

Press Release: January 19, 2017

SCB Announces 2016 Net Profit of Baht 47.6 Billion

Bangkok: Siam Commercial Bank and its subsidiaries announced a **net profit of Baht 47,612 million** for 2016 (based on unaudited consolidated financial statements), an increase of 0.9% from the previous year. The increase was a result of higher net interest income and higher net fee and service income. Meanwhile, the NPL ratio improved from the previous year.

Net interest income rose to Baht 88,449 million, an increase of 6.8% from last year. The increase in net interest income was mainly due to the Bank's proactive strategy to manage its cost of deposits as well as a 5.8% loan growth over the past year.

Non-interest income decreased 17.5% from last year, primarily a result of large one-time gains from the sale of equity investment booked in 2015. Excluding these large gains, non-interest income would have decreased by 3.9% yoy due to lower revenue from the bank's life insurance subsidiary and lower net trading and FX income. However, net fee and service income continued to grow.

The non-performing loan ratio stood at 2.67% at the end of 2016, a decrease from 2.89% at the end of 2015 due to an improvement in asset quality of the corporate segment, offset by a slight increase in NPLs of the SME and retail segments. Loan loss provisions for 2016 were Baht 22,528 million or 1.19% of total loans, a decrease of 24.2% from the previous year due to an improvement in asset quality. Moreover, the coverage ratio increased to 134.3% at the end of 2016 from 109.8% at the end of 2015.

President and Chief Executive Officer Arthid Nanthawithaya commented on last year's performance that, "In 2016, we were able to maintain high earnings similar to the previous year's level with the Bank's strategy to be highly attentive to our customers during the period of slow economic recovery. Although the NPL ratio has shown marked improvement, the Bank continues to maintain a coverage ratio above 130%, with our emphasis on a strong balance sheet."

Siam Commercial Bank PCL is one of Thailand's leading universal banks. Established by Royal Charter in 1906 as the first Thai bank, SCB has the highest market capitalization among Thai financial institutions as of the end of December 2016 (Baht 518 billion). Its network of branches and service points offers nationwide coverage (1,170 branches, 109 foreign exchange kiosks, and 9,745 ATM machines) providing services that meet the demands of all customer groups, including corporate, SME and retail customers, with total assets of Baht 2,913 billion. More information is available from the website www.scb.co.th.

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SCB – Results at a Glance

| Unit: Baht million | 2016 | 2015 | % yoy | 4Q16 | % qoq | % yoy |
|--|----------------|----------------|--------|---------------|--------|--------|
| Income | 133,334 | 137,258 | -2.9% | 32,601 | -4.6% | 1.0% |
| NII | 88,449 | 82,834 | 6.8% | 22,804 | 2.7% | 6.5% |
| Non-NII | 44,885 | 54,424 | -17.5% | 9,797 | -18.2% | -9.9% |
| Non Interest Expenses | 51,644 | 48,797 | 5.8% | 14,839 | 16.3% | 16.5% |
| Operating Profit | 81,690 | 88,461 | -7.7% | 17,762 | -17.1% | -9.1% |
| Impairment loss of loans and debt securities | 22,528 | 29,723 | -24.2% | 1,994 | -71.6% | -60.0% |
| Income tax expenses | 11,493 | 11,498 | -0.0% | 3,045 | 6.0% | 10.9% |
| Non-controlling interest | 57 | 58 | -0.5% | 7 | -61.0% | -54.0% |
| Net Profit | 47,612 | 47,182 | 0.9% | 12,716 | 10.3% | 7.8% |
| Loans | 1,939,048 | 1,833,406 | 5.8% | 1,939,048 | 1.4% | 5.8% |
| Total Assets | 2,913,023 | 2,774,309 | 5.0% | 2,913,023 | 3.8% | 5.0% |
| Deposits | 2,026,272 | 1,890,729 | 7.2% | 2,026,272 | 7.4% | 7.2% |
| Loan to Deposit Ratio | 95.7% | 97.0% | -1.3% | 95.7% | -5.6% | -1.3% |
| Cost to Income Ratio | 38.7% | 35.6% | 3.1% | 45.5% | 8.2% | 6.0% |
| NIM on Earning Assets | 3.27% | 3.18% | 0.09% | 3.33% | 0.00% | 0.05% |
| NPL% | 2.67% | 2.89% | -0.22% | 2.67% | -0.18% | -0.22% |
| NPLs | 57,593 | 58,996 | -2.4% | 57,593 | -6.2% | -2.4% |
| ROE | 14.8% | 15.9% | -1.1% | 15.4% | 1.1% | -0.3% |
| ROA | 1.7% | 1.7% | 0.0% | 1.8% | 0.1% | 0.1% |
| CAR (Bank only) ^{1/} | 17.4% | 17.2% | 0.2% | 17.4% | -0.2% | 0.2% |
| Regulatory Capital (Bank only) ^{1/} | 337,273 | 316,344 | 6.6% | 337,273 | -0.2% | 6.6% |

