payable on demand + avg. interbank and money market liabilities)

(4) Spread = Yield - Cost of Funds

(5) Dividend payment in 2016 was Baht 5.50 per share (ordinary and preferred shares) as proposed to the Annual General Meeting of Shareholders in April 2017. (Interim dividend Baht 1.50 per share)

(6) Credit cost = Provision / avg. loans

(7) % Non-Performing Loan to Total Loans used the guidelines specified in the BoT's notification

14. Management Discussion and Analysis

Management Discussion and Analysis

For the year ending December 31, 2016

IMPORTANT DISCLAIMER:

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

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

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

Net Profit and Total Comprehensive Income

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

NM denotes "not meaningful"

I. Income Statement for 2016 (Consolidated basis)**1. Net interest income**

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

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

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

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

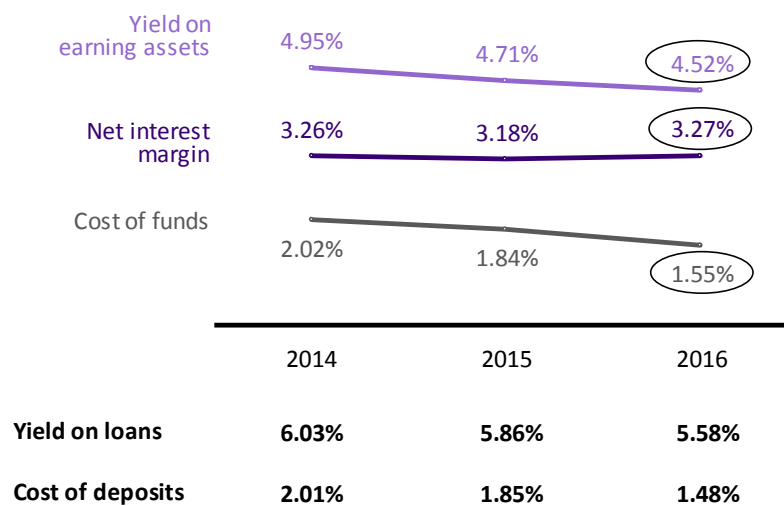
Net interest income in 2016 increased by 6.8% yoy to Baht 88,449 million from Baht 82,834 million in 2015. This increase was mainly due to two factors: better management of the Bank's cost of deposits by expanding the deposit base in savings and current accounts and the gradual maturity of high-cost deposits. Another contributing factor to this increase was a 5.8% yoy loan growth. Interest income from interbank and money markets also rose as a result of a higher average volume of interbank and money market portfolios along with higher yields on interbank and money markets compared to the previous year.

SCB Interest Rates	Mar 25, 15	Apr 29, 15	May 21, 15	Jul 20, 15	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16
Lending rate (%)									
MLR	6.625	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275
MOR	7.425	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12
MRR	8.10	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	0.90-0.95	0.90-0.95	0.90	0.90	0.90-1.60	0.90	0.90	0.90	0.90
6-month deposits	1.15-1.20	1.15-1.20	1.15	1.15	1.15	1.15	1.15	1.15	1.15
12-month deposits	1.50	1.50	1.50	1.50	1.30	1.30	1.30	1.30	1.40

	Aug 24, 11	Nov 30, 11	Jan 25, 12	Oct 17, 12	May 29, 13	Nov 27, 13	Mar 12, 14	Mar 11, 15	Apr 29, 15
Policy rate (%)	3.50	3.25	3.00	2.75	2.50	2.25	2.00	1.75	1.50

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

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



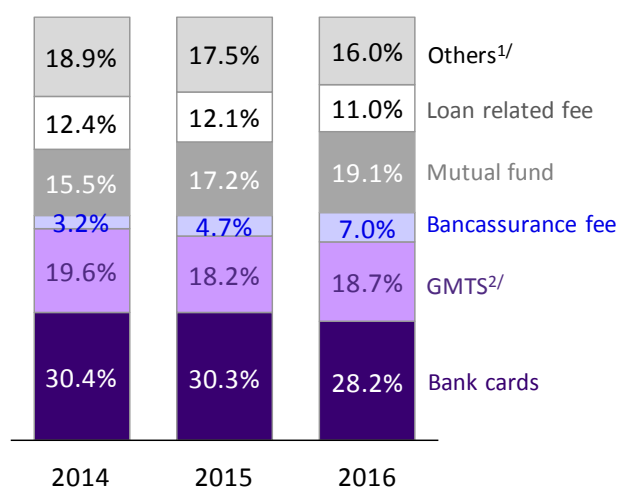
2. Non-interest income

Unit: Baht million

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

NM denotes "not meaningful"

