

**The Siam Commercial Bank Public Company
Limited and its Subsidiaries**

Financial statements for the year ended
31 December 2016
and
Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of The Siam Commercial Bank Public Company Limited

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Allowance for doubtful accounts on loans to customers	
For disclosures related to credit risk of loans to customers and allowance for doubtful accounts, refer to notes 4.5, 5.1 and 12.	
The key audit matter	How the matter was addressed in the audit
<p>As at 31 December 2016, loans to customers recorded in the consolidated and the Bank's financial statements amounted to Baht 1,962.60 billion and Baht 1,950.82 billion (approximately 67.37% and 73.30% of total assets), against which allowances for doubtful accounts of Baht 73.35 billion and Baht 72.62 billion, respectively, were provided.</p> <p>The allowance for doubtful accounts on loans to customers is considered a Key Audit Matter as it requires the application of judgments and use of subjective assumptions over both the timing of recognition and the estimation of the amount of the allowance of certain loans and portfolios of loans to customers.</p> <p>Management has established a control framework over the estimation process of the allowance for doubtful accounts which includes governance procedures, management review and approval, and controls to ensure the integrity of data used in the process. The allowance for doubtful accounts is in accordance with the Bank of Thailand's (BoT) guidelines which require the Bank to perform both quantitative and qualitative reviews of loans as an ongoing process.</p> <p>Within this framework:</p> <ul style="list-style-type: none"> • Individual assessments are made by management of loan grading and classification. Collateral valuation estimates are used in determining allowance for NPLs. • The allowances are assessed on a portfolio basis for certain portfolios with similar risk characteristics. Model methodologies and assumptions such as customer behaviors and repayment abilities are selected, approved and applied to the underlying data for portfolios of loans of a similar nature. 	<p>In planning my audit procedures I performed a risk assessment by considering internal and external factors which could affect the performance of individual customers, industry sectors, customer segments, or which could influence the judgments and estimates.</p> <p>My audit procedures included testing the design and operating effectiveness of selected controls surrounding the credit and impairment process.</p> <p>I performed credit review procedures for a sample of loans, including a detailed review of the individual credit profile and other relevant information, from which I formed my own independent assessment. My sample included individually large exposures, loans subject to restructuring and reschedule as well as a selection of loans identified in my risk assessment.</p> <p>I tested model assumption and methodologies, where appropriate, including involvement of my own credit risk specialists, reconciliation of data to underlying systems and back-testing results.</p>

Valuation of financial instruments in the statement of financial position	
For disclosures related to financial instrument and fair values, refer to note 6.	
The key audit matter	How the matter was addressed in the audit
<p>The valuation of financial instruments is a key area of focus due to the degree of complexity involved in valuing some of the instruments and the significance of the judgment and estimates.</p> <p>As at 31 December 2016, financial assets measured at fair value in the consolidated and the Bank's financial statements amounted to Baht 523.09 billion and Baht 405.88 billion, respectively. Financial liabilities measured at fair value in the consolidate and the Bank's financial statements amounted to Baht 53.50 billion and Baht 53.44 billion, respectively.</p> <p>Of these, some financial instruments are classified as "level 2" and "level 3" in the fair value hierarchy, and judgment is applied in the estimation of the fair value and there is a risk that financial instruments may be mispriced in the statement of financial position, because they are not based on objective external prices or, where these are not easily observable, the best estimate of what they may be.</p> <p>As at 31 December 2016, financial assets measured at fair value are classified as level 2 in the consolidated and the Bank's financial statements amounted to Baht 498.13 billion and Baht 397.65 billion, respectively. Financial liabilities measured at fair value are classified as level 2 in the consolidate and the Bank's financial statements amounted to Baht 53.21 billion and Baht 53.17 billion, respectively.</p>	<p>In planning my audit procedures I performed a risk assessment by considering the factors which could affect the fair value of financial instruments, both in terms of the inputs used for valuation and the appropriateness of valuation techniques applied.</p> <p>For financial instruments, I checked for a selection that pricing inputs used were externally sourced and were correctly input into pricing models, including an assessment of the liquidity of prices, where applicable. I used my own valuation specialists to assess that the models were appropriate and they valued a selection of the Group and the Bank's debt securities and derivative positions independently and compared their valuation to the Group and the Bank's valuation.</p>

Valuation of Life Insurance Policy Reserves	
For disclosures related to Life Insurance Policy Reserves, refer to notes 4.28, 5.6 and 24.	
The key audit matter	How the matter was addressed in the audit
As at 31 December 2016, liabilities under insurance contracts recorded by the subsidiary in the consolidated financial statements amounted to Baht 216.99 billion, mainly the long-term technical reserves (approximately 99.52% of liabilities under insurance contracts). The valuation of these reserves involves significant complex and subjective judgments about future events, applying actuarial methodologies and assumptions, which could materially affect the amount of the recorded liability and expense. Accordingly the valuation of liabilities under insurance contracts is considered a Key Audit Matter.	<p>In planning my audit procedures I performed a risk assessment by considering factors which could affect the major valuation assumptions and controls framework over data input. These major assumptions include economic assumptions such as investment returns and discount rates and non-economic assumptions such as mortality and persistency.</p> <p>My audit procedures, with the assistance of my actuarial specialists, include assessments of the methodology and assumptions used in calculating the reserves and testing the significant inputs included evaluating the design, implementation and operating effectiveness of selected controls over the actuarial assumptions and the valuation process.</p> <p>I considered, in particular, the validity of management's liability adequacy testing, including assessing the reasonableness of the discount rate adopted and projected cash flows and challenging the assumptions adopted in the context of company experience, specific product features and industry practice. The discount rates adopted by management are consistent with market practice.</p>

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Winid Silamongkol)
Certified Public Accountant
Registration No. 3378

KPMG Phoomchai Audit Ltd.
Bangkok
28 February 2017

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Statement of financial position

	<i>Note</i>	Consolidated		The Bank	
		31 December		31 December	
Assets		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Cash		40,488,512	38,979,295	40,317,033	38,737,313
Interbank and money market items, net	8	257,256,079	260,942,972	243,901,504	246,492,375
Claims on security	4.11	-	4,545,098	-	4,545,098
Derivative assets	9	58,590,670	57,397,448	59,634,746	58,559,234
Investments, net	10	590,586,901	536,655,307	363,076,332	333,861,095
Investments in subsidiaries and associate, net	11	333,702	344,215	16,741,514	26,979,728
Loans to customers and accrued interest receivables, net	12				
Loans to customers		1,962,604,955	1,856,004,740	1,950,822,291	1,844,260,304
Accrued interest receivables		4,128,530	4,544,595	3,504,906	4,107,045
Total loans to customers and accrued interest receivables		1,966,733,485	1,860,549,335	1,954,327,197	1,848,367,349
Less deferred revenue		(23,557,162)	(22,598,424)	(23,557,162)	(22,598,424)
Less allowance for doubtful accounts	12.9	(73,353,575)	(64,422,766)	(72,624,446)	(63,186,848)
Less revaluation allowance for debt restructuring	13	(4,003,522)	(354,520)	(4,003,522)	(354,520)
Total loans to customers and accrued interest receivables, net		1,865,819,226	1,773,173,625	1,854,142,067	1,762,227,557
Customers' liabilities under acceptances		35,296	58,266	35,296	58,266
Properties for sale, net	15	11,604,427	10,558,081	11,599,777	10,553,526
Premises and equipment, net	16	40,887,724	39,987,650	39,647,293	38,713,417
Goodwill and other intangible assets, net	17	13,514,334	12,031,442	4,264,935	2,250,011
Assets pending transfer	18	2,370,538	2,268,037	2,442,140	2,352,923
Deferred tax assets	43	410,314	65,586	7,758	2,073
Other assets, net	19	31,125,417	37,302,153	25,631,231	32,093,243
Total assets		2,913,023,140	2,774,309,175	2,661,441,626	2,557,425,859

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of financial position

	Note	Consolidated		The Bank	
		31 December		31 December	
Liabilities and equity		2016	2015	2016	2015
<i>(in thousand Baht)</i>					
Liabilities					
Deposits	20	2,026,272,115	1,890,728,922	2,021,453,602	1,884,903,678
Interbank and money market items	21	100,953,159	142,937,063	103,778,925	145,717,872
Liabilities payable on demand		10,526,319	8,484,207	10,521,749	8,480,486
Liabilities to deliver security	4.11	50,594	4,563,438	-	4,545,098
Derivative liabilities	9	54,192,365	59,587,955	54,138,466	59,498,470
Debt issued and borrowings	22	106,837,890	121,163,995	106,652,606	121,385,957
Bank's liabilities under acceptances		35,296	58,266	35,296	58,266
Provisions	23	7,461,771	7,227,782	7,116,836	6,876,481
Liabilities under insurance contracts	24	216,994,447	184,778,966	-	-
Liabilities pending transfer	25	13,471,154	11,544,516	13,428,370	11,479,413
Deferred tax liabilities	43	2,327,820	3,141,226	2,186,016	2,771,706
Other liabilities	26	39,601,988	32,399,805	32,935,499	25,802,975
Total liabilities		<u>2,578,724,918</u>	<u>2,466,616,141</u>	<u>2,352,247,365</u>	<u>2,271,520,402</u>
Equity					
Share capital	27				
Authorised share capital					
3,583,825,728 preference shares of Baht 10 each		35,838,257	35,839,655	35,838,257	35,839,655
3,416,174,272 ordinary shares of Baht 10 each		<u>34,161,743</u>	<u>34,160,345</u>	<u>34,161,743</u>	<u>34,160,345</u>
Issued and paid-up share capital					
3,890,300 preference shares of Baht 10 each		38,903	47,033	38,903	47,033
3,395,301,898 ordinary shares of Baht 10 each		<u>33,953,019</u>	<u>33,944,889</u>	<u>33,953,019</u>	<u>33,944,889</u>
Premium on share capital					
Premium on preference shares		15,213	18,392	15,213	18,392
Premium on ordinary shares		11,108,978	11,105,799	11,108,978	11,105,799
Other reserves	28	15,342,084	17,926,079	18,312,436	18,783,380
Retained earnings					
Appropriated					
Legal reserve	28	7,000,000	7,000,000	7,000,000	7,000,000
Unappropriated		<u>266,630,575</u>	<u>237,420,539</u>	<u>238,765,712</u>	<u>215,005,964</u>
Total shareholders' equity		<u>334,088,772</u>	<u>307,462,731</u>	<u>309,194,261</u>	<u>285,905,457</u>
Non-controlling interests		209,450	230,303	-	-
Total equity		<u>334,298,222</u>	<u>307,693,034</u>	<u>309,194,261</u>	<u>285,905,457</u>
Total liabilities and equity		<u>2,913,023,140</u>	<u>2,774,309,175</u>	<u>2,661,441,626</u>	<u>2,557,425,859</u>

(Mr. Arthid Nanthawithaya)

President and Chief Executive Officer

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of profit or loss and other comprehensive income

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

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of profit or loss and other comprehensive income

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

(Mr. Arthid Nanthawithaya)