^{1/} Basel III basis

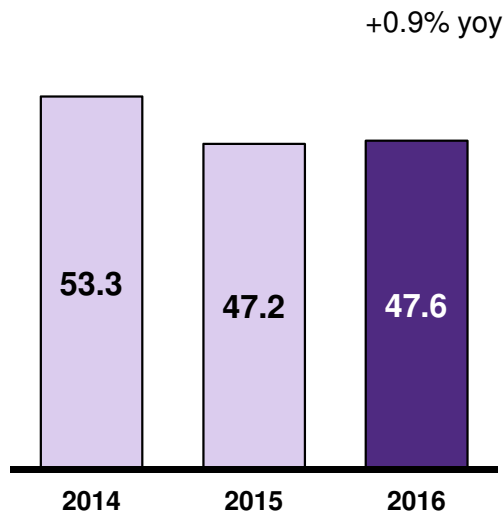
SCB - 2016 RESULTS - HIGHLIGHT

PROFITABILITY

Net profit increased slightly yoy, driven by higher NII and net fee income; however, gain on investment and provisions declined significantly.

Net Profit

(Consolidated, Baht billion)

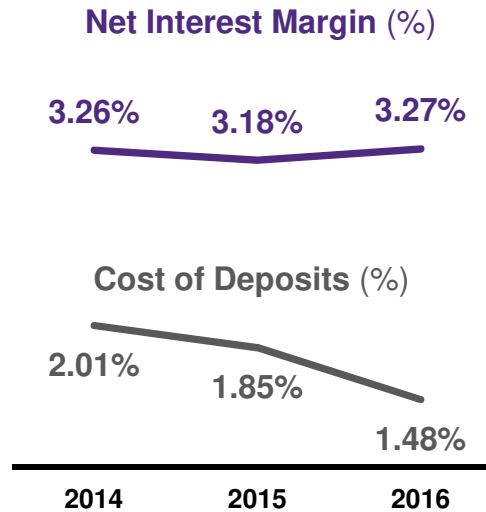


NIM / COST OF DEPOSITS

A yoy rise in NIM was due mainly to lower cost of deposits.

Net Interest Margin and Cost of Deposits

(%)

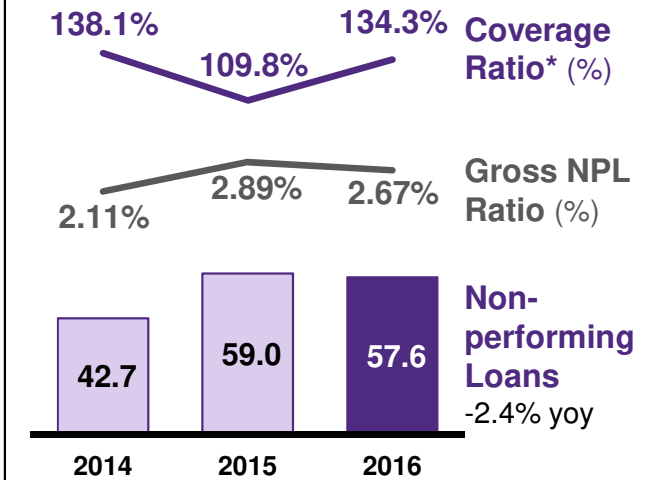


ASSET QUALITY

Non-performing loans ratio dropped yoy, while the loan loss reserve coverage ratio improved to 134.3%.

Non-performing Loans, Gross NPL Ratio and Coverage Ratio*

(Consolidated, Baht billion, %)



* Total allowance for doubtful accounts / Gross NPLs at year end

Management Discussion and Analysis

For the fourth quarter and year ending December 31, 2016

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*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. In addition, the information provided is **preliminary and subject to change** following the audit for year ending December 31, 2016*

Siam Commercial Bank PCL reported (unaudited) 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. Net trading and FX income and net insurance premium also fell, coupled with a rise in operating expenses. However, net interest income and net fee and service income still experienced a yoy increase.

