

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.**

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.

2017: Mr. Winid Silamongkol, CPA Registration No. 3378 of KPMG Phoomchai Audit Ltd.

Report of the Independent Certified Public Accountants for 2015-2017**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).

2017

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 2017 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 2017 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 2017. The Bank of Thailand concurred with these appointments.

Audit Fees

The Bank and its subsidiaries external audit fees for 2017 were Baht 29.3 million (2016: *Baht 27.9 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 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.

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

(in Baht thousand)

Assets	2017		2016		2015	
Cash	40,591,037	1.49%	40,317,033	1.51%	38,737,313	1.51%
Interbank and money market items, net	303,476,880	11.13%	243,901,504	9.16%	246,492,375	9.64%
Claims on security	-	0.00%	-	0.00%	4,545,098	0.18%
Derivative assets	46,035,173	1.69%	59,634,746	2.24%	58,559,234	2.29%
Investments, net	299,032,913	10.97%	363,076,332	13.64%	333,861,095	13.05%
Investments in subsidiaries and associate, net	18,016,700	0.66%	16,741,514	0.63%	26,979,728	1.05%
Loans to customers and accrued interest receivables, net						
Loans to customers	2,046,282,647	75.08%	1,950,822,291	73.30%	1,844,260,304	72.11%
Accrued interest receivables	<u>2,963,859</u>	0.11%	<u>3,504,906</u>	0.13%	<u>4,107,045</u>	0.16%
Total loans to customers and accrued interest receivables	2,049,246,506	75.18%	1,954,327,197	73.43%	1,848,367,349	72.27%
Less deferred revenue	(25,216,417)	-0.93%	(23,557,162)	-0.89%	(22,598,424)	-0.88%
Less allowance for doubtful accounts	(84,936,081)	-3.12%	(72,624,446)	-2.73%	(63,186,848)	-2.47%
Less revaluation allowance for debt restructuring	<u>(4,291,141)</u>	-0.16%	<u>(4,003,522)</u>	-0.15%	<u>(354,520)</u>	-0.01%
Total loans to customers and accrued interest receivables, net	1,934,802,867	70.99%	1,854,142,067	69.67%	1,762,227,557	68.91%
Customers' liabilities under acceptances	-	0.00%	-	0.00%	58,266	0.00%
Properties for sale, net	11,280,102	0.41%	11,599,777	0.44%	10,553,526	0.41%
Premises and equipment, net	42,890,983	1.57%	39,647,293	1.49%	38,713,417	1.51%
Goodwill and other intangible assets, net	8,778,161	0.32%	4,264,935	0.16%	2,250,011	0.09%
Assets pending transfer	2,300,059	0.08%	2,442,140	0.09%	2,352,923	0.09%
Deferred tax assets	25,740	0.00%	7,758	0.00%	2,073	0.00%
Other assets, net	18,401,385	0.68%	25,631,231	0.96%	32,093,243	1.25%
Total assets	2,725,632,000	100.00%	2,661,406,330	100.00%	2,557,425,859	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

(in Baht thousand)