Non-interest income decreased by 17.5% yoy to Baht 44,885 million in 2016 from Baht 54,424 million in 2015 as large gains from the sale of equity investment were booked in 3Q15. Excluding these gains, non-interest income would have decreased by 3.9% yoy largely due to lower net insurance premium and lower net trading and FX income. However, net fee and service income increased yoy, driven by mutual fund fees, bancassurance fees (from the sale of third-party bancassurance products) and corporate finance fees.

Net Fee Income Breakdown (Percentage)

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

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

3. Non-interest expenses

Unit: Baht million

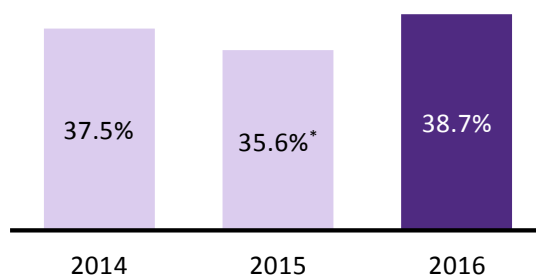
Non-Interest Expenses (Consolidated)	2016	2015	%yoy
Staff costs	24,597	22,379	9.9%
Premises and equipment expenses	10,823	9,665	12.0%
Tax and duties	4,262	4,216	1.1%
Director remuneration	97	95	1.7%
Other expenses	11,865	12,443	-4.6%
- Loss on sale of NPA*	540	702	-23.1%
- Others	11,324	11,740	-3.5%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

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

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

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

Cost-to-Income Ratio
(Percentage)



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

4. Loan loss provisions

The Bank set aside loan loss provisions in 2016 in the amount of Baht 22,528 million or 119 bps of total loans, a decrease from Baht 29,723 million in 2015. Part of the reason for lower provisions was because one large corporate customer underwent a debt restructuring process causing a reduction in NPLs. Moreover, the coverage ratio also increased to 134.3% at the end of 2016 from 109.8% at the end of 2015.

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

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

1. Loans

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

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

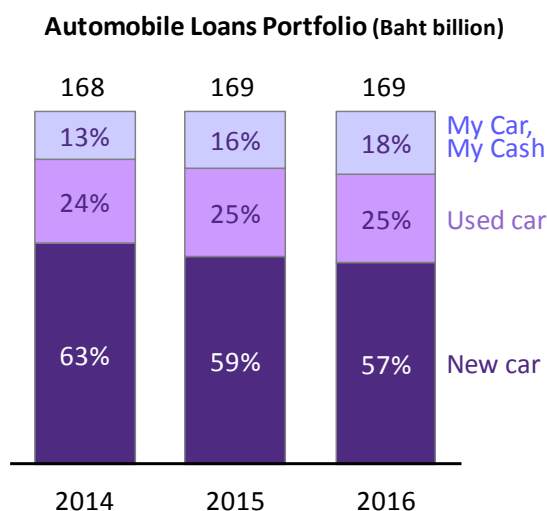
Unit: Baht million					
Loans by Segment (Consolidated)	Dec 31, 16	%	Dec 31, 15	%	% yoy
Corporate	712,271	36.7%	646,255	35.2%	10.2%
SME	364,544	18.8%	356,840	19.5%	2.2%
Retail	862,232	44.5%	830,311	45.3%	3.8%
- Housing loans*	607,440	31.3%	576,251	31.4%	5.4%
- Automobile	168,684	8.7%	169,154	9.2%	-0.3%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

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

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

- **Corporate** loans increased by 10.2% yoy, due mainly to M&A deals of large corporate customers.
- **SME** loans rose by 2.2% yoy, driven by the Bank's strategy to broaden its customer base in the SME segment by linking with the supply chain of corporate customers, leveraging its nation-wide branch network to provide seamless service to SME customers, and actively participating in the government's soft loan scheme for this segment.
- **Retail** loans grew by 3.8% yoy.
 - **Housing loans** grew by 5.4% yoy. The yoy growth was driven by SCB's strong presence in the housing loan market, a more effective marketing strategy based on a customer segmentation approach, and an increase in housing loan demand from the government's transfer and registration fee reduction program that expired in April 2016.
 - **Automobile loans** decreased marginally by 0.3% yoy, following a decline in car sales as well as the Bank's adoption of more stringent underwriting criteria.