President and Chief Executive Officer

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

	Note	Consolidated														
		Issued and		Premium on		Gain (loss) on	Foreign	Share of other	Change in	Total	Retained earnings		Total	Non-	Total	
		paid-up share capital		share capital							available-for-sale	currency				comprehensive
		Preference	Ordinary	Preference	Ordinary	investments	translation	loss of investment	Change in	surplus	reserves	reserve		equity	interests	
<i>(in thousand Baht)</i>																
Year ended 31 December 2016																
Balance at 1 January 2016		47,033	33,944,889	18,392	11,105,799	3,279,867	(102,523)	(2,341,459)	149,046	16,941,148	17,926,079	7,000,000	237,420,539	307,462,731	230,303	307,693,034
Dividend paid	29	-	-	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)	(8,883)	(18,704,440)
Conversion of preference shares to ordinary shares		(8,130)	8,130	(3,179)	3,179	-	-	-	-	-	-	-	-	-	-	-
Disposal of non-controlling interests with a change in control		-	-	-	-	-	-	-	-	-	-	-	-	-	(51,780)	(51,780)
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	47,612,227	47,612,227	57,200	47,669,427
Other comprehensive income (loss)		-	-	-	-	(2,093,505)	(23,420)	(22,820)	(108,438)	(42,446)	(2,290,629)	-	-	(2,290,629)	(17,390)	(2,308,019)
Total comprehensive income (loss) for the year		-	-	-	-	(2,093,505)	(23,420)	(22,820)	(108,438)	(42,446)	(2,290,629)	-	47,612,227	45,321,598	39,810	45,361,408
Transfer to retained earnings		-	-	-	-	-	-	-	-	(293,366)	(293,366)	-	293,366	-	-	-
Balance at 31 December 2016		38,903	33,953,019	15,213	11,108,978	1,186,362	(125,943)	(2,364,279)	40,608	16,605,336	15,342,084	7,000,000	266,630,575	334,088,772	209,450	334,298,222

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

	Note	Consolidated															
		Issued and		Premium on		Gain (loss) on	Foreign	Other reserves			Change in	Total	Retained earnings		Total	Non-	Total
		paid-up share capital		share capital				remeasuring	currency	Share of other			revaluation	other			
		Preference	Ordinary	Preference	Ordinary	available-for-sale	translation	income of investment	Change in	surplus	reserves	reserve	equity	interests			
shares	shares	shares	shares	investments	differences	in associate	hedged reserve										
<i>(in thousand Baht)</i>																	
Year ended 31 December 2015																	
Balance at 1 January 2015		48,802	33,943,120	19,084	11,105,107	9,598,653	(267,916)	(69,062)	145,469	12,507,773	21,914,917	7,000,000	210,910,085	284,941,115	965,585	285,906,700	
Dividend paid	29	-	-	-	-	-	-	-	-	-	-	-	(20,395,153)	(20,395,153)	(15,826)	(20,410,979)	
Conversion of preference shares to ordinary shares		(1,769)	1,769	(692)	692	-	-	-	-	-	-	-	-	-	-	-	
Acquisitions of non-controlling interests without a change in control		-	-	-	-	125,991	-	(2,326,166)	3,319	243	(2,196,613)	-	(74)	(2,196,687)	(795,774)	(2,992,461)	
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	47,182,412	47,182,412	57,515	47,239,927	
Other comprehensive income (loss)		-	-	-	-	(6,444,777)	165,393	53,769	258	4,658,685	(1,566,672)	-	(502,284)	(2,068,956)	18,803	(2,050,153)	
Total comprehensive income (loss) for the year		-	-	-	-	(6,444,777)	165,393	53,769	258	4,658,685	(1,566,672)	-	46,680,128	45,113,456	76,318	45,189,774	
Transfer to retained earnings		-	-	-	-	-	-	-	-	(225,553)	(225,553)	-	225,553	-	-	-	
Balance at 31 December 2015		47,033	33,944,889	18,392	11,105,799	3,279,867	(102,523)	(2,341,459)	149,046	16,941,148	17,926,079	7,000,000	237,420,539	307,462,731	230,303	307,693,034	

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

	Note	The Bank										
		Issued and		Premium on		Other reserves					Retained earnings	
		paid-up share capital		share capital		Gain (loss) on	Change in	revaluation	Total	Legal	Unappropriated	Total
		Preference	Ordinary	Preference	Ordinary	available-for-sale						
shares	shares	shares	shares	investments	Change in	surplus	reserves	reserve	Unappropriated	Total		
<i>(in thousand Baht)</i>												
Balance at 1 January 2016		47,033	33,944,889	18,392	11,105,799	2,422,935	-	16,360,445	18,783,380	7,000,000	215,005,964	285,905,457
Dividend paid	29	-	-	-	-	-	-	-	-	-	(18,695,557)	(18,695,557)
Conversion of preference shares to ordinary shares		(8,130)	8,130	(3,179)	3,179	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	-	42,165,045	42,165,045
Other comprehensive income (loss)		-	-	-	-	(97,268)	(40,970)	(42,446)	(180,684)	-	-	(180,684)
Total comprehensive income (loss) for the year		-	-	-	-	(97,268)	(40,970)	(42,446)	(180,684)	-	42,165,045	41,984,361
Transfer to retained earnings		-	-	-	-	-	-	(290,260)	(290,260)	-	290,260	-
Balance at 31 December 2016		38,903	33,953,019	15,213	11,108,978	2,325,667	(40,970)	16,027,739	18,312,436	7,000,000	238,765,712	309,194,261

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of changes in equity

	Note	The Bank									
		Issued and paid-up share capital		Premium on share capital		Other reserves			Retained earnings		Total
						Gain (loss) on	Change in	Total			
		Preference shares	Ordinary shares	Preference shares	Ordinary shares	remeasuring available-for-sale investments	revaluation surplus	other reserves	Legal reserve	Unappropriated	Total
<i>(in thousand Baht)</i>											
Year ended 31 December 2015											
Balance at 1 January 2015		48,802	33,943,120	19,084	11,105,107	7,461,906	11,999,507	19,461,413	7,000,000	194,313,666	265,891,192
Dividend paid	29	-	-	-	-	-	-	-	-	(20,395,153)	(20,395,153)
Conversion of preference shares to ordinary shares		(1,769)	1,769	(692)	692	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	-	41,337,059	41,337,059
Other comprehensive income (loss)		-	-	-	-	(5,038,971)	4,582,661	(456,310)	-	(471,331)	(927,641)
Total comprehensive income (loss) for the year		-	-	-	-	(5,038,971)	4,582,661	(456,310)	-	40,865,728	40,409,418
Transfer to retained earnings		-	-	-	-	-	(221,723)	(221,723)	-	221,723	-
Balance at 31 December 2015		47,033	33,944,889	18,392	11,105,799	2,422,935	16,360,445	18,783,380	7,000,000	215,005,964	285,905,457

(Mr. Arthid Nanthawithaya)

President and Chief Executive Officer

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of cash flows

	Consolidated		The Bank	
	For the year ended		For the year ended	
	31 December		31 December	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Cash flows from operating activities				
Profit before tax	59,162,457	58,738,183	51,483,083	50,662,375
<i>Adjustments for</i>				
Depreciation and amortisation	2,796,878	2,755,448	2,609,470	2,567,272
Impairment loss on loans and debt securities	24,694,401	31,696,117	24,696,417	31,644,746
Loss (reversal) on impairment of properties for sale	57,877	(383,064)	57,877	(383,064)
Reversal on impairment of premises and equipment	-	(168,274)	-	(167,041)
Gain on sales of premises and equipment	(136,790)	(21,798)	(130,154)	(16,084)
Net trading income	(6,713,833)	(8,314,590)	(6,547,319)	(7,799,882)
Net gain on investments	(2,534,734)	(9,390,068)	(1,278,831)	(8,590,566)
Share of loss of investment in associate	10,513	89,120	-	-
	<u>77,336,769</u>	<u>75,001,074</u>	<u>70,890,543</u>	<u>67,917,756</u>
Net interest income	(88,449,345)	(82,834,427)	(80,170,200)	(75,369,951)
Dividend income	(1,119,392)	(1,386,124)	(3,535,324)	(4,295,049)
Proceeds from interest	123,854,189	121,709,859	115,294,836	114,208,308
Interest paid	(35,631,228)	(40,613,323)	(35,617,882)	(40,639,152)
Proceeds from dividend	1,114,134	1,385,197	3,535,324	4,295,049
Income tax paid	(12,094,448)	(11,819,484)	(9,878,484)	(9,852,396)
Income from operations before changes in operating assets and liabilities	<u>65,010,679</u>	<u>61,442,772</u>	<u>60,518,813</u>	<u>56,264,565</u>
<i>(Increase) decrease in operating assets</i>				
Interbank and money market items	3,722,055	31,336,321	2,605,860	30,248,280
Claims on security	4,545,098	1,514,064	4,545,098	1,514,064
Derivative assets	4,970,684	808,881	6,319,869	(603,736)
Investment in securities for trading	(9,125,622)	6,662,233	(8,198,192)	6,533,998
Loans to customers	(127,196,979)	(90,210,184)	(126,653,978)	(87,819,654)
Properties for sale	8,310,458	8,851,194	8,310,553	8,846,117
Other assets	5,712,177	(3,730,097)	8,599,920	(2,643,198)
<i>Increase (decrease) in operating liabilities</i>				
Deposits	135,543,193	(5,067,399)	136,549,924	(5,484,797)
Interbank and money market items	(41,983,904)	2,651,457	(41,938,947)	(296,535)
Liabilities payable on demand	2,042,112	1,084,062	2,041,263	1,081,159
Liabilities to deliver security	(4,512,844)	(1,499,679)	(4,545,098)	(1,514,064)
Derivative liabilities	(5,584,736)	17,174,921	(6,123,900)	17,011,767
Short-term debt issued and borrowings	(13,617,480)	265,575	(14,024,726)	(81,142)
Liabilities under insurance contracts	32,215,481	33,021,911	-	-
Other liabilities	11,177,143	(1,287,466)	10,857,321	(2,145,331)
Net cash from operating activities	<u>71,227,515</u>	<u>63,018,566</u>	<u>38,863,780</u>	<u>20,911,493</u>