Liabilities and shareholders' equity	2017		2016		2015	
Liabilities						
Deposits	2,087,890,289	76.60%	2,021,453,602	75.95%	1,884,903,678	73.70%
Interbank and money market items	110,911,960	4.07%	103,778,925	3.90%	145,717,872	5.70%
Liabilities payable on demand	23,670,230	0.87%	10,521,749	0.40%	8,480,486	0.33%
Liabilities to deliver security	-	0.00%	-	0.00%	4,545,098	0.18%
Derivative liabilities	44,620,824	1.64%	54,138,466	2.03%	59,498,470	2.33%
Debt issued and borrowings	75,379,761	2.77%	106,652,606	4.01%	121,385,957	4.75%
Bank's liabilities under acceptances	-	0.00%	-	0.00%	58,266	0.00%
Provisions	7,340,382	0.27%	7,116,836	0.27%	6,876,481	0.27%
Liabilities pending transfer	14,488,352	0.53%	13,428,370	0.50%	11,479,413	0.45%
Deferred tax liabilities	2,559,950	0.09%	2,186,016	0.08%	2,771,706	0.11%
Other liabilities	29,802,716	1.09%	32,935,499	1.24%	25,802,975	1.01%
Total liabilities	2,396,664,464	87.93%	2,352,212,069	88.38%	2,271,520,402	88.82%
Shareholders' equity						
Share capital						
Authorised share capital						
3,583,825,728 preferred shares of Baht 10 each	35,838,257	1.31%	35,838,257	1.35%	35,839,655	1.40%
3,416,174,272 common shares of Baht 10 each	34,161,743	1.25%	34,161,743	1.28%	34,160,345	1.34%
Issued and paid-up share capital						
3,784,972 preferred shares of Baht 10 each	37,850	0.00%	38,903	0.00%	47,033	0.00%
3,395,407,226 common shares of Baht 10 each	33,954,072	1.25%	33,953,019	1.28%	33,944,889	1.33%
Premium on share capital						
Premium on preferred shares	14,802	0.00%	15,213	0.00%	18,392	0.00%
Premium on common shares	11,109,389	0.41%	11,108,978	0.42%	11,105,799	0.43%
Other reserves	18,654,960	0.68%	18,312,436	0.69%	18,783,380	0.73%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.26%	7,000,000	0.26%	7,000,000	0.27%
Unappropriated	258,196,463	9.47%	238,765,712	8.97%	215,005,964	8.41%
Total owners of the company	328,967,536	12.07%	309,194,261	11.62%	285,905,457	11.18%
Total shareholders' equity	328,967,536	12.07%	309,194,261	11.62%	285,905,457	11.18%
Total liabilities and shareholders' equity	2,725,632,000	100.00%	2,661,406,330	100.00%	2,557,425,859	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2017		2016		2015	
Interest income	115,630,594	91.35%	114,144,175	92.56%	115,032,853	90.71%
Interest expenses	<u>32,766,978</u>	25.89%	<u>33,973,975</u>	27.55%	<u>39,662,902</u>	31.28%
Net interest income	82,863,616	65.47%	80,170,200	65.01%	75,369,951	59.44%
Fees and service income	37,424,662	29.57%	36,608,736	29.69%	35,524,464	28.01%
Fees and service expenses	<u>5,337,478</u>	4.22%	<u>4,912,879</u>	3.98%	<u>4,832,784</u>	3.81%
Net fees and service income	32,087,184	25.35%	31,695,857	25.70%	30,691,680	24.20%
Gains on trading	6,888,659	5.44%	6,547,319	5.31%	7,799,882	6.15%
Gain on investments	704,314	0.56%	1,278,831	1.04%	8,590,566	6.77%
Dividend income	3,349,891	2.65%	3,535,324	2.87%	4,295,049	3.39%
Other operating income	<u>681,923</u>	0.54%	<u>93,614</u>	0.08%	<u>63,532</u>	0.05%
Total operating income	126,575,587	100.00%	123,321,145	100.00%	126,810,660	100.00%
Other operating expenses						
Employee's expenses	24,207,823	19.13%	21,571,637	17.49%	19,578,782	15.44%
Directors' remuneration	91,635	0.07%	89,972	0.07%	89,200	0.07%
Premises and equipment expenses	10,744,254	8.49%	10,045,782	8.15%	8,837,972	6.97%
Taxes and duties	4,050,500	3.20%	3,996,871	3.24%	3,997,561	3.15%
Others	<u>16,349,431</u>	12.92%	<u>13,603,800</u>	11.03%	<u>13,918,855</u>	10.98%
Total operating expenses	55,443,643	43.80%	49,308,062	39.98%	46,422,370	36.61%
Impairment loss of loans and debt securities	<u>25,030,000</u>	19.77%	<u>22,530,000</u>	18.27%	<u>29,725,915</u>	23.44%
Profit from operating before income tax expense	46,101,944	36.42%	51,483,083	41.75%	50,662,375	39.95%
Income tax expenses	8,247,976	6.52%	9,318,038	7.56%	9,325,316	7.35%
Net profit	37,853,968	29.91%	42,165,045	34.19%	41,337,059	32.60%
Other comprehensive income (loss)						
<i>Items that will be reclassified subsequently to profit or loss</i>						
Gains (losses) on remeasuring available-for-sale investments	717,378	0.57%	(121,585)	-0.10%	(6,270,799)	-4.95%
Change in hedge reserve	51,202	0.04%	(51,212)	-0.04%	-	0.00%
Income tax relating to components of other comprehensive (loss)						
income will be reclassified subsequently to profit or loss	<u>(153,716)</u>	-0.12%	<u>34,559</u>	0.03%	<u>1,231,828</u>	0.97%
	<u>614,864</u>	0.49%	<u>(138,238)</u>	-0.11%	<u>(5,038,971)</u>	-3.97%
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Change in revaluation surplus	-	0.00%	(53,058)	-0.04%	5,728,326	4.52%
Defined benefit plan actuarial losses	-	0.00%	-	0.00%	(589,164)	-0.46%
Income tax relating to components of other comprehensive income						
will not be reclassified subsequently to profit or loss	-	0.00%	10,612	0.01%	(1,027,832)	-0.81%
	<u>-</u>	0.00%	<u>(42,446)</u>	-0.03%	<u>4,111,330</u>	3.24%
Total other comprehensive income (loss), net of income tax	614,864	0.49%	(180,684)	-0.15%	(927,641)	-0.73%
Total comprehensive income	38,468,832	30.39%	41,984,361	34.04%	40,409,418	31.87%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2017	2016	2015
<i>Cash flows from operating activities</i>			
Profit from operating before income tax expense	46,101,944	51,483,083	50,662,375
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>			
Depreciation and amortisation	3,103,600	2,609,470	2,567,272
Impairment loss on loans and debt securities	27,460,613	24,696,417	31,644,746
Loss (reversal) on impairment of properties for sale	11,304	57,877	(383,064)
Reversal on impairment of premises and equipment	-	-	(167,041)
Gains on sales of premises and equipment	(21,405)	(130,154)	(16,084)
Losses (gains) on trading	2,685,110	(5,009,286)	(7,799,882)
Gains on investments	(704,314)	(1,278,831)	(8,590,566)
	78,636,852	72,428,576	67,917,756
Net interest income	(82,863,616)	(80,170,200)	(75,369,951)
Dividend income	(3,349,891)	(3,535,324)	(4,295,049)
Proceeds from interest	116,837,369	115,294,836	114,208,308
Interest paid	(33,211,538)	(35,617,882)	(40,639,152)
Proceeds from dividend	2,303,359	3,535,324	4,295,049
Income tax paid	(8,604,425)	(9,878,484)	(9,852,396)
Profit from operating before changes in operating assets and liabilities	69,748,110	62,056,846	56,264,565
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	(59,585,388)	2,605,860	30,248,280
Claims on securities	-	-	1,514,064
Derivative assets	7,061,739	4,781,836	(603,736)
Investment in securities for trading	19,682,058	(8,198,192)	6,533,998
Loans to customers	(116,824,562)	(126,653,978)	(87,819,654)
Properties for sale	8,512,888	8,310,553	8,846,117
Other assets	7,282,392	8,599,920	(2,643,198)
<i>Increase (decrease) in operating liabilities</i>			
Deposits	66,436,687	136,549,924	(5,484,797)
Interbank and money market items	7,133,035	(41,938,947)	(296,535)
Liabilities payable on demand	13,148,481	2,041,263	1,081,159
Liabilities to deliver security	-	-	(1,514,064)
Derivative liabilities	(9,742,892)	(6,123,900)	17,011,767
Short-term debt issued and borrowings	(39,147,291)	(14,024,726)	(81,142)
Other liabilities	(1,017,702)	10,857,321	(2,145,331)
Net cash from (used in) operating activities	(27,312,445)	38,863,780	20,911,493