On a **quarterly basis**, net profit increased by Baht 921 million (7.8% yoy) to Baht 12,716 million in 4Q16 from Baht 11,795 million in 4Q15, largely driven by lower provisions and higher net interest income. This net increase happened despite lower net insurance premium and gain on investments as well as higher operating expenses.

On a **quarter-on-quarter basis**, net profit increased by Baht 1,183 million (10.3% qoq) from Baht 11,533 million in 3Q16 to Baht 12,716 million in 4Q16, mainly due to lower provisions in 4Q16 and higher net interest income from a 1.4% qoq loan growth. However, offsetting factors were still present on a qoq basis, namely lower net fee and service income, lower net insurance premium and lower gain on investments as well as operating expenses.

Net Profit and Total Comprehensive Income

Unit: Baht million

| Net Profit and Total Comprehensive Income (Consolidated) | 2016 | 2015 | % yoy | 4Q16 | % qoq | % yoy |
|--|---------------|---------------|--------------|---------------|---------------|---------------|
| Net interest income | 88,449 | 82,834 | 6.8% | 22,804 | 2.7% | 6.5% |
| Non-interest income | 44,885 | 54,424 | -17.5% | 9,797 | -18.2% | -9.9% |
| Non-interest expenses | 51,644 | 48,797 | 5.8% | 14,839 | 16.3% | 16.5% |
| Operating profit | 81,690 | 88,461 | -7.7% | 17,762 | -17.1% | -9.1% |
| Impairment loss on loans and debt securities | 22,528 | 29,723 | -24.2% | 1,994 | -71.6% | -60.0% |
| Income tax | 11,493 | 11,498 | -0.0% | 3,045 | 6.0% | 10.9% |
| Non-controlling interest | 57 | 58 | -0.5% | 7 | -61.0% | -54.0% |
| Net profit (attributable to shareholders of the Bank) | 47,612 | 47,182 | 0.9% | 12,716 | 10.3% | 7.8% |
| Other comprehensive income | (2,291) | (2,069) | NM | (4,148) | NM | NM |
| Total comprehensive income | 45,322 | 45,113 | 0.5% | 8,568 | -17.7% | -46.9% |
| EPS (Baht) | 14.01 | 13.88 | 0.9% | 3.74 | 10.3% | 7.8% |
| ROAE | 14.8% | 15.9% | | 15.4% | | |
| ROAA | 1.7% | 1.7% | | 1.8% | | |

NM denotes "not meaningful"

I. Income Statement for 4Q16 and year ending December 31, 2016 (Consolidated basis)

1. Net interest income

| | Unit: Baht million | | | | | |
|--|--------------------|---------------|--------------|---------------|--------------|--------------|
| Net Interest Income and Yield (Consolidated) | 2016 | 2015 | % yoy | 4Q16 | % qoq | % yoy |
| Interest income | 122,443 | 122,462 | -0.0% | 31,331 | 3.0% | 2.8% |
| - Loans | 94,844 | 95,729 | -0.9% | 24,242 | 3.1% | 0.8% |
| - Interbank and money markets | 4,206 | 3,687 | 14.1% | 1,153 | 10.0% | 37.2% |
| - Automobile and financial lease income | 10,479 | 10,097 | 3.8% | 2,667 | 1.0% | 5.7% |
| - Investments | 12,827 | 12,873 | -0.4% | 3,247 | 1.6% | 7.2% |
| - Other | 87 | 76 | 14.9% | 22 | 21.8% | -15.6% |
| Interest expenses | 33,994 | 39,628 | -14.2% | 8,527 | 3.9% | -5.8% |
| - Deposits | 20,225 | 26,463 | -23.6% | 4,998 | 5.2% | -14.1% |
| - Interbank and money markets | 1,034 | 1,078 | -4.1% | 231 | -20.4% | 16.6% |
| - Borrowings | 3,904 | 3,497 | 11.6% | 1,008 | 1.5% | 10.3% |
| - Contribution to the Deposit Protection Agency/FIDF | 8,810 | 8,584 | 2.6% | 2,280 | 5.0% | 7.3% |
| - Other | 21 | 6 | 254.7% | 10 | 154.4% | 223.3% |
| Net interest income | 88,449 | 82,834 | 6.8% | 22,804 | 2.7% | 6.5% |
| Net interest margin | 3.27% | 3.18% | 0.09% | 3.33% | 0.00% | 0.05% |
| Yield on earning assets | 4.52% | 4.71% | -0.19% | 4.57% | 0.02% | -0.09% |
| Yield on loans | 5.58% | 5.86% | -0.28% | 5.59% | 0.04% | -0.24% |
| Yield on interbank | 1.62% | 1.33% | 0.29% | 1.78% | 0.07% | 0.58% |
| Yield on investment | 2.28% | 2.48% | -0.20% | 2.34% | -0.03% | -0.03% |
| Cost of funds* | 1.55% | 1.84% | -0.29% | 1.56% | 0.02% | -0.13% |
| Cost of deposits** | 1.48% | 1.85% | -0.37% | 1.49% | 0.02% | -0.17% |
| Spread (yield on earning assets – cost of funds) | 2.97% | 2.87% | 0.10% | 3.02% | 0.00% | 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 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 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.