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Statement of cash flows

	Consolidated		The Bank	
	For the year ended		For the year ended	
	31 December		31 December	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Cash flows from investing activities				
Purchases of available-for-sale securities	(571,471,012)	(437,902,894)	(454,907,621)	(341,944,291)
Proceeds from sales of available-for-sale securities	515,870,226	400,417,055	433,785,212	344,219,996
Purchases of held-to-maturity securities	(9,231,641)	(25,065,811)	(710,400)	(450,000)
Proceeds from redemption of held-to-maturity securities	19,679,259	24,585,638	1,453,201	1,857,696
Purchases of general securities	(801,555)	(2,091)	(801,555)	(2,091)
Proceeds from sales of general securities	13,791	27	13,791	27
Purchases of investments in subsidiaries and/or associate	-	(1,394,112)	(421,098)	(4,743,021)
Proceeds from decrease in capital of subsidiary	-	-	8,442,471	202,601
Purchases of premises and equipment	(3,265,479)	(2,624,199)	(3,210,640)	(2,493,312)
Proceeds from sales of premises and equipment	277,106	230,162	272,002	193,888
Purchases of intangible assets	(2,061,133)	(663,175)	(2,503,866)	(542,838)
Net cash used in investing activities	(50,990,438)	(42,419,400)	(18,588,503)	(3,701,345)
Cash flows from financing activities				
Acquisitions of non-controlling interests	-	(3,506,085)	-	-
Dividend paid to equity holders of the Bank	(18,695,557)	(20,395,153)	(18,695,557)	(20,395,153)
Dividend paid to non-controlling interests	(8,883)	(15,826)	-	-
Net cash used in financing activities	(18,704,440)	(23,917,064)	(18,695,557)	(20,395,153)
Foreign currency translation differences for foreign operations	(23,420)	165,393	-	-
Net increase (decrease) in cash	1,509,217	(3,152,505)	1,579,720	(3,185,005)
Cash at 1 January	38,979,295	42,131,800	38,737,313	41,922,318
Cash at 31 December	40,488,512	38,979,295	40,317,033	38,737,313
Supplementary disclosures of cash flow information				
Significant non-cash items were as follows:				
Loss on remeasuring available-for-sale investments	(2,641,408)	(7,906,424)	(121,585)	(6,270,799)
Foreign currency translation differences for foreign operations	(23,420)	165,393	-	-
Share of other comprehensive (loss) income of investment in associate	(22,820)	53,769	-	-
Change in hedge reserve	(136,252)	(4,226)	(51,212)	-
Change in revaluation surplus	(53,058)	5,823,356	(53,058)	5,728,326
Defined benefit plan actuarial losses	-	(627,936)	-	(589,164)
Properties for sale from loan payment	9,414,680	9,305,372	9,414,680	9,305,372

(Mr. Arthid Nanthawithaya)

President and Chief Executive Officer

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Note	Contents	Pages
1	General information	18
2	Basis of preparation of the financial statements	18
3	Adoption of TFRS 4 (revised 2015) - Insurance contracts	20
4	Significant accounting policies	20
5	Financial risk management	37
6	Fair value of assets and liabilities	48
7	Maintenance of capital fund	52
8	Interbank and money market items, net (Assets)	55
9	Derivatives	57
10	Investments, net	61
11	Investments in subsidiaries and associate, net	63
12	Loans to customers and accrued interest receivables, net	66
13	Troubled debt restructuring	74
14	Disclosure of the statement of cash flows of the asset management company	76
15	Properties for sale, net	77
16	Premises and equipment, net	79
17	Goodwill and other intangible assets, net	83
18	Assets pending transfer	85
19	Other assets, net	85
20	Deposits	85
21	Interbank and money market items (Liabilities)	86
22	Debt issued and borrowings	87
23	Provisions	88
24	Liabilities under insurance contracts	91
25	Liabilities pending transfer	91
26	Other liabilities	91
27	Share capital	92
28	Reserves	92
29	Dividends	93
30	Assets pledged as collateral and under restriction	93
31	Contingencies	93
32	Related parties	94
33	Key management personnel compensation	96
34	Operating leases	96
35	Operating segments	97
36	The financial position and results of operations classified by domestic and foreign business	98
37	Interest income	100
38	Interest expense	100
39	Net fees and service income	100
40	Net trading income	101
41	Net gain on investments	101
42	Impairment loss on loans and debt securities	101
43	Income tax	102
44	Basic earnings per share	107
45	Events after the reporting period	107
46	Thai Financial Reporting Standards (TFRS) not yet adopted	108

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

These notes form an integral part of the financial statements.

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

1 General information

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

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

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

2 Basis of preparation of the financial statements

(a) Statement of compliance

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

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

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

(b) Basis of measurement

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

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

(c) *Functional and presentation currency*

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

(d) *Use of judgments and estimates*

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

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

Assumptions and estimation uncertainties

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

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

Long-term technical reserves

Process involved in determining assumptions for long-term technical reserves

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

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

Process involved in determining assumptions of loss reserve and outstanding claims

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

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

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

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

Process involved in determining of premium reserves

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

Measurement of fair values

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

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

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

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

- a) prohibits provisions for possible claims under contracts that are not in existence at the end of the reporting period (such as catastrophe and equalisation provisions).
- b) requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.
- c) requires an insurer to keep insurance liabilities in its statement of financial position until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting against related reinsurance assets.

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

4 Significant accounting policies

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

4.1 Basis of consolidation

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Business combinations

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

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

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

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

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

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

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

Step acquisition

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

Subsidiaries

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Non-controlling interests

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

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

Loss of control

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

Interests in equity - accounted investees

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

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

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

Transactions eliminated on consolidation

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

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

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

4.2 Cash

Cash includes cash in hand and cash on collection.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

4.3 Investments

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

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

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

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

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

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

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

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

Disposal of investments

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

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

4.4 Loans

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

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

4.5 Allowance for doubtful accounts

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

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

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

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

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

4.6 Troubled debt restructuring

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

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

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

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

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

4.7 Properties for sale

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

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

4.8 Premises and equipment

Recognition and measurement

Owned assets

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

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

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

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

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

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

Revalued assets

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

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

Subsequent costs

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

Depreciation

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

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

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

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

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

4.9 Goodwill and other intangible assets

Goodwill

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software licenses	5-10 years
-------------------	------------

No amortisation is provided on software under installation.

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

4.10 Impairment

The carrying amounts of the Bank and its subsidiaries assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognised in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.11 Claims on security and liabilities to deliver security

The Bank records claims on security and liabilities to deliver security in the statement of financial position as assets and liabilities, respectively, according to the BoT's guidance.

These represent the Bank and its subsidiaries right to claim and liability to return collateral, respectively, in the form of securities for private repurchase or securities borrowing and lending transactions where these securities are used to further borrow or lend in other transactions.

Gains or losses arising from securities sold short are included in determining income. Fees for borrowing and lending are recognised on an accrual basis.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

4.12 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Bank and its subsidiaries' net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Bank and its subsidiaries determine the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank and its subsidiaries recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Bank and its subsidiaries' net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank and its subsidiaries have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.13 Provisions

A provision is recognised if, as a result of a past event, the Bank and its subsidiaries have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

4.14 Initial recognition

The Bank and its subsidiaries initially recognise the purchase and sale of investments on the settlement date. All other financial assets and liabilities, including loans to customers, deposits and debt issued and borrowings are initially recognised on the trade date at which the Bank and its subsidiaries become a party to the contractual provisions of the instrument.

Ordinary shares

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

Preference shares

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Bank's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Bank's shareholders.

4.15 Interest income and interest expense

The Bank recognises interest and discounts on loans as income on an accrual basis, except for interest on loans which are outstanding over 3 months at the date of the statement of financial position and interest from receivables under troubled debt restructuring agreements where the borrowers' ability to pay is uncertain. Such interest is recognised when received. The Bank reverses all accrued interest income for items which are no longer on an accrual basis. Interest on interbank and money market items and investments is recognised on an accrual basis.

Interest expense is recognised in profit or loss on an accrual basis.

Interest income on restructured loans of the Bank and its subsidiaries are recognised on the same accrual basis as used for loans mentioned above, except for loans that are subject to monitoring for compliance with restructuring conditions, where the Bank and its subsidiaries recognise interest income on a cash basis until the borrowers have been able to comply with the restructuring conditions for a period of no less than three months or three installments, whichever is longer.

Interest or discounts, which are already included in the face value of notes receivable or loans, are deferred and taken up as income evenly over the term of the notes or loans.

4.16 Income from finance lease contracts

The Bank recognises income from finance lease contracts based on the effective interest method.

Reversal of income from finance lease accounts receivable which are outstanding over three months from the due date is made in order to comply with the guidelines of the BoT.

4.17 Fees and service income

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

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

4.18 Dividend income

The Bank recognises dividend income in profit or loss on an accrual basis on the date which the Bank earns the rights to receive the dividend.

4.19 Net trading income

Net trading income is recognised in profit or loss on an accrual basis.

4.20 Contributions to the Deposit Protection Agency

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

4.21 Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Bank and its subsidiaries take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Bank and its subsidiaries believe that their accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank and its subsidiaries to change their judgments regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.22 Earnings per share

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

4.23 Segment reporting

Segment results that are reported to the Executive Committee (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.24 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Bank and its subsidiaries at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Thai Baht at the exchange rates at the reporting date.

The revenues and expenses of foreign operations are translated to Thai Baht at rates approximating the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve, except to extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Bank disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Bank disposes of only part of an associate while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity until disposal of the investment.

4.25 Derivatives

Recognition of derivatives is as follows:

- 1 Derivatives for trading are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, they are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.
- 2 Derivatives for hedging, Gains or losses resulting from the changes in fair values of contracts are recognised in accordance with the standard accounting treatment for income or expenses on hedged items as follows:
 1. Where hedged items are measured at fair value, hedging instruments are measured at fair value consistently.
 2. Where hedged items are measured on an accrual basis, hedging instruments are measured on an accrual basis consistently.

4.26 Hedging

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative financial instrument is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion is recognised immediately in profit or loss.

When a hedged forecast transaction occurs and results in the recognition of a financial asset or financial liability, the gain or loss recognised in other comprehensive income does not adjust the initial carrying amount of the asset or liability but remains in equity and is reclassified from equity to profit or loss consistently with the recognition of gains and losses on the asset or liability as a reclassification adjustment.

4.27 Sales of bills of exchange

Sales, with recourse clause, of bills of exchange that carry no acceptances or aval of the financial institutions are recorded as liabilities under the caption of "Liabilities under commercial papers sold". The amount of loans recorded upon the purchase of the bills are credited when the bills are due and collected.

4.28 Other significant accounting policies of the life insurance subsidiary

4.28.1 Classification of insurance and investment contracts

The subsidiary issues contracts that transfer insurance risk or financial risk or both.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

Insurance contracts are those contracts under which the subsidiary accepts significant insurance risk from the insured by agreeing to compensate the insured or other beneficiary if a specified uncertain future event adversely affects the insured or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The subsidiary defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least significant level more than the benefits payable if the insured event did not occur.

The subsidiary does not unbundle any insurance contracts as its accounting policy recognises all premium, premium ceded, benefit payments and claims, and benefit payments and claims recovered from reinsurers through the profit or loss.

4.28.2 Recognition and measurement of insurance contracts

Premiums due and uncollected

Premiums due and uncollected are carried at anticipated realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in the collection of receivables. The allowance is generally based on collection experience, future expectations of customer payments, and a review of the current status of the premium receivables as at the end of reporting period. Bad debts are written off during the year when they are identified.

Long-term technical reserves

Long-term technical reserves are a liability for contractual benefits and claims that are expected to be incurred in the future is recorded when the premiums are recognised and is released when benefit and claims are incurred. The liability is measured using assumptions considered to be appropriate for the policies in force. The reserves are calculated by internal actuarial of the subsidiary and using an actuarial method “Net Level Premium Valuation” based on assumptions for mortality, morbidity and discounted interest rate with an explicit allowance for future policy-related expenses that were established at the time when insurance products were designed and as submitted to the Office of Insurance Commission.