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

(in Baht thousand)

	2017	2016	2015
<i>Cash flows from investing activities</i>			
Acquisition of available-for-sale securities	(376,873,023)	(454,907,621)	(341,944,291)
Proceeds from sales of available-for-sale securities	421,918,513	433,785,212	344,219,996
Acquisition of held-to-maturity securities	(669,600)	(710,400)	(450,000)
Proceeds from redemption of held-to-maturity securities	1,900,898	1,453,201	1,857,696
Acquisition of general securities	(234,570)	(801,555)	(2,091)
Proceeds from sales of general securities	30,208	13,791	27
Acquisition of investments in subsidiaries and/or associate	(457,553)	(421,098)	(4,743,021)
Proceeds from decrease in capital of subsidiary	-	8,442,471	202,601
Acquisition of premises and equipment	(5,644,363)	(3,210,640)	(2,493,312)
Proceeds from sales of premises and equipment	78,654	272,002	193,888
Acquisition of intangible assets	(5,216,555)	(2,503,866)	(542,838)
Net cash from (used in) investing activities	34,832,609	(18,588,503)	(3,701,345)
<i>Cash flows from financing activities</i>			
Repayment from long-term debt issued	(20,000,000)	-	-
Proceeds from long-term debt issued	31,296,938	-	-
Proceeds from long-term borrowings	152,459	-	-
Dividend paid to equity holders of the Bank	(18,695,557)	(18,695,557)	(20,395,153)
Net cash used in financing activities	(7,246,160)	(18,695,557)	(20,395,153)
Net increase (decrease) in cash	274,004	1,579,720	(3,185,005)
Cash at 1 January	40,317,033	38,737,313	41,922,318
Cash at 31 December	40,591,037	40,317,033	38,737,313
Supplementary disclosures of cash flow information			
Significant non-cash items were as follows:			
Gains (losses) on remeasuring available-for-sale investments	717,378	(121,585)	(6,270,799)
Changes in hedge reserve	51,202	(51,212)	-
Changes in revaluation surplus	-	(53,058)	5,728,326
Defined benefit plan actuarial losses	-	-	(589,164)
Properties for sale from loan payment	8,204,517	9,414,680	9,305,372

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

(in thousand Baht)