On a **quarterly basis**, net interest income in 4Q16 increased by 6.5% yoy to Baht 22,804 million from Baht 21,418 million in 4Q15, largely due to the Bank's better management of the cost of deposits. Moreover, loan volume grew by 5.8% yoy, further contributing to the increase in interest income. Interest income from interbank and money markets also increased from higher average volume. Interest income from investments increased from a larger investment portfolio.

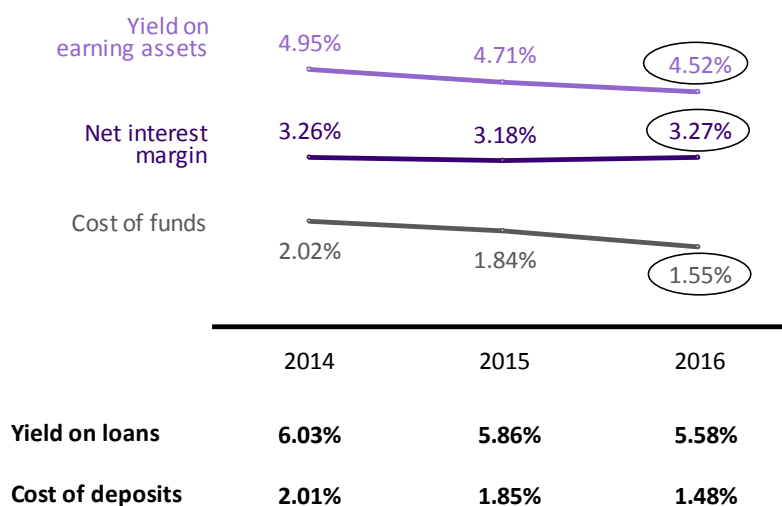
On a **quarter-on-quarter basis**, net interest income in 4Q16 increased by 2.7% qoq to Baht 22,804 million compared with Baht 22,214 million in 3Q16. This increase can be attributed to higher interest income from loans resulting from a 1.4% qoq loan growth and higher yields on loans compared to the previous quarter.

| 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 | 4Q16 | % qoq | % yoy |
|--|---------------|---------------|---------------|--------------|---------------|--------------|
| <i>Fee and service income</i> | 34,379 | 32,704 | 5.1% | 8,583 | -5.8% | 4.1% |
| <i>Less fee and service expenses</i> | 5,965 | 5,630 | 6.0% | 1,445 | -3.3% | 3.8% |
| Net fee and service income | 28,414 | 27,075 | 4.9% | 7,138 | -6.4% | 4.2% |
| <i>Net earned insurance premiums</i> | 52,314 | 52,419 | -0.2% | 10,046 | -23.9% | -0.4% |
| <i>Less net insurance claims</i> | 46,634 | 44,769 | 4.2% | 9,666 | -19.6% | 8.4% |
| Net insurance premiums | 5,680 | 7,650 | -25.8% | 381 | -67.7% | -67.3% |
| Net fee and insurance premium | 34,094 | 34,725 | -1.8% | 7,518 | -14.6% | -6.2% |
| Net trading and FX income | 6,714 | 8,315 | -19.3% | 1,936 | 12.5% | -2.4% |
| Share of profit of associates | (11) | (89) | NM | (4) | NM | NM |
| Dividend income | 1,119 | 1,386 | -19.2% | 159 | -43.7% | -24.5% |
| Other income | 433 | 697 | -37.9% | 92 | -8.7% | -16.4% |
| Non-interest income excluding gain on investments | 42,350 | 45,034 | -6.0% | 9,701 | -11.0% | -5.9% |
| Gain on investments | 2,535 | 9,390 | -73.0% | 96 | -91.1% | -82.8% |
| Total non-interest income | 44,885 | 54,424 | -17.5% | 9,797 | -18.2% | -9.9% |