Loss reserves and outstanding claims

Loss reserves and outstanding claims comprise of provisions for the subsidiary’s estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses of short-term insurance contracts. Provision for insurance claims are assessed based on the subsidiary’s experience and historical data which use actuarial methods and making allowance for claims incurred but not yet reported.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Premium reserve

Premium reserve is unearned premium reserve and is calculated using written premiums for short-term insurance contracts and group insurance in accordance with the pattern of risk underwritten.

Unpaid policy benefits

Unpaid policy benefits represent claims and benefits payable to policyholder in relation to deaths, surrenders, maturities, other payments and policyholder deposits in respect of maturities and including related interest payable. Unpaid policy benefits are recognised at cost.

Due to insured

Due to insured consisted of the advance premium received from insured and the money as the subsidiary has to pay to insured other than the benefit under the insurance policy condition. Due to insured are recognised at cost.

Premium written and premium earned

Short-term insurance contracts

Premium written is recognised on the inception date and are presented gross of premium ceded and commissions and brokerage expenses.

Premium earned comprises of premium written during the year and change in unearned premium reserves and is recognised as revenue proportionally over the period of coverage.

Long-term insurance contracts

First year premium written is recognised as revenue when the insurance policy is effective (or when premium is received and insurance policy is approved). Renewal premium income is recognised as revenue when premium is due and if the policy is still in force at the end of reporting period. First year premium written and Renewal premium income are presented gross of premium ceded and commissions and brokerage expenses.

Premium received in advance is not recognised until the due date.

Commissions and brokerage expenses

Commissions and brokerage expenses are recognised as expenses when incurred.

Benefits and claims expenses

Benefits and claims expenses consist of benefits, claims and losses adjustment paid during the year, net of subrogation recoveries and changes in provision for short-term insurance claims. These benefits and claims expenses are recognised as expenses when they are incurred or approved or notified or due of benefit payments as mention on insurance policy.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

Reinsurance

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the subsidiary from its direct obligations to its policyholders.

Premium ceded, reinsurer's share of change in unearned premium reserve, commission income and benefits, claims and loss adjustment expenses recovered from reinsurers are recognised as expense or revenue in accordance with the pattern of reinsurance service received when incurred.

The net amount of an asset or liability, reinsurer's share of insurance contract liabilities and reinsurance payables is presented in the statement of financial position only when the subsidiary has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the subsidiary may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the subsidiary will receive from the reinsurer.

Liability adequacy test

Short-term insurance contracts

The liability of the subsidiary under short-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows with the carrying amount of gross insurance contract provisions for unearned premiums and insurance claims for in-force insurance policies at the end of reporting period by using an actuarial method based on historical claims and expense. Where an expected shortfall is identified, additional provisions are made for unearned premiums or insurance claims and are recognised in profit or loss.

Long-term insurance contracts

The liability of the subsidiary under long-term insurance contracts is tested for adequacy by comparing the best estimate of future contractual cash flows by using current assumptions with the carrying amount of gross insurance contract provisions for long-term technical reserves. Where an expected shortfall is identified, additional provisions are made for long-term technical reserves and are recognised in profit or loss.

An additional provision for liability inadequacy is made where the reserves are calculated by using another actuarial method "Gross Premium Valuation" of insurance policies in-force at the reporting date based on the best estimate basis exceeds the liabilities calculated using the Net Level Premium Reserves method.

The assumptions used in the Gross Premium Valuation is in accordance with the Notification of Office of Insurance Commission regarding Assessment of Assets and Liabilities of Life Insurance Company B.E. 2554 except for discounted interest rate which the subsidiary uses the adjusted current risk-free interest rate for purpose of liability adequacy test in accordance with Life Insurance industry practice.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

5 Financial risk management

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank and its subsidiaries' risk management framework. The Board has established at the Bank and, to the extent required, at its subsidiaries an Asset and Liability Committee (ALCO), Risk Management Committee, Executive Committee and Audit Committee, which are collectively responsible for developing, implementing and monitoring the Bank and its subsidiaries risk management policies in specified areas and reporting regularly to the Board of Directors on their activities.

The Bank and its subsidiaries' risk management policies and Internal Capital Adequacy Assessment Policy (ICAAP Policy) are established to identify and analyse the risks faced by the Bank and its subsidiaries, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank and its subsidiaries, through implementing and monitoring appropriate policies, procedures and measures, aim to establish an effective and efficient internal control environment, in which all employees understand their roles and obligations.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank and its subsidiaries' risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and its subsidiaries. The Bank's Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

5.1 Credit risk

Credit risk refers to risk arising from the failure of either debtors to repay principal and interest as agreed, or of counterparties to comply with conditions or contracts. Credit risk covers all types of financial products: transactions on-financial reporting such as loans, overdrafts, bills of exchange, and other types of debts; and those off-financial reporting such as derivatives trading, letters of guarantee etc.

The Bank has established a credit function organisational structure based on a system of checks and balances. Business units are clearly separated from credit approval units. Credit approval authority at each level is assigned to match potential risk or loss levels. Credit risk management policies and frameworks for critical credit risk have been developed and approved by the Board of Directors. For example:

- Credit policy guide
- Collateral and NPA appraisal policy
- Loan Classification, Provision and Bad Debt Write-Off Policy and Practice
- Credit risk model governance policy
- Credit risk rating for non-retail exposures
- Counterparty risk management policy
- Country risk management policy

Since credit risk varies by type of credit, different risk measurement methods are applied, ranging from basic statistical tools to more advanced ones, to appropriately reflect the credit risk of each type of product/transaction.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

The Bank has credit risk reporting on a regular basis. The Bank and its subsidiaries credit risk report, including loan growth, debt quality, credit concentration, and investment diversification, is presented to the Risk Management Committee on a monthly basis.

5.2 Interest rate risk

Interest rate risk arises from the change in interest rates which may affect the net interest earnings in the current reporting period and in the future and/or economic value. Interest rate risk arises from the structure and characteristics of the Bank's assets, liabilities, equity and off-financial reporting items.

The Bank has established policies for interest rate risk management to ensure that interest rate risk remains within the Bank's risk appetite. The Bank uses various derivative transactions to manage its own asset and liability positions in order to manage interest rate exposure. The use of derivative transactions is in accordance with the policies and guidelines set by the Board of Directors and the Executive Committee (EXCOM) and is under the oversight and control of the Assets and Liabilities Committee (ALCO).

As at 31 December 2016 and 2015, significant financial assets and liabilities can be repriced as follows:

	Consolidated							Total
	2016							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	40,489	40,489
Interbank and money market items *	11,892	212,966	5,165	4,050	2,257	-	21,113	257,443
Investments, net	-	101,367	147,757	120,376	195,078	-	26,009	590,587
Loans to customers **	992,627	360,541	180,510	322,048	25,729	57,593	-	1,939,048
Accrued interest receivables	-	-	-	-	-	-	4,128	4,128
Total financial assets	<u>1,004,519</u>	<u>674,874</u>	<u>333,432</u>	<u>446,474</u>	<u>223,064</u>	<u>57,593</u>	<u>91,739</u>	<u>2,831,695</u>
Financial liabilities								
Deposits	1,161,442	399,702	397,265	6,325	-	-	61,538	2,026,272
Interbank and money market items	13,090	49,840	17,364	3,295	11,486	-	5,878	100,953
Debt issued and borrowings	-	1,181	39,483	26,162	40,012	-	-	106,838
Other liabilities	-	-	-	-	-	-	5,002	5,002
Total financial liabilities	<u>1,174,532</u>	<u>450,723</u>	<u>454,112</u>	<u>35,782</u>	<u>51,498</u>	<u>-</u>	<u>72,418</u>	<u>2,239,065</u>
Difference	<u>(170,013)</u>	<u>224,151</u>	<u>(120,680)</u>	<u>410,692</u>	<u>171,566</u>	<u>57,593</u>	<u>19,321</u>	<u>592,630</u>

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

** Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	Consolidated							
	2015							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice Over 5 years	Non Performing Loans	Non interest bearing	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	38,979	38,979
Interbank and money market items *	7,416	213,332	9,208	4,308	1,126	-	25,767	261,157
Investments, net	-	138,596	120,440	88,659	166,546	-	22,414	536,655
Loans to customers **	1,007,016	318,097	169,024	264,792	15,481	58,996	-	1,833,406
Accrued interest receivables	-	-	-	-	-	-	4,545	4,545
Total financial assets	1,014,432	670,025	298,672	357,759	183,153	58,996	91,705	2,674,742
Financial liabilities								
Deposits	1,114,635	333,300	376,196	9,590	-	-	57,008	1,890,729
Interbank and money market items	13,177	88,676	2,564	22,125	7,208	-	9,187	142,937
Debt issued and borrowings	-	61	41,894	39,168	40,041	-	-	121,164
Other liabilities	-	-	-	-	-	-	6,685	6,685
Total financial liabilities	1,127,812	422,037	420,654	70,883	47,249	-	72,880	2,161,515
Difference	(113,380)	247,988	(121,982)	286,876	135,904	58,996	18,825	513,227

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Net of deferred revenue

	The Bank							
	2016							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	Total
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	40,317	40,317
Interbank and money market items *	9,392	212,336	2,416	-	-	-	19,945	244,089
Investments, net	-	95,188	147,309	90,603	21,028	-	8,948	363,076
Loans to customers **	984,155	360,541	180,510	319,786	25,729	56,544	-	1,927,265
Accrued interest receivables	-	-	-	-	-	-	3,505	3,505
Total financial assets	993,547	668,065	330,235	410,389	46,757	56,544	72,715	2,578,252
Financial liabilities								
Deposits	1,158,228	399,105	397,261	6,325	-	-	60,535	2,021,454
Interbank and money market items	15,162	49,840	17,364	3,295	11,936	-	6,182	103,779
Debt issued and borrowings	-	267	39,483	26,891	40,012	-	-	106,653
Other liabilities	-	-	-	-	-	-	5,005	5,005
Total financial liabilities	1,173,390	449,212	454,108	36,511	51,948	-	71,722	2,236,891
Difference	(179,843)	218,853	(123,873)	373,878	(5,191)	56,544	993	341,361

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

** Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank							Total
	2015							
	Reprice on demand	3 months	Reprice within 3 - 12 months	1 - 5 years	Reprice over 5 years	Non Performing Loans	Non interest bearing	
	<i>(in million Baht)</i>							
Financial assets								
Cash	-	-	-	-	-	-	38,737	38,737
Interbank and money market items *	2,663	211,842	7,037	-	-	-	25,164	246,706
Investments, net	-	127,947	117,262	64,367	15,889	-	8,396	333,861
Loans to customers **	1,000,120	317,015	169,025	262,824	15,481	57,197	-	1,821,662
Accrued interest receivables	-	-	-	-	-	-	4,107	4,107
Total financial assets	1,002,783	656,804	293,324	327,191	31,370	57,197	76,404	2,445,073
Financial liabilities								
Deposits	1,110,215	332,900	376,024	9,473	-	-	56,292	1,884,904
Interbank and money market items	14,916	88,676	2,564	22,125	7,208	-	10,229	145,718
Debt issued and borrowings	-	11	41,436	39,898	40,041	-	-	121,386
Other liabilities	-	-	-	-	-	-	6,700	6,700
Total financial liabilities	1,125,131	421,587	420,024	71,496	47,249	-	73,221	2,158,708
Difference	(122,348)	235,217	(126,700)	255,695	(15,879)	57,197	3,183	286,365