Assets	2017		2016		2015	
Cash	40,797,176	1.35%	40,488,512	1.39%	38,979,295	1.41%
Interbank and money market items, net	316,733,080	10.47%	257,256,079	8.83%	260,942,972	9.41%
Claims on security	-	0.00%	-	0.00%	4,545,098	0.16%
Derivative assets	43,499,427	1.44%	58,590,670	2.01%	57,397,448	2.07%
Investments, net	570,370,844	18.86%	590,586,901	20.27%	536,655,307	19.34%
Investments in subsidiaries and associate, net	-	0.00%	333,702	0.01%	344,215	0.01%
Loans to customers and accrued interest receivables, net						
Loans to customers	2,059,948,448	68.12%	1,962,604,955	67.37%	1,856,004,740	66.90%
Accrued interest receivables	3,328,131	0.11%	4,128,530	0.14%	4,544,595	0.16%
Total loans to customers and accrued interest receivables	2,063,276,579	68.23%	1,966,733,485	67.52%	1,860,549,335	67.06%
Less deferred revenue	(25,216,416)	-0.83%	(23,557,162)	-0.81%	(22,598,424)	-0.81%
Less allowance for doubtful accounts	(85,699,301)	-2.83%	(73,353,575)	-2.52%	(64,422,766)	-2.32%
Less revaluation allowance for debt restructuring	(4,291,141)	-0.14%	(4,003,522)	-0.14%	(354,520)	-0.01%
Total loans to customers and accrued interest receivables, net	1,948,069,721	64.42%	1,865,819,226	64.05%	1,773,173,625	63.91%
Customers' liabilities under acceptances	-	0.00%	-	0.00%	58,266	0.00%
Properties for sale, net	11,283,644	0.37%	11,604,427	0.40%	10,558,081	0.38%
Premises and equipment, net	44,164,383	1.46%	40,887,724	1.40%	39,987,650	1.44%
Goodwill and other intangible assets, net	18,107,161	0.60%	13,514,334	0.46%	12,031,442	0.43%
Assets pending transfer	2,234,515	0.07%	2,370,538	0.08%	2,268,037	0.08%
Deferred tax assets	110,753	0.00%	410,314	0.01%	65,586	0.00%
Other assets, net	28,661,317	0.95%	31,125,417	1.07%	37,302,153	1.34%
Total assets	3,024,032,021	100.00%	2,912,987,844	100.00%	2,774,309,175	100.00%

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

(in thousand Baht)

Liabilities and shareholders' equity	2017		2016		2015	
Liabilities						
Deposits	2,092,457,200	69.19%	2,026,272,115	69.56%	1,890,728,922	68.15%
Interbank and money market items	108,573,192	3.59%	100,953,159	3.47%	142,937,063	5.15%
Liabilities payable on demand	23,670,751	0.78%	10,526,319	0.36%	8,484,207	0.31%
Liabilities to deliver security	59,900	0.00%	50,594	0.00%	4,563,438	0.16%
Derivative liabilities	44,984,107	1.49%	54,192,365	1.86%	59,587,955	2.15%
Debt issued and borrowings	78,538,067	2.60%	106,837,890	3.67%	121,163,995	4.37%
Bank's liabilities under acceptances	-	0.00%	-	0.00%	58,266	0.00%
Provisions	7,729,706	0.26%	7,461,771	0.26%	7,227,782	0.26%
Liabilities under insurance contracts	248,244,534	8.21%	216,994,447	7.45%	184,778,966	6.66%
Liabilities pending transfer	14,615,892	0.48%	13,471,154	0.46%	11,544,516	0.42%
Deferred tax liabilities	3,589,507	0.12%	2,327,820	0.08%	3,141,226	0.11%
Other liabilities	37,806,171	1.25%	39,601,988	1.36%	32,399,805	1.17%
Total liabilities	2,660,269,027	87.97%	2,578,689,622	88.52%	2,466,616,141	88.91%
Shareholders' equity						
Share capital						
Authorised share capital						
3,583,825,728 preferred shares of Baht 10 each	35,838,257	1.19%	35,838,257	1.23%	35,839,655	1.29%
3,416,174,272 common shares of Baht 10 each	34,161,743	1.13%	34,161,743	1.17%	34,160,345	1.23%
Issued and paid-up share capital						
3,784,972 preferred shares of Baht 10 each	37,850	0.00%	38,903	0.00%	47,033	0.00%
3,395,407,226 common shares of Baht 10 each	33,954,072	1.12%	33,953,019	1.17%	33,944,889	1.22%
Premium on share capital						
Premium on preferred shares	14,802	0.00%	15,213	0.00%	18,392	0.00%
Premium on common shares	11,109,389	0.37%	11,108,978	0.38%	11,105,799	0.40%
Other reserves	19,985,092	0.66%	15,342,084	0.53%	17,926,079	0.65%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.23%	7,000,000	0.24%	7,000,000	0.25%
Unappropriated	291,362,368	9.63%	266,630,575	9.15%	237,420,539	8.56%
Total owners of the company	363,463,573	12.02%	334,088,772	11.47%	307,462,731	11.08%
Non-controlling interests	299,421	0.01%	209,450	0.01%	230,303	0.01%
Total shareholders' equity	363,762,994	12.03%	334,298,222	11.48%	307,693,034	11.09%
Total liabilities and shareholders' equity	3,024,032,021	100.00%	2,912,987,844	100.00%	2,774,309,175	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(in thousand Baht)