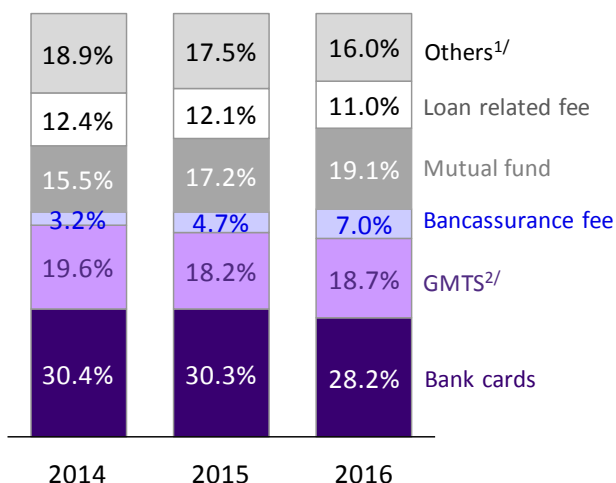
NM denotes "not meaningful"

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.

On a **quarterly basis**, non-interest income decreased by 9.9% yoy to Baht 9,797 million in 4Q16 from Baht 10,868 million in 4Q15 as a result of lower net insurance premium and lower gain on investments. Moreover, net fee and service income continued to grow mainly driven by corporate finance and mutual fund businesses.

On a **quarter-on-quarter basis**, non-interest income decreased by 18.2% from the previous quarter despite a qoq increase in net trading and FX income largely because of a qoq decline in net fee and service income, net insurance premium and gain on investments.

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

| Non-Interest Expenses (Consolidated) | Unit: Baht Million | | | | | |
|---|--------------------|--------------|--------|--------------|--------|--------|
| | 2016 | 2015 | % yoy | 4Q16 | % qoq | % yoy |
| Staff costs | 24,597 | 22,379 | 9.9% | 6,242 | -1.0% | 10.2% |
| Premises and equipment expenses | 10,823 | 9,665 | 12.0% | 2,993 | 12.2% | 38.9% |
| Tax and duties | 4,262 | 4,216 | 1.1% | 1,053 | -2.9% | 2.0% |
| Director remuneration | 97 | 95 | 1.7% | 25 | -5.5% | 8.1% |
| Other expenses | 11,865 | 12,443 | -4.6% | 4,526 | 69.3% | 17.0% |
| - Loss on sale of NPA* | 540 | 702 | -23.1% | 108 | -25.6% | -13.5% |
| - Others | 11,324 | 11,740 | -3.5% | 4,418 | 74.7% | 18.0% |
| Total non-interest expenses** | 51,644 | 48,797 | 5.8% | 14,839 | 16.3% | 16.5% |
| Cost to income ratio | 38.7% | 35.6% | | 45.5% | | |

* Including loss on the sale of repossessed cars of Baht 733 million in 2016, Baht 993 million in 2015 and Baht 161 million in 4Q16.

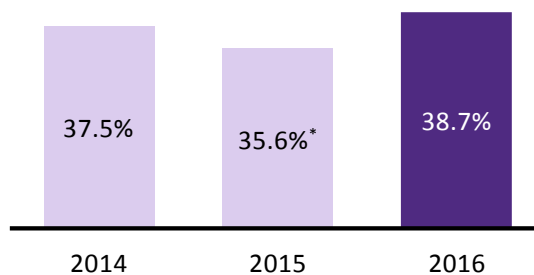
** Excluding loss on the sale of NPA, non-interest expenses growth in 2016 would have increased by 6.3% yoy and for 4Q16 would have increased 16.8% both qoq and yoy.

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.

On a **quarterly basis**, non-interest expenses increased by 16.5% yoy to Baht 14,839 million in 4Q16 from Baht 12,741 million in 4Q15 due to higher premises and equipment expenses, higher other expenses (mainly from advisory services) and higher staff costs.