Furthermore, the Bank has focused on growing automobile loans by expanding the “My Car, My Cash” loan segment, which offers higher yields than new car loans but has lower credit risk than the used car segment. (“My Car, My Cash” is a personal loan product which is structured as a hire-purchase contract, using the borrower’s automobile as the underlying collateral). This shift is evident from the historical trend of auto loans by segment as shown below.



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

2. Deposits

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

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

As loans grew by 5.8% yoy while deposits rose by 7.2% yoy, the loan-to-deposit ratio on a consolidated basis dropped to 95.7% at the end of 2016 from 97.0% at the end of 2015. Furthermore, the Bank’s

liquidity ratio stood at a high level of 28.8%. In this regard, the Bank continues to ensure that there is adequate liquidity to cushion against unexpected shocks and challenges.

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

3. Shareholders' equity

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

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

III. Statutory Capital

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

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

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

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

Statutory Capital (Consolidated Supervision)		Dec 31, 16	Dec 31, 15
(Basel III)			
Common equity Tier-1 / Tier 1*	Baht million	294,566	265,491
	% of RWA	14.8%	14.1%
Tier-2	Baht million	57,752	59,140
	% of RWA	2.9%	3.2%
Total capital	Baht million	352,318	324,631
	% of RWA	17.7%	17.3%
Risk-weighted assets	Baht million	1,986,927	1,880,484
Statutory Capital (Bank only)		Dec 31, 16	Dec 31, 15
(Basel III)			
Common equity Tier-1 / Tier 1*	Baht million	280,108	257,204
(Regulatory minimum Tier 1 of 6.625%)	% of RWA	14.5%	14.0%
Tier-2	Baht million	57,165	59,140
	% of RWA	2.9%	3.2%
Total capital	Baht million	337,273	316,344
(Regulatory minimum CAR of 9.125%)	% of RWA	17.4%	17.2%
Risk-weighted assets	Baht million	1,933,848	1,841,506

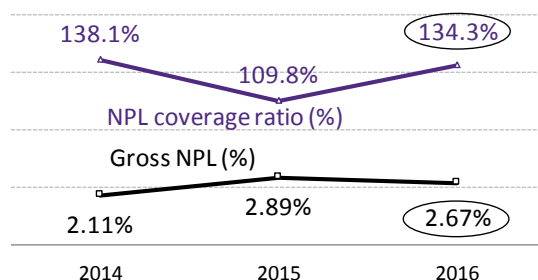
* CET1 under the Basel III framework was adopted in Thailand from January 1, 2013

IV. Non-Performing Assets

Gross NPLs on a consolidated basis stood at 2.67% of total loans at the end of December 2016, down from 2.89% of total loans at the end of December 2015. This reduction was mainly a result of one large corporate loan being reclassified from non-performing to special mention loan.

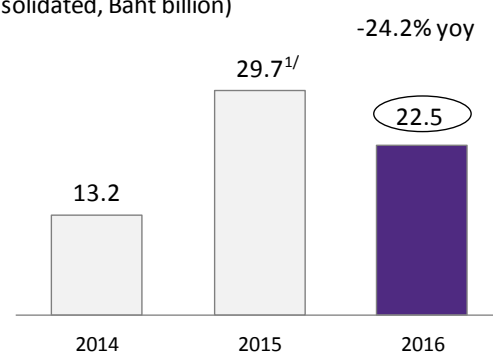
Non-Performing Loans and Allowance (Consolidated)		Dec 31, 16	Dec 31, 15
Non-Performing Loans (Gross NPLs)	% of total loans	2.67%	2.89%
	Baht million	57,593	58,996
Non-Performing Loans (Net NPLs)	% of total loans	1.38%	1.25%
	Baht million	29,309	25,069
Allowance for doubtful accounts and debt restructuring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

¹ Excluding interbank.

Gross NPL Ratio & NPL Coverage Ratio
(Percentage)**NPL by Segment and by Product**

Corporate	1.4%	4.0% *	2.3%
SME	4.6%	4.6%	6.4%
Retail	2.3%	2.0%	2.1%
Mortgage	2.4%	2.1%	2.2%
Auto Loans	2.2%	2.1%	1.8%

* The increase is accounted for mainly by SSI.