	2017		2016		2015	
Interest income	125,113,063	91.85%	122,443,063	91.83%	122,462,489	89.22%
Interest expenses	<u>32,803,548</u>	24.08%	<u>33,993,718</u>	25.50%	<u>39,628,062</u>	28.87%
Net interest income	92,309,515	67.77%	88,449,345	66.34%	82,834,427	60.35%
Fees and service income	36,854,858	27.06%	34,379,242	25.78%	32,704,402	23.83%
Fees and service expenses	<u>6,530,982</u>	4.79%	<u>5,965,037</u>	4.47%	<u>5,629,598</u>	4.10%
Net fees and service income	30,323,876	22.26%	28,414,205	21.31%	27,074,804	19.73%
Gains on trading	7,089,951	5.21%	6,713,833	5.04%	8,314,590	6.06%
Gain on investments	1,610,763	1.18%	2,534,734	1.90%	9,390,068	6.84%
Share of loss from investment for using equity method	(8,949)	-0.01%	(10,513)	-0.01%	(89,120)	-0.06%
Dividend income	1,032,097	0.76%	1,119,392	0.84%	1,386,124	1.01%
Net earned insurance premiums	49,231,848	36.14%	52,314,254	39.24%	52,419,038	38.19%
Other operating income	<u>989,649</u>	0.73%	<u>433,225</u>	0.32%	<u>697,437</u>	0.51%
Total operating income	182,578,750	134.04%	179,968,475	134.98%	182,027,368	132.62%
Net insurance claims	<u>46,366,273</u>	34.04%	<u>46,634,372</u>	34.98%	<u>44,769,250</u>	32.62%
Net operating income	136,212,477	100.00%	133,334,103	100.00%	137,258,118	100.00%
Other operating expenses						
Employee's expenses	27,488,330	20.18%	24,597,294	18.45%	22,378,785	16.30%
Directors' remuneration	98,940	0.07%	96,707	0.07%	95,120	0.07%
Premises and equipment expenses	11,553,836	8.48%	10,823,314	8.12%	9,664,552	7.04%
Taxes and duties	4,417,007	3.24%	4,261,769	3.20%	4,216,087	3.07%
Others	<u>14,091,949</u>	10.35%	<u>11,864,578</u>	8.90%	<u>12,442,763</u>	9.07%
Total operating expenses	57,650,062	42.32%	51,643,662	38.73%	48,797,307	35.55%
Impairment loss of loans and debt securities	<u>25,066,653</u>	18.40%	<u>22,527,984</u>	16.90%	<u>29,722,628</u>	21.65%
Profit from operating before income tax expense	53,495,762	39.27%	59,162,457	44.37%	58,738,183	42.79%
Income tax expenses	10,291,148	7.56%	11,493,030	8.62%	11,498,256	8.38%
Net profit	43,204,614	31.72%	47,669,427	35.75%	47,239,927	34.42%
Other comprehensive income (loss)						
<i>Items that will be reclassified subsequently to profit or loss</i>						
Gains (losses) on remeasuring available-for-sale investments	6,079,641	4.46%	(2,641,408)	-1.98%	(7,906,424)	-5.76%
Losses arising from translating the financial statements of a foreign operation	(204,089)	-0.15%	(23,420)	-0.02%	165,393	0.12%
Share of other comprehensive income (loss) of associate (using equity method)	72	0.00%	(22,820)	-0.02%	53,769	0.04%
Change in hedge reserve	370,849	0.27%	(136,252)	-0.10%	(4,226)	0.00%
Income tax relating to components of other comprehensive (loss) income will be reclassified subsequently to profit or loss	<u>(1,290,097)</u>	-0.95%	<u>558,327</u>	0.42%	<u>1,484,998</u>	1.08%
	<u>4,956,376</u>	3.64%	<u>(2,265,573)</u>	-1.70%	<u>(6,206,490)</u>	-4.52%
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Change in revaluation surplus	-	0.00%	(53,058)	-0.04%	5,823,356	4.24%
Defined benefit plan actuarial losses	-	0.00%	-	0.00%	(627,936)	-0.46%
Income tax relating to components of other comprehensive income will not be reclassified subsequently to profit or loss	<u>-</u>	0.00%	<u>10,612</u>	0.01%	<u>(1,039,083)</u>	-0.76%
	<u>-</u>	0.00%	<u>(42,446)</u>	-0.03%	<u>4,156,337</u>	3.03%
Total other comprehensive income (loss), net of income tax	4,956,376	3.64%	(2,308,019)	-1.73%	(2,050,153)	-1.49%
Total comprehensive income	48,160,990	35.36%	45,361,408	34.02%	45,189,774	32.92%

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

(in Baht thousand)