On a **quarter-on-quarter basis**, non-interest expenses increased by 16.3% to Baht 14,839 million in 4Q16 from Baht 12,755 million in 3Q16 primarily due to a seasonal increase in other expenses from higher marketing and promotion expenses in the last quarter of the year and higher advisor service fees.

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%.

1.1 Loans by segment

| Unit: Baht million | | | | | | | | |
|---------------------------------|------------------|---------------|------------------|---------------|-------------|------------------|---------------|-------------|
| Loans by Segment (Consolidated) | Dec 31, 16 | % | Dec 31, 15 | % | % yoy | Sep 30, 16 | % | % qoq |
| Corporate | 712,271 | 36.7% | 646,255 | 35.2% | 10.2% | 702,705 | 36.8% | 1.4% |
| SME | 364,544 | 18.8% | 356,840 | 19.5% | 2.2% | 362,765 | 19.0% | 0.5% |
| Retail | 862,232 | 44.5% | 830,311 | 45.3% | 3.8% | 846,400 | 44.3% | 1.9% |
| - Housing loans* | 607,440 | 31.3% | 576,251 | 31.4% | 5.4% | 602,319 | 31.5% | 0.9% |
| - Automobile | 168,684 | 8.7% | 169,154 | 9.2% | -0.3% | 164,698 | 8.6% | 2.4% |
| - Others loans | 86,109 | 4.5% | 84,906 | 4.6% | 1.4% | 79,383 | 4.2% | 8.5% |
| Total loans | 1,939,048 | 100.0% | 1,833,406 | 100.0% | 5.8% | 1,911,870 | 100.0% | 1.4% |

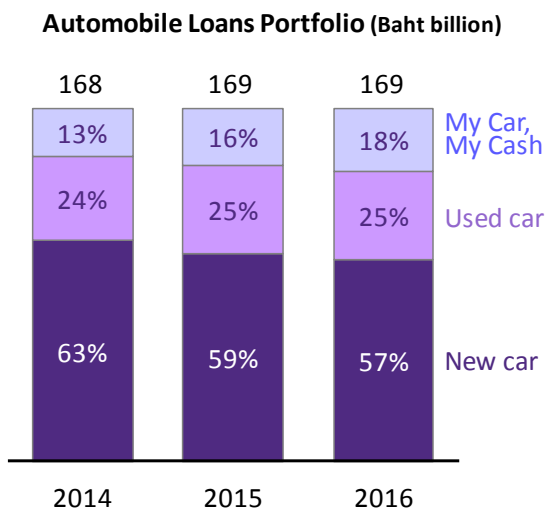
* Includes all home mortgage loans, some of which are from segments other than retail. This is different from the sectorial loans listed on table VI: Addition Financial Information.

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 a 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 loans market, a more effective marketing strategy based on a customer segmentation approach, and an increase in housing loans 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 | Sep 30, 16 | % | %qoq |
|---------------------------------------|------------------|---------------|------------------|---------------|-------------|------------------|---------------|-------------|
| Demand | 61,585 | 3.0% | 57,136 | 3.0% | 7.8% | 57,746 | 3.1% | 6.6% |
| Savings | 1,148,768 | 56.7% | 1,106,016 | 58.5% | 3.9% | 1,086,901 | 57.6% | 5.7% |
| Fixed | 815,919 | 40.3% | 727,577 | 38.5% | 12.1% | 742,643 | 39.3% | 9.9% |
| - Less than 6 months | 201,141 | 9.9% | 221,323 | 11.7% | -9.1% | 172,978 | 9.2% | 16.3% |
| - 6 months and up to 1 year | 392,309 | 19.4% | 300,657 | 15.9% | 30.5% | 353,821 | 18.7% | 10.9% |
| - Over 1 year | 222,469 | 11.0% | 205,597 | 10.9% | 8.2% | 215,844 | 11.4% | 3.1% |
| Total deposits | 2,026,272 | 100.0% | 1,890,729 | 100.0% | 7.2% | 1,887,290 | 100.0% | 7.4% |
| Gross loans to deposits ratio | 95.7% | | 97.0% | | | 101.3% | | |
| CASA - Current & Savings Accounts (%) | 59.7% | | 61.5% | | | 60.7% | | |