Provisions
(Consolidated, Baht billion)**Credit Costs (bps)**

2014	75	165	119
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^{1/} Includes substantial additional provisions for two large corporates (SSI and SSI-UK) of Baht 11.0 billion in 2015. SSI-UK was subsequently written-off in the third quarter.

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

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

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

Unit: Baht million

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

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

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

New NPLs by Segment and by Product

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

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

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

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

V. Sources and Uses of Funds

As of December 31, 2016, deposits accounted for 69.6% of SCB's funding base. Other major sources of funds were: 11.5% from shareholders' equity, 7.4% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 3.7% from the issuance of debt instruments, and 3.5% from interbank borrowings. As of December 31, 2016, the funds were deployed as follows: 66.6% for loans, 20.3% for investments in securities, 8.8% for interbank and money market lending, and 1.4% held in cash.

VI. Additional Financial Information

(Baht million, %)			
(Consolidated)	Dec 31, 16	Dec 31, 15	% yoy
Loans by Sector	1,939,048	1,833,406	5.8%
Agricultural and mining	15,166	16,502	-8.1%
Manufacturing and commercial	605,350	593,831	1.9%
Real estate and construction	132,755	141,238	-6.0%
Utilities and services	325,286	254,124	28.0%
Housing loans*	521,869	495,012	5.4%
Other loans	338,622	332,699	1.8%
Investment**	590,921	537,000	10.0%
Trading securities and securities measured at fair value through P/L	28,876	21,115	36.8%
Available-for-sale securities	438,473	382,200	14.7%
Held-to-maturity securities	122,166	133,064	-8.2%
General investments	1,072	276	288.4%
Net investment in associated companies	334	344	-3.1%
Debt securities in issue and borrowings	106,838	121,164	-11.8%
Bonds	65,840	80,549	-18.3%
Subordinated bonds	40,000	40,000	0.0%
Structured notes	914	508	79.9%
Others	84	107	-21.5%
NPL breakdown by status (Bank-only)			
Restructured and being serviced	69.0%	75.7%	-6.7%
Under negotiation for restructuring	7.7%	9.4%	-1.7%
In litigation	11.2%	6.8%	4.4%
In foreclosure process	12.0%	8.1%	3.9%
Troubled debt restructured loans	40,490	32,989	22.7%
Restructured loans which are classified as NPL	9,651	6,535	47.7%
Restructured loans which are not classified as NPL	30,839	26,454	16.6%
	2016	2015	
Yield on loans by segment			
Yield on loans	5.58%	5.86%	
Corporate	4.17%	4.38%	
SME	6.36%	6.93%	
Retail	6.55%	6.76%	
Mortgage	5.55%	5.88%	
Auto loans	6.30%	6.12%	
NPL reduction methodology			
Repayments, auctions, and foreclosures	34.1%	29.4%	
Debt restructuring	27.7%	12.0%	
NPL sales***	21.4%	18.9%	
Write off	16.8%	39.7%	

* Classified by sector/product and excludes retail loans where customers use their home as collateral. (These loans are classified under "Other loans" in accordance with regulatory guidelines). Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of December 31, 2016 and December 31, 2015, was Baht 607 billion and Baht 576 billion, respectively.

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

*** The Bank sold NPLs of Baht 10.7 billion in 2016 and Baht 10.7 billion in 2015.

VII. Credit Ratings

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

Credit Ratings of Siam Commercial Bank PCL		December 31, 2016
Moody's Investors Service		
Outlook		Stable
Bank deposits		Baa1/P-2
Senior unsecured MTN		(P) Baa1
Other short term		(P) P-2
S&P Global Ratings		
Counterparty Credit Rating		BBB+/A-2
<i>ASEAN Regional Scale Rating</i>		axA+/axA-1
Outlook		Stable
Senior Unsecured (Long Term)		BBB+
Senior Unsecured (Short Term)		A-2
Fitch Ratings		
Foreign Currency		
Long Term Issuer Default Rating		BBB+
Short Term Issuer Default Rating		F2
Outlook		Stable
Senior Unsecured		BBB+
Viability Rating		bbb+
National		
Long Term Rating		AA+(tha)
Short Term Rating		F1+(tha)
Outlook		Stable
Subordinated Debenture		AA(thai)