	2017	2016	2015
Cash flows from operating activities			
Profit from operating before income tax expense	53,495,762	59,162,457	58,738,183
<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	2,755,448
Impairment loss on loans and debt securities	27,497,266	24,694,401	31,696,117
Losses (reversal) on impairment of properties for sale	12,411	57,877	(383,064)
Reversal on impairment of premises and equipment	-	-	(168,274)
Gains on sales of premises and equipment	(24,479)	(136,790)	(21,798)
Losses (gains) on trading	3,084,349	(4,588,393)	(8,314,590)
Gains on investments	(1,610,763)	(2,534,734)	(9,390,068)
Share of loss from investment for using equity method	8,949	10,513	89,120
	85,735,356	79,462,209	75,001,074
Net interest income	(92,309,515)	(88,449,345)	(82,834,427)
Dividend income	(1,032,097)	(1,119,392)	(1,386,124)
Proceeds from interest	126,765,200	123,854,189	121,709,859
Interest paid	(33,262,642)	(35,631,228)	(40,613,323)
Proceeds from dividend	1,028,378	1,114,134	1,385,197
Income tax paid	(10,793,147)	(12,094,448)	(11,819,484)
Profit from operating before changes in operating assets and liabilities	76,131,533	67,136,119	61,442,772
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	(59,424,924)	3,722,055	31,336,321
Claims on securities	-	-	1,514,064
Derivative assets	7,527,791	2,845,244	808,881
Investment in securities for trading	14,543,299	(9,125,622)	6,662,233
Loans to customers	(118,710,261)	(127,196,979)	(90,210,184)
Properties for sale	8,512,888	8,310,458	8,851,194
Other assets	2,984,061	5,712,177	(3,730,097)
<i>Increase (decrease) in operating liabilities</i>			
Deposits	66,185,085	135,543,193	(5,067,399)
Interbank and money market items	7,620,033	(41,983,904)	2,651,457
Liabilities payable on demand	13,144,432	2,042,112	1,084,062
Liabilities to deliver security	9,306	32,254	(1,499,679)
Derivative liabilities	(8,005,015)	(5,584,736)	17,174,921
Short-term debt issued and borrowings	(36,174,269)	(13,617,480)	265,575
Liabilities under insurance contracts	31,250,087	32,215,481	33,021,911
Other liabilities	359,863	11,177,143	(1,287,466)
Net cash from operating activities	5,953,909	71,227,515	63,018,566

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

(in Baht thousand)

	2017	2016	2015
<i>Cash flows from investing activities</i>			
Acquisition of available-for-sale securities	(516,878,010)	(571,471,012)	(437,902,894)
Proceeds from sales of available-for-sale securities	528,910,230	515,870,226	400,417,055
Acquisition of held-to-maturity securities	(669,600)	(9,231,641)	(25,065,811)
Proceeds from redemption of held-to-maturity securities	1,707,990	19,679,259	24,585,638
Acquisition of general securities	(243,070)	(801,555)	(2,091)
Proceeds from sales of general securities	30,208	13,791	27
Acquisition of investments in subsidiaries and/or associate	-	-	(1,394,112)
Acquisition of premises and equipment	(5,768,414)	(3,265,479)	(2,624,199)
Proceeds from sales of premises and equipment	83,694	277,106	230,162
Acquisition of intangible assets	(5,367,363)	(2,061,133)	(663,175)
Net cash from (used in) investing activities	1,805,665	(50,990,438)	(42,419,400)
<i>Cash flows from financing activities</i>			
Acquisitions of non-controlling interests	-	-	(3,506,085)
Repayment from long-term debt issued	(20,000,000)	-	-
Proceeds from long-term debt issued	31,296,938	-	-
Proceeds from long-term borrowings	152,459	-	-
Dividend paid to equity holders of the Bank	(18,695,557)	(18,695,557)	(20,395,153)
Dividend paid to non-controlling interests	-	(8,883)	(15,826)
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)	(23,917,064)
Losses arising from translating the financial statements of a foreign operation	(204,089)	(23,420)	165,393
Net increase (decrease) in cash	308,664	1,509,217	(3,152,505)
Cash at 1 January	40,488,512	38,979,295	42,131,800
Cash at 31 December	40,797,176	40,488,512	38,979,295
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)	(7,906,424)
Losses arising from translating the financial statements of a foreign operation	(204,089)	(23,420)	165,393
Share of other comprehensive income (loss) of associate (using equity method)	72	(22,820)	53,769
Changes in hedge reserve	370,849	(136,252)	(4,226)
Changes in revaluation surplus	-	(53,058)	5,823,356
Defined benefit plan actuarial losses	-	-	(627,936)
Properties for sale from loan payment	8,204,517	9,414,680	9,305,372

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
FINANCIAL RATIOS

	2017	2016	2015
PROFITABILITY RATIO			
Operating Profit Margin ⁽¹⁾	57.33%	56.56%	54.60%
Net Profit Margin	31.68%	35.71%	34.37%
Return on Equity	12.37%	14.84%	15.92%
Yield ⁽²⁾	5.50%	5.71%	5.88%
Cost of Funds ⁽³⁾	1.44%	1.54%	1.83%
Spread ⁽⁴⁾	4.06%	4.17%	4.05%
Return on Investment	2.55%	2.72%	4.28%
EFFICIENCY RATIO			
Cost Income Ratio	42.32%	38.73%	35.55%
Net Interest Income to Asset	3.11%	3.11%	3.03%
Return on Asset	1.45%	1.67%	1.72%
Asset Turnover Ratio (Times)	0.05	0.05	0.05
FINANCIAL POLICY RATIO			
Liability to Total Equity (Times)	7.31	7.71	8.02
Loan to Borrowing Ratio	92.71%	90.46%	90.75%
Loan to Deposit Ratio	97.24%	95.70%	96.97%
Deposit to Liability Ratio	78.66%	78.58%	76.65%
Dividend payout ⁽⁵⁾	43.32%	39.27%	39.62%
Total Capital Funds	17.73%	17.73%	17.26%
ASSET QUALITY RATIO			
Allowance for Doubtful Account to Loan and Accrued Interest Receivables	4.20%	3.77%	3.51%
Credit Cost ⁽⁶⁾	1.26%	1.19%	1.65%
% Non-Performing Loan to Total Loans ⁽⁷⁾	2.83%	2.67%	2.89%
Accrued Interest Receivables to Loan and Accrued Interest Receivables	0.16%	0.21%	0.25%

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 2017 was Baht 5.50 per share (ordinary and preferred shares) as proposed to the Annual General Meeting of Shareholders in April 2018. (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, 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)**1. 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%
- Finance 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.