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Net of deferred revenue

As at 31 December 2016 and 2015, interest earning and interest bearing financial instruments were as follows:

	Consolidated						
	2016			2015			
	Average interest rate <i>(in million Baht)</i>	Interest	Average interest rate (%)	Average interest rate <i>(in million Baht)</i>	Interest	Average interest rate (%)	Average interest rate (%)
Interbank and money market items, net (Assets)	259,100	4,206	1.6	276,279	3,687	1.3	1.3
Investments, net	563,621	12,827	2.3	519,383	12,873	2.5	2.5
Loans to customers *	1,886,227	105,323	5.6	1,805,271	105,826	5.9	5.9
Deposits	1,958,501	29,007	1.5	1,893,036	35,032	1.9	1.9
Interbank and money market items (Liabilities)	121,945	1,034	0.8	141,611	1,078	0.8	0.8
Debt issued and borrowings	114,001	3,932	3.4	117,540	3,512	3.0	3.0

	The Bank						
	2016			2015			
	Average interest rate <i>(in million Baht)</i>	Interest	Average interest rate (%)	Average interest rate <i>(in million Baht)</i>	Interest	Average interest rate (%)	Average interest rate (%)
Interbank and money market items, net (Assets)	245,197	3,794	1.5	261,650	3,280	1.3	1.3
Investments, net	348,469	5,428	1.6	336,976	6,234	1.8	1.8
Loans to customers *	1,874,464	104,835	5.6	1,795,620	105,443	5.9	5.9
Deposits	1,953,179	29,002	1.5	1,887,646	35,074	1.9	1.9
Interbank and money market items (Liabilities)	124,748	1,049	0.8	145,866	1,085	0.7	0.7
Debt issued and borrowings	114,019	3,902	3.4	117,936	3,498	3.0	3.0

* Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

5.3 Foreign exchange risk

Foreign exchange risk is the risk that occurs from changes in exchange rates which may affect the value of the financial instruments or may cause volatility in the Bank's earnings or fluctuations in value of the financial assets and liabilities.

It is the Bank's policy to manage foreign exchange risk by setting risk limits on foreign exchange risk exposures. These limits are net open position limits, open position by currency, management action triggers, and value at risk which are monitored on a daily basis and in compliance with the Bank of Thailand's regulations on foreign exchange.

As at 31 December 2016 and 2015, the Bank has financial assets and liabilities denominated in the various currencies as follows:

	Consolidated			
	USD	EURO	YEN	Others
	2016			
	<i>(in million Baht)</i>			
Financial assets				
Cash	495	166	102	279
Interbank and money market items *	29,992	375	452	2,302
Investments, net	14,431	2,264	23,154	1,226
Loans to customers **	102,157	2,428	217	12,269
Accrued interest receivables	250	15	-	7
Total financial assets	147,325	5,248	23,925	16,083
Financial liabilities				
Deposits	69,013	1,014	242	1,446
Interbank and money market items	2,468	247	-	-
Debt issued and borrowings	65,573	-	-	-
Other liabilities	702	-	-	14
Total financial liabilities	137,756	1,261	242	1,460
On-financial reporting items, net	9,569	3,987	23,683	14,623
Off-financial reporting items - contingencies (currency swap contracts)	(1,174)	(3,257)	(25,264)	(10,969)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	Consolidated			
	USD	EURO	YEN	Others
	2015			
	<i>(in million Baht)</i>			
Financial assets				
Cash	501	172	102	291
Interbank and money market items *	43,575	411	574	2,757
Investments, net	14,552	246	367	1,050
Loans to customers **	106,346	1,784	309	13,116
Accrued interest receivables	282	4	-	9
Total financial assets	165,256	2,617	1,352	17,223
Financial liabilities				
Deposits	89,769	1,236	469	1,344
Interbank and money market items	15,926	622	1	-
Debt issued and borrowings	80,549	-	-	-
Other liabilities	755	-	-	12
Total financial liabilities	186,999	1,858	470	1,356
On-financial reporting items, net	(21,743)	759	882	15,867
Off-financial reporting items - contingencies (currency swap contracts)	28,553	(962)	(252)	(13,143)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

	The Bank			
	USD	EURO	YEN	Others
	2016			
	<i>(in million Baht)</i>			
Financial assets				
Cash	330	166	102	278
Interbank and money market items *	25,242	375	452	2,293
Investments, net	1,791	3	23,104	1,083
Loans to customers **	99,248	2,428	217	12,269
Accrued interest receivables	233	15	-	7
Total financial assets	126,844	2,987	23,875	15,930
Financial liabilities				
Deposits	63,359	1,014	242	1,441
Interbank and money market items	2,644	247	-	-
Debt issued and borrowings	66,302	-	-	-
Other liabilities	701	-	-	14
Total financial liabilities	133,006	1,261	242	1,455
On-financial reporting items, net	(6,162)	1,726	23,633	14,475
Off-financial reporting items - contingencies (currency swap contracts)	6,207	(1,784)	(25,329)	(11,050)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank			
	2015			
	USD	EURO	YEN	Others
	<i>(in million Baht)</i>			
Financial assets				
Cash	322	172	102	278
Interbank and money market items *	37,962	401	574	2,575
Investments, net	3	3	-	898
Loans to customers **	102,950	1,784	309	12,128
Accrued interest receivables	260	4	-	5
Total financial assets	141,497	2,364	985	15,884
Financial liabilities				
Deposits	83,681	1,236	469	948
Interbank and money market items	15,976	622	1	-
Debt issued and borrowings	81,279	-	-	-
Other liabilities	754	-	-	1
Total financial liabilities	181,690	1,858	470	949
On-financial reporting items, net	(40,193)	506	515	14,935
Off-financial reporting items - contingencies (currency swap contracts)	29,400	(962)	(252)	(13,143)

* Before deducting allowance for doubtful accounts

** Net of deferred revenue

5.4 Equity risk

Equity risk is the risk arising from changes in the price of equities or common stock that may cause volatility in the Bank's earning or fluctuations in the value of the Bank's financial assets. The Bank and its subsidiaries have policies to manage the risk by maintaining long-term equity investments and investing in growth potential equities and/or those intended to support the business. The Bank has established the Policy that only companies within the Financial Group that are engaged in the financial business with specific supervisory bodies and those permitted to engage in portfolio management can initiate action with respect to equity investments, as allowed under applicable regulations. The Bank has closely managed and monitored market situations to provide information for management to monitor the risk to the Bank. (Further details of equity investments are provided under notes 10 and 11).

5.5 Liquidity risk

Liquidity risk is the risk that the Bank may not be able to meet its obligations as they fall due, because of an inability to realise assets or to cover funding requirements at an appropriate price, thus resulting in losses to the Bank.

In order to manage liquidity risk, the Bank has established a Liquidity Risk Management Policy which is approved by the Board of Directors. In addition, the Assets and Liabilities Committee ensures that its liquidity risk management complies with the said policy.

The Bank has implemented a system to monitor liquidity management on a daily basis in both Baht and foreign currencies by applying a number of risk management tools, such as net daily liquidity position report in both the remaining time to maturity and with behavioral adjustments, individual foreign currency position report. In addition, the Bank also determines relevant risk limits to be adopted to measure, monitor and control liquidity risk to remain at an acceptable level, which is further reported to the senior management of the Bank on a daily basis.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

The Bank also conducts stress test on regular basis to estimate impact under each stress scenario as required by the Bank of Thailand and using scenarios developed by the Bank. The stress test results may result in the development of contingency funding plan. The contingency funding plan establishes appropriate action plans based on specific scenarios and assigns clear roles and responsibility to manage liquidity in the event of a given crisis.

As at 31 December 2016, the liquidity ratio (liquid assets to total deposits) stood at 28.8% on a bank-only basis (2015: 29.1%).

As at 31 December 2016 and 2015, financial assets and liabilities were classified according to their contractual maturity as follows:

	Consolidated						Total
	2016						
Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity		
<i>(in million Baht)</i>							
Financial assets							
Cash	-	-	-	-	-	40,489	40,489
Interbank and money market items*	32,435	213,128	5,347	4,087	2,446	-	257,443
Investments, net**	-	94,972	147,314	90,603	21,039	10,535	364,463
Loans to customers***	179,009	281,354	206,459	637,073	635,153	-	1,939,048
Accrued interest receivables	-	4,128	-	-	-	-	4,128
Total financial assets	211,444	593,582	359,120	731,763	658,638	51,024	2,605,571
Financial liabilities							
Deposits	1,210,353	399,800	402,314	13,805	-	-	2,026,272
Interbank and money market items	18,968	48,049	17,364	5,086	11,486	-	100,953
Debt issued and borrowings	-	1,181	39,483	26,162	40,012	-	106,838
Other liabilities	-	1,401	3,571	30	-	-	5,002
Total financial liabilities	1,229,321	450,431	462,732	45,083	51,498	-	2,239,065
Net liquidity gap	(1,017,877)	143,151	(103,612)	686,680	607,140	51,024	366,506

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

** Investments of the life insurance subsidiary which are held primarily in relation to insurance contract liabilities, are not presented in the table

*** Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	Consolidated						Total
	2015						
	Maturity on demand	3 months	Maturity within 3 - 12 months		1 - 5 years	Maturity over 5 years	
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	38,979	38,979
Interbank and money market items *	28,228	218,054	6,926	6,753	1,196	-	261,157
Investments, net**	-	136,957	116,822	64,367	15,900	8,588	342,634
Loans to customers***	187,252	271,125	199,107	606,869	569,053	-	1,833,406
Accrued interest receivables	409	4,136	-	-	-	-	4,545
Total financial assets	215,889	630,272	322,855	677,989	586,149	47,567	2,480,721
Financial liabilities							
Deposits	1,163,151	333,449	379,579	14,550	-	-	1,890,729
Interbank and money market items	22,364	86,871	2,564	23,930	7,208	-	142,937
Debt issued and borrowings	-	61	14,898	66,164	40,041	-	121,164
Other liabilities	-	1,626	5,013	46	-	-	6,685
Total financial liabilities	1,185,515	422,007	402,054	104,690	47,249	-	2,161,515
Net liquidity gap	(969,626)	208,265	(79,199)	573,299	538,900	47,567	319,206

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Investments of the life insurance subsidiary which are held primarily in relation to insurance contract liabilities, are not presented in the table

*** Net of deferred revenue

	The Bank						Total
	2016						
	Maturity on demand	3 months	Maturity within 3 - 12 months		1 - 5 years	Maturity over 5 years	
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	40,317	40,317
Interbank and money market items *	29,292	212,444	2,353	-	-	-	244,089
Investments, net	-	95,189	147,308	90,603	21,028	8,948	363,076
Loans to customers**	170,478	281,354	206,369	633,911	635,153	-	1,927,265
Accrued interest receivables	-	3,505	-	-	-	-	3,505
Total financial assets	199,770	592,492	356,030	724,514	656,181	49,265	2,578,252
Financial liabilities							
Deposits	1,206,136	399,203	402,310	13,805	-	-	2,021,454
Interbank and money market items	21,344	48,049	17,364	5,086	11,936	-	103,779
Debt issued and borrowings	-	267	39,483	26,891	40,012	-	106,653
Other liabilities	-	1,404	3,571	30	-	-	5,005
Total financial liabilities	1,227,480	448,923	462,728	45,812	51,948	-	2,236,891
Net liquidity gap	(1,027,710)	143,569	(106,698)	678,702	604,233	49,265	341,361