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%, a 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 | Sep 30, 16 |
|---|--------------|-------------------|-------------------|-------------------|
| (Basel III) | | | | |
| Common Equity Tier-1 / Tier 1* | Baht million | 294,566 | 265,491 | 297,834 |
| | % of RWA | 14.8% | 14.1% | 15.0% |
| Tier-2 capital | Baht million | 57,752 | 59,140 | 57,490 |
| | % of RWA | 2.9% | 3.2% | 2.9% |
| Total capital | Baht million | 352,318 | 324,631 | 355,324 |
| | % of RWA | 17.7% | 17.3% | 17.9% |
| Risk-weighted assets | Baht million | 1,986,919 | 1,880,484 | 1,987,426 |
| Statutory Capital (Bank only) | | Dec 31, 16 | Dec 31, 15 | Sep 30, 16 |
| (Basel III) | | | | |
| Common Equity Tier-1 / Tier 1* (Regulatory minimum Tier 1 of 6.625%) | Baht million | 280,108 | 257,204 | 281,086 |
| | % of RWA | 14.5% | 14.0% | 14.6% |
| Tier-2 capital | Baht million | 57,165 | 59,140 | 56,814 |
| | % of RWA | 2.9% | 3.2% | 3.0% |
| Total capital (Regulatory minimum CAR of 9.125%) | Baht million | 337,273 | 316,344 | 337,900 |
| | % of RWA | 17.4% | 17.2% | 17.6% |
| Risk-weighted assets | Baht million | 1,933,848 | 1,841,506 | 1,916,852 |

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

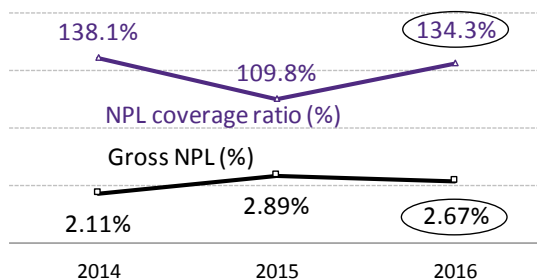
IV. Non-Performing Assets

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 | Sep 30, 16 |
|---|------------------|-------------------|-------------------|-------------------|
| Non-Performing Loans (Gross NPLs) | % of total loans | 2.67% | 2.89% | 2.85% |
| | Baht million | 57,593 | 58,996 | 61,370 |
| Non-Performing Loans (Net NPLs) | % of total loans | 1.38% | 1.25% | 1.34% |
| | Baht million | 29,309 | 25,069 | 28,384 |
| Allowance for doubtful accounts and debt restructuring ¹ | Baht million | 77,357 | 64,777 | 79,130 |
| Total allowance to NPLs | | 134.3% | 109.8% | 128.9% |

¹ Excluding interbank.

Gross NPL Ratio & NPL Coverage Ratio (Percentage)

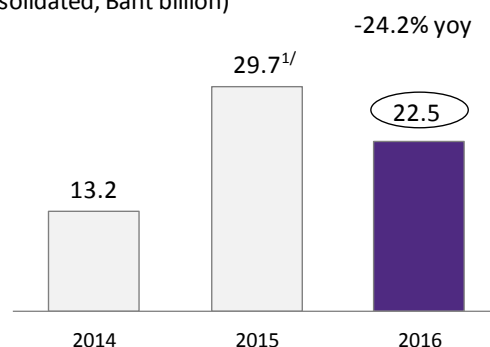


NPL by Segment and by Product

| | | | |
|-------------------|------|--------|------|
| Wholesale | 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)

| Year | Credit Costs (bps) |
|------|--------------------|
| 2014 | 75 |
| 2015 | 165 |
| 2016 | 119 |

^{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 | | Sep 30, 16 | |
|---|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
| | Loan and accrued interest | Allowance for classified loans | 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 | 1,818,396 | 21,564 |
| Special mention | 44,618 | 3,000 | 33,495 | 2,325 | 35,985 | 2,799 |
| Substandard | 20,698 | 9,654 | 24,985 | 14,555 | 14,384 | 6,620 |
| Doubtful | 9,707 | 3,153 | 14,809 | 7,987 | 10,585 | 3,658 |
| Doubtful loss | 27,217 | 15,641 | 19,281 | 11,575 | 36,443 | 22,874 |
| Total | 1,943,176 | 50,632 | 1,837,951 | 54,592 | 1,915,793 | 57,515 |
| Allowance established in excess of BOT regulations | | 22,721 | | 9,831 | | 21,374 |
| Total allowance | | 73,353 | | 64,423 | | 78,889 |

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. Slow economic recovery was the main culprit for driving up new NPLs, despite the Bank's effort to exercise more caution in managing credit risks.