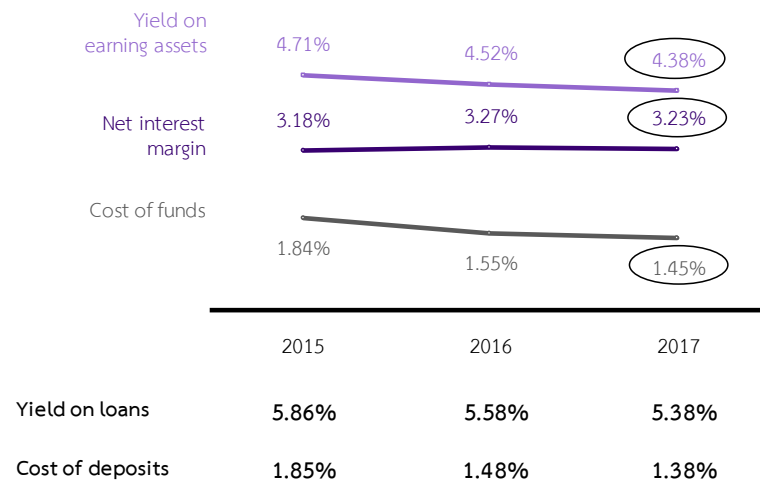
Net interest income in 2017 was Baht 92,310 million, a 4.4% yoy increase from 2016. The higher net interest income was driven by 4.9% loan growth despite lower loan yields from a 25 basis point decrease in lending rate in 2017. Furthermore, net interest income increased due to efficient cost management 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.

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



2. Non-interest income

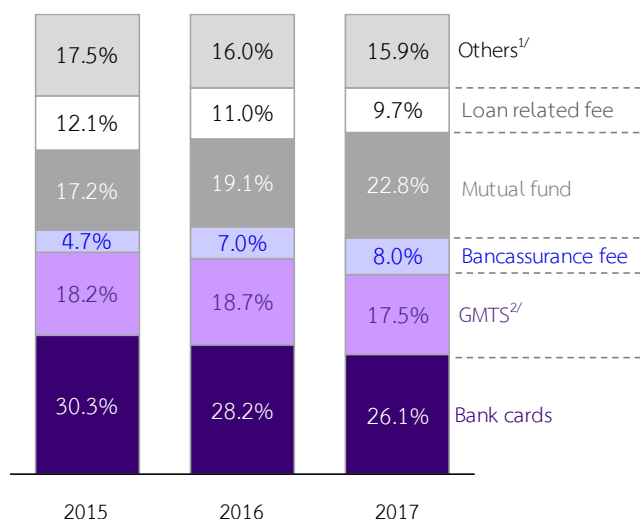
Unit: Baht million

Non-Interest Income (Consolidated)	2017	2016	% yoy
<i>Fee and service income</i>	36,855	34,379	7.2%
<i>Less fee and service expenses</i>	6,531	5,965	9.5%
Net fee and service income	30,324	28,414	6.7%
<i>Net earned insurance premiums</i>	49,232	52,314	-5.9%
<i>Less net insurance claims</i>	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 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 (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

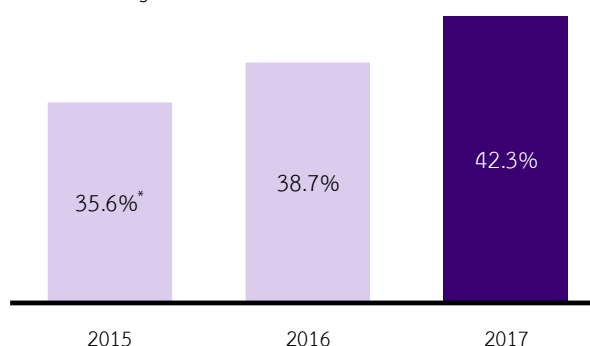
Unit: Baht million

Non-Interest Expenses (Consolidated)	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
(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

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:

1. 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%.

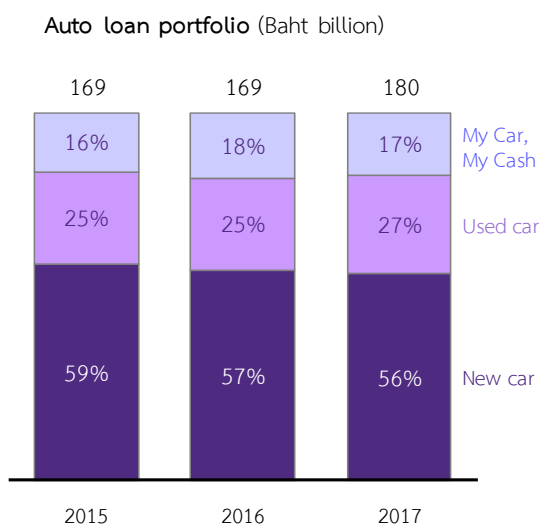
Unit: Baht million

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 the 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.
 - **Automobile 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.