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

** Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank						Total
	2015						
	Maturity on demand	3 months	Maturity within 3 - 12 months	1 - 5 years	Maturity over 5 years	No maturity	
	<i>(in million Baht)</i>						
Financial assets							
Cash	-	-	-	-	-	38,737	38,737
Interbank and money market items *	23,381	216,519	4,453	2,353	-	-	246,706
Investments, net	-	127,947	117,262	64,367	15,889	8,396	333,861
Loans to customers**	179,554	271,092	198,863	603,558	568,595	-	1,821,662
Accrued interest receivables	-	4,107	-	-	-	-	4,107
Total financial assets	202,935	619,665	320,578	670,278	584,484	47,133	2,445,073
Financial liabilities							
Deposits	1,157,888	333,175	379,408	14,433	-	-	1,884,904
Interbank and money market items	25,145	86,871	2,564	23,930	7,208	-	145,718
Debt issued and borrowings	-	11	14,440	66,894	40,041	-	121,386
Other liabilities	-	1,615	5,039	46	-	-	6,700
Total financial liabilities	1,183,033	421,672	401,451	105,303	47,249	-	2,158,708
Net liquidity gap	(980,098)	197,993	(80,873)	564,975	537,235	47,133	286,365

* Before deducting allowance for doubtful accounts amounting to Baht 214 million

** Net of deferred revenue

Loans to deposits ratio

As at 31 December 2016 and 2015, the loans to deposits ratio in the consolidated financial statements were as follows:

	2016	2015
	(%)	
Gross loans to deposits ratio (Consolidated financial statements)	95.7	97.0
Gross loans to deposits and B/E ratio (Consolidated financial statements)	95.7	97.0

5.6 Insurance risk

Risk of loss resulting from unexpected events, deviations from actuarial assumptions, the magnitude and timing of claims, policyholder behavior, expenses and mispricing.

Product design and mispricing risk

Product design and mispricing risk refers to potential defects in the development process of a particular insurance product, inadequate assessment of risk and/or inaccurate assumptions used to price insurance product.

All new products must be approved by the Product Approval Committee (PAC) which is composed of members of the subsidiary's Executive Management and other stakeholders. The PAC ensures the soundness of new products' pricing and design.

Pricing assumptions are regularly reviewed to incorporate the latest experience and reflect the prevailing economic and business environment.

Once a product launched, both performance and actuarial experience are monitored and reported on a regular basis to ensure appropriate actions are triggered if deemed necessary.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Underwriting risks

Underwriting risk arises from inaccurate assessment of the risks entailed in writing of an insurance policy.

The subsidiary has an underwriting process that classifies applicants into risk categories based on their medical history, health condition, occupation, etc. Coverage and premium can vary across categories, reflecting different levels of risk.

Mortality and morbidity risk

Mortality and morbidity risk refers to the possibility that the frequency or severity of claims arising from insurance contracts exceeds the level assumed when the products were priced.

The subsidiary can be exposed to high claims from policyholders resulting from changes in their life and health expectancy or from catastrophic events, whether natural or man-made.

Claim trends are monitored on an ongoing basis. Exposure in excess of retention limits is ceded to reinsurers. Mortality and morbidity experience is monitored to ensure that the subsidiary's assumptions are appropriate.

Policyholder behavior risk

Risk that arises from policyholders' acts to discontinue/reduce contributions or surrender request prior to maturity of the contract, or to falsely obtain a particular insurance coverage or claims some benefit to which they are not otherwise entitled to.

Persistency is regularly monitored through reports and comprehensive analysis.

An underwriting process and claim management are also designed in place to avoid fraudulent behavior from policyholders.

Concentration of insurance risk

Concentrations of risk may arise where a particular event or a series of events could impact heavily upon the subsidiary's insurance contract liabilities.

Most of the subsidiary's contracts are life insurance non-par contracts with guaranteed benefits. The amount of risk to which the subsidiary is exposed depends on the level of guarantees inherent in the contracts and the current interest rate. The changes in interest rate will not cause a change to the amount of the liability, unless the change is material enough to trigger a liability adequacy test adjustment.

As at 31 December 2016, the discount interest rates for the purpose of the liability adequacy test, in accordance with industry practice, is the weighted average of past eight quarters of the zero coupon Thailand government bond yield curve plus an illiquidity premium for various tenors as prescribed by the regulator. The illiquidity premium is in line with an industry practice (i.e. ranged between 27-49 basis points) as at end of the year 2016. Management monitors the sensitivity to changes in interest rates on an ongoing basis. A decrease of 75 basis points from current market interest rates would not trigger any liability adequacy test reserves.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

Capital management of life insurance subsidiary

The subsidiary's capital management policy is to maintain a strong capital base to meet policyholders' obligations and the requirements of the Office of Insurance Commission, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth.

In accordance with the requirements of the Office of Insurance Commission, all insurers are required to maintain a minimum at least 140% of capital adequacy requirement (CAR) to meet policyholders' obligations. The CAR applies a risk-based approach to capital adequacy and is determined by the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer. It is the subsidiary's policy to hold capital levels in excess of CAR.

The subsidiary's objectives in managing capital are to safeguard the subsidiary's ability to continue as a going concern in order to protect policyholders and to provide returns for shareholders and benefits for the stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain as adjust the capital structure, the subsidiary may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares.

There were no changes in the subsidiary's approach to capital management during the year.

6 Fair value of assets and liabilities

The Bank and its subsidiaries have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports through to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Bank and its subsidiaries Audit Committee.

When measuring the fair value of an asset or a liability, the Bank and its subsidiaries use market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

The Bank and its subsidiaries recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2016.

Carrying amount and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

6.1 Financial instruments measured at fair value

The fair value of financial instruments measured at fair value in the consolidated and the Bank statement of financial position were as follows:

	Consolidated				The Bank			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>(in million Baht)</i>								
31 December 2016								
Financial assets								
Derivative assets	-	55,700	40	55,740	-	56,435	349	56,784
- Foreign exchange rate	-	36,637	-	36,637	-	37,372	-	37,372
- Interest rate	-	19,056	-	19,056	-	19,056	-	19,056
- Others	-	7	40	47	-	7	349	356
Trading securities	1,561	27,315	-	28,876	-	27,292	-	27,292
Available-for-sale securities	23,354	415,119	-	438,473	7,882	313,920	-	321,802
Financial liabilities								
Derivative liabilities	59	53,205	234	53,498	-	53,167	277	53,444
- Foreign exchange rate	-	37,520	-	37,520	-	37,485	-	37,485
- Interest rate	-	15,675	-	15,675	-	15,675	-	15,675
- Others	59	10	234	303	-	7	277	284

	Consolidated				The Bank			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>(in million Baht)</i>								
31 December 2015								
Financial assets								
Derivative assets	-	56,508	38	56,546	-	57,674	34	57,708
- Foreign exchange rate	-	37,703	-	37,703	-	38,869	-	38,869
- Interest rate	-	18,805	-	18,805	-	18,805	-	18,805
- Others	-	-	38	38	-	-	34	34
Trading securities	294	20,821	-	21,115	-	20,808	-	20,808
Available-for-sale securities	21,321	360,879	-	382,200	8,126	290,975	-	299,101
Financial liabilities								
Derivative liabilities	5	58,932	-	58,937	-	58,813	34	58,847
- Foreign exchange rate	-	42,423	-	42,423	-	42,315	-	42,315
- Interest rate	-	16,498	-	16,498	-	16,498	-	16,498
- Others	5	11	-	16	-	-	34	34

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

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

Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and its subsidiaries and counterparty when appropriate.

Level 3 fair values for simple over-the-counter derivative financial instruments are calculated based on Black-Scholes model. Assumptions and factors are adjusted according to the Bank and its subsidiaries' policy. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and its subsidiaries and counterparty when appropriate.

6.2 Financial instruments not measured at fair value

Fair value hierarchy of financial instruments which are not measured at fair value and for which there is a significant difference with carrying amount as at 31 December 2016 and 2015 were as follows:

	Consolidated		The Bank	
	Carrying amount	Fair value Level 2 <i>(in million Baht)</i>	Carrying amount	Fair value Level 2
31 December 2016				
Financial assets				
Derivative assets	2,851	2,984	2,851	2,984
Held-to-maturity securities	122,166	133,768	12,915	13,998
Financial liabilities				
Deposits	2,026,272	2,026,336	2,021,454	2,021,518
Derivative liabilities	694	651	694	651
31 December 2015				
Financial assets				
Derivative assets	851	834	851	834
Held-to-maturity securities	133,064	147,180	13,682	15,046
Financial liabilities				
Deposits	1,890,729	1,891,037	1,884,904	1,885,211
Derivative liabilities	651	630	651	630

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

The following methods and assumptions are used by the Bank in estimating fair market values of financial instruments as disclosed herein:

Interbank and money market items (Assets):	Fair value calculated based on present value of estimated cash flows, using the current interest rate in the money market.
Derivatives:	The fair values of derivatives are obtained from quoted market prices in active markets. Fair values of derivatives in an illiquid market are obtained using an average price (quoted from several reliable sources), valuation technique and a benchmark price of instruments which have similar characteristics, as appropriate.
Investments:	<p>The following methodologies are used to determine the fair value of securities held by the Bank.</p> <ul style="list-style-type: none">- The fair value of debt securities is estimated based on the Thai Bond Market Association's last average bid price. In situations where no auction prices are available, the fair value is estimated based on the last executed price. For debt securities with no active market price, the fair value is estimated based on the yield curve of debt securities plus a risk premium.- The bidding prices at The Stock Exchange of Thailand on the last business day of the year are used to estimate the fair value of listed private sector equity securities.- The fair value of unit trusts is estimated based on the net asset value at the reporting date.- The fair value of foreign debt and equity securities listed on foreign stock exchanges is estimated by using the bid prices at such exchanges as of the last business day of the year. The fair value of non-listed foreign debt and equity securities is determined based on values quoted by reliable international financial institutions.
Loans to customers and accrued interest receivables:	<ul style="list-style-type: none">- For variable-rate loans that are repriced frequently and have no significant change in credit risk, fair values are based on carrying amount.- Fair values of other loans are estimated using discounted cash flow analyses, using market interest rates or the fair value of collateral. There is no significant difference with the carrying amount.
Deposits and interbank and money market items (Liabilities):	<ul style="list-style-type: none">- The carrying amount disclosed for deposits which are payable on demand by the depositor, are equal to the fair value of such deposits.- Fair values for fixed-deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar deposits.- The carrying amount of interbank and money market items approximates their fair value.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

Liabilities payable on demand:	The carrying amount of liabilities payable on demand approximates fair value.
Debt issued and borrowings:	<ul style="list-style-type: none">- The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values.- Fair values of other borrowings are estimated using discounted cash flow analyses based on the Bank's current borrowing rates for similar types of borrowing arrangements.