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 mortgage's new NPL formation. Meanwhile, SME's new NPL formation, although slightly lower in 2016, remained high.

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 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.

^{3/} Excluding 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 markets lending, and 1.4% held in cash.

VI. Additional Financial Information

| | (Baht million, %) | | | | |
|--|-------------------|------------------|---------------|------------------|--------------|
| (Consolidated) | Dec 31, 16 | Dec 31, 15 | % yoy | Sep 30, 16 | % qoq |
| Loans by Sector | 1,939,048 | 1,833,406 | 5.8% | 1,911,870 | 1.4% |
| Agricultural and mining | 15,166 | 16,502 | -8.1% | 15,427 | -1.7% |
| Manufacturing and commercial | 605,350 | 593,831 | 1.9% | 593,573 | 2.0% |
| Real estate and construction | 132,755 | 141,238 | -6.0% | 136,122 | -2.5% |
| Utilities and services | 325,286 | 254,124 | 28.0% | 323,358 | 0.6% |
| Housing loans* | 521,869 | 495,012 | 5.4% | 516,921 | 1.0% |
| Other loans | 338,622 | 332,699 | 1.8% | 326,469 | 3.7% |
| Investment** | 590,921 | 537,000 | 10.0% | 521,130 | 13.4% |
| Trading securities and securities measured at fair value through P/L | 28,876 | 21,115 | 36.8% | 37,218 | -22.4% |
| Available-for-sale securities | 438,473 | 382,200 | 14.7% | 360,476 | 21.6% |
| Held-to-maturity securities | 122,166 | 133,064 | -8.2% | 122,070 | 0.1% |
| General investments | 1,072 | 276 | 288.4% | 1,029 | 4.2% |
| Net investment in associated companies | 334 | 344 | -3.1% | 338 | -1.2% |
| Debt securities in issue and borrowings | 106,838 | 121,164 | -11.8% | 118,640 | -9.9% |
| Bonds | 65,840 | 80,549 | -18.3% | 77,635 | -15.2% |
| Subordinated bonds | 40,000 | 40,000 | 0.0% | 40,000 | 0.0% |
| Structured notes | 914 | 508 | 79.9% | 917 | -0.3% |
| Others | 84 | 107 | -21.5% | 89 | -5.3% |
| NPL breakdown by status (Bank-only) | | | | | |
| Restructured and being serviced | 69.0% | 75.7% | -6.7% | 68.7% | 0.3% |
| Under negotiation for restructuring | 7.7% | 9.4% | -1.7% | 10.7% | -3.0% |
| In litigation | 11.2% | 6.8% | 4.4% | 11.4% | -0.2% |
| In foreclosure process | 12.0% | 8.1% | 3.9% | 9.3% | 2.7% |
| Troubled debt restructured loans | 40,490 | 32,989 | 22.7% | 30,900 | 31.0% |
| Restructured loans which are classified as NPL | 9,651 | 6,535 | 47.7% | 5,495 | 75.6% |
| Restructured loans which are not classified as NPL | 30,839 | 26,454 | 16.6% | 25,405 | 21.4% |
| | 4Q16 | 3Q16 | 4Q15 | 2016 | 2015 |
| Yield on loans by segment | | | | | |
| Yield on loans | 5.59% | 5.55% | 5.83% | 5.58% | 5.86% |
| Corporate | 4.30% | 4.14% | 4.31% | 4.17% | 4.38% |
| SME | 6.20% | 6.20% | 6.78% | 6.36% | 6.93% |
| Retail | 6.56% | 6.53% | 6.76% | 6.55% | 6.76% |
| Mortgage | 5.47% | 5.43% | 5.86% | 5.55% | 5.88% |
| Auto loans | 6.43% | 6.42% | 6.22% | 6.30% | 6.12% |

* 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, September 30, 2016 and December 31, 2015, was Baht 607 billion, Baht 602 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 4.4 billion in 4Q16, Baht 2.6 billion in 3Q16 and Baht 4.1 billion in 4Q15. In 2016, the Bank sold NPLs of Baht 10.7 billion 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, Standard & Poor's 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 |
| Standard & Poor's | |
| 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) |