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 1 capital requirement at the rate of 0.625% p.a. until reaching the 2.5% target in 2019.

Furthermore, the Bank has recently been classified by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which are required to maintain higher minimum Common Equity Tier 1 capital to provide additional stability and resilience 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.

On a consolidated basis under Basel III, the Bank's total capital funds (Tier 1 and Tier 2) at the end of 2017 stood at 17.7% of total risk-weighted assets, comprising CET1 capital of 15.6% and Tier-2 capital of 2.1%. If net profit for 2H17 were included, the total capital ratio and CET1 capital ratio under Basel III would have been 18.5% and 16.5% respectively.

On a bank-only basis under Basel III, the Bank's total capital funds stood at 17.2% of total risk-weighted assets, of which 15.1% was CET1 and 2.1% was Tier-2 capital. If net profit for 2H17 were included, the total capital ratio and CET1 capital ratio under Basel III would have been 18.0% and 16.0%, respectively.

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.

Statutory Capital (Consolidated Supervision)		Dec 31, 17	Dec 31, 16
Common Equity Tier 1 / Tier 1*	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 1 / Tier 1*	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

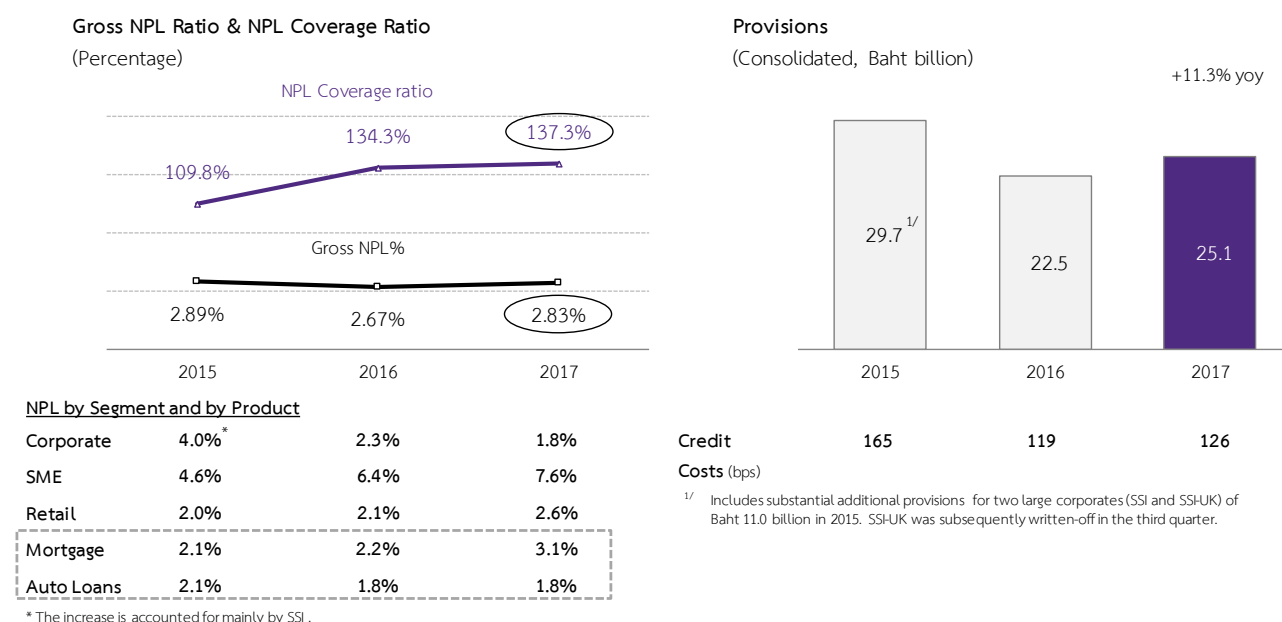
* CET1 under the Basel III framework was adopted in Thailand from January 1, 2013

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%

¹ Excluding interbank and money market items.



Allowance for doubtful accounts as of December 31, 2017 stood at Baht 90.0 billion, a 16.3% yoy increase from Baht 77.4 billion at the end of December 2016. The coverage ratio (total allowance to non-performing loans) was 137.3%, up from 134.3% at the end of December 2016.

Gross NPLs on a bank-only basis stood at Baht 64.5 billion (2.81%) at the end of December 2017, an increase from Baht 56.5 billion (2.65%) at the end of December 2016.

Special mention loans stood at Baht 51.7 billion at the end of December 2017, up significantly by 15.9% yoy 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.

Unit: Baht million

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.

In 4Q17 new NPL formation was at 0.49%, an increase from 0.38% in 3Q17, mainly driven by new NPLs from the SME Segment which rose significantly to 0.63% in 4Q17 from 0.54% in 3Q17. 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

	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.

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

(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%
	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%	

* 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%.

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

VII. Credit Ratings

As of December 31, 2017, 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)