7 Maintenance of capital fund

The Bank and its subsidiaries, which are financial institutions, are subject to various capital and regulatory requirements of the Bank of Thailand. Under these capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank and its subsidiaries must satisfy specific capital guidelines that involve, among others, quantitative measures of the Bank's and its subsidiaries' assets, liabilities and certain off-financial reporting items as calculated in accordance with regulatory practices. The Bank's and its subsidiaries' capital amounts and classifications are also subject to qualitative judgments by the Bank of Thailand as to components, risk weightings, and other factors. These capital and regulatory requirements are subject to change, as considered necessary by the Bank of Thailand.

The Bank maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT in its circulars dated 8 November 2012 and 17 December 2012, the Bank is required to calculate its Capital Fund in accordance with Basel III. As at 31 December 2016 and 2015, the Consolidated Supervision group and the Bank's total capital funds can be categorised as follows:

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	Basel III	
	Consolidated Supervision	
	2016	2015
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	236,110	210,378
Disclosed reserves		
Other comprehensive income	16,709	12,069
Other owner changes items	(2,364)	(2,342)
Capital deduction items on CET1	(8,005)	(6,730)
Total Tier 1 capital	<u>294,566</u>	<u>265,491</u>
Tier 2 capital		
Subordinated debt	36,000	40,000
Allowance for classified assets of “normal” category	21,752	19,140
Total Tier 2 capital	<u>57,752</u>	<u>59,140</u>
Total capital funds	<u>352,318</u>	<u>324,631</u>
Total risk weighted assets	1,986,927	1,880,484
Total capital / Total risk weighted assets (minimum 9.125%*)	17.7%	17.3%
Total Tier 1 capital / Total risk weighted assets (minimum 6.625%*)	14.8%	14.1%
Total Tier 1 common equity / Total risk weighted assets (minimum 5.125%*)	14.8%	14.1%
Total Tier 2 capital / Total risk weighted assets	2.9%	3.2%
* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019		
Capital after deducting capital add-on arising from Single Lending Limit	351,110	321,596
Capital ratio after deducting capital add-on arising from Single Lending Limit	17.7%	17.1%

	Basel III	
	The Bank	
	2016	2015
	<i>(in million Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	33,992	33,992
Premium on share capital	11,124	11,124
Legal reserve	7,000	7,000
Net gain after appropriations	218,192	198,492
Other comprehensive income	16,672	12,250
Capital deduction items on CET1	(6,872)	(5,654)
Total Tier 1 capital	<u>280,108</u>	<u>257,204</u>
Tier 2 capital		
Subordinated debt	36,000	40,000
Allowance for classified assets of “normal” category	21,165	19,140
Total Tier 2 capital	<u>57,165</u>	<u>59,140</u>
Total capital funds	<u>337,273</u>	<u>316,344</u>
Total risk weighted assets	1,933,848	1,841,506

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

		Basel III The Bank	
		2016	2015
		<i>(in million Baht)</i>	
Total capital / Total risk weighted assets	(minimum 9.125%*)	17.4%	17.2%
Total Tier 1 capital / Total risk weighted assets	(minimum 6.625%*)	14.5%	14.0%
Total Tier 1 common equity / Total risk weighted assets	(minimum 5.125%*)	14.5%	14.0%
Total Tier 2 capital / Total risk weighted assets		2.9%	3.2%

* Conservation buffer requires additional Common Equity Tier 1 of 0.625% per annum from 1 January 2016 onwards until reaching 2.50% in 2019

Capital after deducting capital add-on arising from Single Lending Limit	336,083	314,196
Capital ratio after deducting capital add-on arising from Single Lending Limit	17.4%	17.1%

Disclosures of capital maintenance information under the Notification of the Bank of Thailand number Sor Nor Sor 6/2553 dated 18 June 2010, Consolidated Supervision, the Notification of the Bank of Thailand number Sor Nor Sor 7/2558 dated 8 May 2015, Capital Components for Locally - Registered Commercial Banks, the Notification of the Bank of Thailand number Sor Nor Sor 19/2555 dated 17 December 2012, Consolidated Supervision (#2), the Notification of the Bank of Thailand number Sor Nor Sor 4/2556 dated 2 May 2013, the Public Disclosures of Capital Maintenance for Commercial Banks and the Notification of the Bank of Thailand number Sor Nor Sor 5/2556 dated 2 May 2013, the Public Disclosures of Capital Maintenance for Financial Group, were as follows:

Location of disclosure	The Bank's website under Investor Relations section at http://www.scb.co.th/en/about-scb/investor-relations/financial-information/pillar
Date of disclosure	Within 4 months after the year end date as indicated in the notification.
Information as of	31 December 2016

The disclosure for the year ended 31 December 2016 will be provided on or before 30 April 2017 on the Bank's website as noted above.

Capital management

The Bank and its subsidiaries policies are to maintain a strong capital base so as to provide a cushion against future uncertainties, engender market confidence in the Bank's robustness and to support business growth. Further, the impact of the level of capital on shareholders' returns is also considered together with the need to maintain a balance between the higher returns that might be possible with higher gearing and the advantages and security afforded by a sound capital position.

The Bank and its subsidiaries have complied with BoT imposed capital requirements throughout the year and, as noted in the table above, its capital level is well in excess of the minimum requirements.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

8 Interbank and money market items, net (Assets)

As at 31 December 2016 and 2015, interbank and money market items, net (Assets) were as follows:

	Consolidated					
	Demand	2016 Time	Total	Demand	2015 Time	Total
	<i>(in million Baht)</i>					
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	14,667	181,545	196,212	14,100	160,500	174,600
Commercial banks	1,389	18,533	19,922	2,657	24,173	26,830
Specialised financial institutions*	-	3,293	3,293	-	6,682	6,682
Other financial institutions**	1,113	5,447	6,560	1,194	8,397	9,591
Total	17,169	208,818	225,987	17,951	199,752	217,703
Add accrued interest receivables	-	558	558	-	555	555
Less allowance for doubtful accounts	-	(107)	(107)	-	(163)	(163)
Total domestic items	17,169	209,269	226,438	17,951	200,144	218,095
Foreign items:						
US Dollar	11,668	15,485	27,153	5,886	32,578	38,464
Japanese YEN	452	-	452	574	-	574
Euro	360	15	375	387	24	411
Other currencies	2,786	125	2,911	3,430	14	3,444
Total	15,266	15,625	30,891	10,277	32,616	42,893
Add accrued interest receivables	-	7	7	-	6	6
Less allowance for doubtful accounts	-	(80)	(80)	-	(51)	(51)
Total foreign items	15,266	15,552	30,818	10,277	32,571	42,848
Total domestic and foreign items	32,435	224,821	257,256	28,228	232,715	260,943

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank					
	2016		2015			
	Demand	Time	Total	Demand	Time	Total
	<i>(in million Baht)</i>					
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	14,667	181,545	196,212	14,100	160,500	174,600
Commercial banks	922	10,738	11,660	979	17,687	18,666
Specialised financial institutions*	-	3,293	3,293	-	6,682	6,682
Other financial institutions**	1,113	5,447	6,560	1,194	8,397	9,591
Total	16,702	201,023	217,725	16,273	193,266	209,539
Add accrued interest receivables	-	38	38	-	53	53
Less allowance for doubtful accounts	-	(107)	(107)	-	(163)	(163)
Total domestic items	16,702	200,954	217,656	16,273	193,156	209,429
Foreign items:						
US Dollar	8,995	13,589	22,584	2,899	29,965	32,864
Japanese YEN	452	-	452	574	-	574
Euro	360	15	375	377	24	401
Other currencies	2,783	125	2,908	3,258	14	3,272
Total	12,590	13,729	26,319	7,108	30,003	37,111
Add accrued interest receivables	-	7	7	-	3	3
Less allowance for doubtful accounts	-	(80)	(80)	-	(51)	(51)
Total foreign items	12,590	13,656	26,246	7,108	29,955	37,063
Total domestic and foreign items	29,292	214,610	243,902	23,381	223,111	246,492

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

9 Derivatives

Financial derivatives are financial instruments whose characteristics are derived from fair value of underlying assets, or from interest and exchange rates or indices. The following derivatives are used by the Bank:

- 1 Forward exchange contracts which are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.
- 2 Currency and interest rate swaps which are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies and may also involve the exchange of related interest payments.
- 3 Interest rate swaps which are agreements that involve the exchange of interest obligations for a specified period without exchanging the underlying or notional principal.
- 4 Equity derivatives which are agreements that determined values based on level of the underlying equity's price or price of equity group or Equity Index.
- 5 Credit derivatives which are agreements to buy or sell guarantees of credit risk related to the ability to repay underlying assets.
- 6 Commodity derivatives which are a purchase or a sale of an underlying product or the exchange of cash flow calculated from a reference volume of product multiplied by the agreed price within a period of time and conditions as agreed in the contract.

The Bank has implemented policies to manage the foreign exchange risk and interest rate risk arising from the volatility of foreign exchange rates and interest rates by using derivatives for serving the client's needs as well as the Bank's assets and liabilities management needs. The Bank controls the counterparty risks by setting-up the credit limits, and controls the market risk by setting-up limits for management action triggers, net open position, basis point value, value at risk and management stress triggers.

The total notional amount of the derivatives at the year end does not represent the risk exposure arising from derivative transactions. The risks arising from derivatives will depend on the changes in the price of each derivative type before maturity of the contract.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

As at 31 December 2016 and 2015, the notional amounts of derivatives were as follows:

	Consolidated			Total
	2016			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,197,917	16,364	16,706	1,230,987
Currency swap contracts	95,183	337,919	245,671	678,773
Interest rate swap contracts	466,192	1,114,235	376,037	1,956,464
Equity derivatives	3,784	260	-	4,044
Commodity derivatives	104	-	-	104

	Consolidated			Total
	2015			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,050,053	15,810	19,021	1,084,884
Currency swap contracts	84,704	303,905	218,740	607,349
Interest rate swap contracts	454,372	1,035,926	348,931	1,839,229
Equity derivatives	1,018	760	-	1,778

	The Bank			Total
	2016			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,199,494	16,364	16,706	1,232,564
Currency swap contracts	95,541	339,897	253,244	688,682
Interest rate swap contracts	466,192	1,114,235	376,487	1,956,914
Equity derivatives	5,816	519	-	6,335
Commodity derivatives	104	-	-	104

	The Bank			Total
	2015			
	Notional amount			
	Less than 1 year	Within 1 - 5 years	More than 5 years	
	<i>(in million Baht)</i>			
Forward exchange contracts	1,050,196	15,810	19,021	1,085,027
Currency swap contracts	85,065	305,764	228,987	619,816
Interest rate swap contracts	454,372	1,035,926	348,931	1,839,229
Equity derivatives	-	519	-	519

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

9.1 Trading book derivatives

As at 31 December 2016 and 2015, carrying amount and notional amount classified by type of risk were as follows:

Type of risk	Consolidated					
	2016		Notional amount	2015		Notional amount
	Carrying amount Assets	Liabilities		Carrying amount Assets	Liabilities	
	<i>(in million Baht)</i>					
Foreign exchange rate	36,637	37,520	1,807,039	37,703	42,423	1,618,171
Interest rate	19,056	15,675	1,858,306	18,805	16,498	1,715,019
Equity derivatives	40	296	4,044	38	16	1,778
Commodity derivatives	7	7	104	-	-	-
Total	55,740	53,498	3,669,493	56,546	58,937	3,334,968

Type of risk	The Bank					
	2016		Notional amount	2015		Notional amount
	Carrying amount Assets	Liabilities		Carrying amount Assets	Liabilities	
	<i>(in million Baht)</i>					
Foreign exchange rate	37,372	37,485	1,818,525	38,869	42,315	1,630,781
Interest rate	19,056	15,675	1,858,756	18,805	16,498	1,715,019
Equity derivatives	349	277	6,335	34	34	519
Commodity derivatives	7	7	104	-	-	-
Total	56,784	53,444	3,683,720	57,708	58,847	3,346,319

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

9.2 Banking book derivatives

As at 31 December 2016 and 2015, carrying amount and notional amount classified by type of risk were as follows:

Type of risk	Consolidated					
	2016		Notional amount	2015		Notional amount
	Carrying amount Assets	Liabilities		Carrying amount Assets	Liabilities	
	<i>(in million Baht)</i>					
Foreign exchange rate	2,851	694	102,721	851	651	74,062
Interest rate ⁽¹⁾	92	18	98,158	258	109	124,210
Total	2,943	712	200,879	1,109	760	198,272

Type of risk	The Bank					
	2016		Notional amount	2015		Notional amount
	Carrying amount Assets	Liabilities		Carrying amount Assets	Liabilities	
	<i>(in million Baht)</i>					
Foreign exchange rate	2,851	694	102,721	851	651	74,062
Interest rate ⁽¹⁾	92	18	98,158	258	109	124,210
Total	2,943	712	200,879	1,109	760	198,272

The carrying amount of derivative assets and liabilities comprises trading book derivatives are measured at fair value and banking book derivatives are measured on an accrual basis in accordance with the accounting policy disclosed in note 4.25.

⁽¹⁾ Carrying amount at the end of year for interest rate swap contracts held for banking book are accrued interest receivables or payables based on the contracts. Accrued interest receivables are presented as a part of "Other assets" and accrued interest payables are presented as a part of "Other liabilities" in the consolidated and the Bank's financial statements.

As at 31 December 2016 and 2015, the proportions, determined based on the notional amount of derivatives contracts divided by type of counterparty were as follows:

Counterparty	Consolidated		The Bank	
	2016	2015	2016	2015
	(%)			
Financial institutions	74.41	71.91	74.07	71.66
Affiliated companies	-	-	0.46	0.38
Third parties	25.59	28.09	25.47	27.96

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

10 Investments, net

10.1 Classification of investments in securities

As at 31 December 2016 and 2015, the investments in securities of the Bank and its subsidiaries were classified as follows:

	Consolidated		The Bank	
	2016 Fair value	2015 Fair value	2016 Fair value	2015 Fair value
	<i>(in million Baht)</i>			
Trading securities				
Government and state enterprise securities	27,291	20,690	27,269	20,677
Corporate debt securities	23	131	23	131
Domestic equity securities	1,562	294	-	-
Total	28,876	21,115	27,292	20,808

	Consolidated		The Bank	
	2016 Fair value	2015 Fair value	2016 Fair value	2015 Fair value
	<i>(in million Baht)</i>			
Available-for-sale securities				
Government and state enterprise securities	347,394	323,977	289,548	290,108
Corporate debt securities	31,952	23,569	-	-
Foreign debt securities	35,752	13,313	24,372	867
Domestic equity securities	19,292	18,479	6,817	8,126
Foreign equity securities	4,083	2,862	1,065	-
Total	438,473	382,200	321,802	299,101

	Consolidated		The Bank	
	2016 Cost / Amortised cost	2015 Cost / Amortised cost	2016 Cost / Amortised cost	2015 Cost / Amortised cost
	<i>(in million Baht)</i>			
Held-to-maturity securities				
Government and state enterprise securities	120,589	131,261	12,215	13,239
Corporate debt securities	36	36	423	443
Foreign debt securities	277	-	277	-
Other securities	1,300	1,803	-	-
Total	122,202	133,100	12,915	13,682
Less allowance for impairment	(36)	(36)	-	-
Total	122,166	133,064	12,915	13,682

	Consolidated		The Bank	
	2016 Cost	2015 Cost	2016 Cost	2015 Cost
	<i>(in million Baht)</i>			
General investments				
Domestic non-marketable equity securities	934	447	928	441
Foreign non-marketable equity securities	319	17	319	17
Total	1,253	464	1,247	458
Less allowance for impairment	(181)	(188)	(180)	(188)
Total	1,072	276	1,067	270
Total investments, net	590,587	536,655	363,076	333,861

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

10.2 Unrealised gains (losses) on available-for-sale securities and held-to-maturity securities

As at 31 December 2016 and 2015, unrealised gains (losses) on available-for-sale securities and held-to-maturity securities were as follows:

Type of securities	Consolidated							
	2016				2015			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised cost	Unrealised gains	Unrealised losses	Fair value
	<i>(in million Baht)</i>							
Available-for-sale securities	437,566*	5,484	(4,577)	438,473	378,632*	6,046	(2,478)	382,200
Held-to-maturity securities	122,166*	11,602	-	133,768	133,064*	14,116	-	147,180
Total	559,732	17,086	(4,577)	572,241	511,696	20,162	(2,478)	529,380

Type of securities	The Bank							
	2016				2015			
	Amortised cost	Unrealised gains	Unrealised losses	Fair value	Amortised Cost	Unrealised gains	Unrealised losses	Fair value
	<i>(in million Baht)</i>							
Available-for-sale securities	319,721*	2,645	(564)	321,802	296,899*	2,646	(444)	299,101
Held-to-maturity securities	12,915*	1,083	-	13,998	13,682*	1,364	-	15,046
Total	332,636	3,728	(564)	335,800	310,581	4,010	(444)	314,147

* Net of allowance for impairment

10.3 Investments in companies with holding of 10% and upwards

As at 31 December 2016 and 2015, investments in mutual funds and financial services companies as well as other companies, other than subsidiaries and associate, of which the Bank and its subsidiaries hold 10% or more of the fund or the paid-up capital in each company, classified by industry, were as follows:

	Number of companies	Consolidated		The Bank	
		2016	2015	2016	2015
		<i>(in million Baht)</i>			
Mutual funds and financial services	2	-	-	-	-
Others	6 - 7	76	76	76	76
		76	76	76	76

10.4 Investments in companies with problems in their financial positions

As at 31 December 2016, the Bank and its subsidiaries held investments in a number of securities issued by companies with problems in their financial positions and operating results. The Bank and its subsidiaries have made a provision for diminution in the value of securities equal to the amount by which the cost exceeds the market value of respective securities. The aggregate cost of these securities is Baht 59 million (2015: Baht 71 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

11 Investments in subsidiaries and associate, net

11.1 Type of investments in subsidiaries and associate

As at 31 December 2016 and 2015, the Bank and its subsidiaries had an investment in associate, net of any impairment provisions, as follows:

	Type of business	Type of share	Direct and indirect shareholding		Consolidated				
			2016	2015	Investment value		2016	2015	
					Cost method	Equity method			
			(%)		<i>(in million Baht)</i>				
Associate									
Services									
	Supernap (Thailand) Co., Ltd.	Data center	Ordinary	24.9	24.9	351	351	334	344
	<i>Less</i> allowance for impairment					(17)	(7)	-	-
	Total investments in associate, net					334	344	334	344

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

As at 31 December 2016 and 2015, the Bank had investments in subsidiaries and associate, net of impairment provisions, as follows:

	Type of business	Type of share	The Bank			
			Direct shareholding		Investment value	
			2016	2015	2016	2015
			(%)		(in million Baht)	
Subsidiaries						
Finance & Insurance						
VinaSiam Bank*	Banking	Ordinary	-	100.0	-	2,340
Cambodian Commercial Bank Ltd.	Banking	Ordinary	100.0	100.0	1,285	964
Rutchayothin Assets Management Co., Ltd.	Asset management	Ordinary	100.0	100.0	25	25
SCB Securities Co., Ltd.	Securities	Ordinary	100.0	100.0	2,207	2,107
SCB Asset Management Co., Ltd.	Asset management	Ordinary	100.0	100.0	222	222
Siam Commercial Leasing PCL**	Collection	Ordinary	99.4	99.4	1,533	9,976
SCB Life Assurance PCL	Life insurance	Ordinary	99.2	99.2	12,540	12,540
Services						
SCB Training Centre Co., Ltd.	Training center	Ordinary	100.0	100.0	390	390
Siam Phitiwat Co., Ltd.***	Appraisal services	Ordinary	100.0	100.0	10	10
SCB Plus Co., Ltd.	Collection	Ordinary	100.0	100.0	1	1
Other						
Sor. Or. Kor. PCL***	Commercial	Ordinary	99.7	99.7	582	582
Indirect subsidiaries						
Mahisorn Co., Ltd.****	Property management	Ordinary	-	-	-	-
Digital Ventures Co., Ltd.*****	Financial technology	Ordinary	-	-	-	-
Associate						
Services						
Supernap (Thailand) Co., Ltd.	Data center	Ordinary	10.0	10.0	141	141
Total					18,936	29,298
Less allowance for impairment					(2,194)	(2,318)
Total investments in subsidiaries and associate, net					16,742	26,980

* On 17 December 2015, the State Bank of Vietnam granted to the Bank an establishment license for a foreign bank branch in Vietnam. On 24 December 2015, the Bank acquired an additional 67% interest in VinaSiam Bank for Baht 1,643 million, increasing its ownership from 33% to 100% of the issued and paid up share capital. The banking license of VinaSiam Bank was revoked on 30 December 2015. In 1Q'16, the Bank transferred all of the assets and liabilities of VinaSiam Bank to its newly established branch in Ho Chi Minh City, the Socialist Republic of Vietnam.

** The Company decreased in share capital during the year and it is under liquidation.

*** The Company is under liquidation

**** Subsidiary of SCB Plus Co., Ltd.

***** Newly established in 2016 and be a subsidiary of SCB Securities Co., Ltd.

All subsidiaries and associate were registered and operate in Thailand except for the Cambodian Commercial Bank Ltd., which registered and operate in Cambodia.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

11.2 The summarised financial information of the associate was as follows:

	2016 (Unaudited)			2015 (Audited)		
	Total assets	Total liabilities	Equity <i>(in million Baht)</i>	Total assets	Total liabilities	Equity
Services	3,469	2,130	1,339	1,576	192	1,384
	3,469	2,130	1,339	1,576	192	1,384

For the years ended 31 December

	2016 (Unaudited)			2015 (Audited)		
	Revenue	Expenses	Net loss <i>(in million Baht)</i>	Revenue	Expenses	Net loss
Finance*	-	-	-	87	347	(260)
Services	5	50	(45)	4	27	(23)
	5	50	(45)	91	374	(283)

<i>For the years ended 31 December</i>	VinaSiam Bank*		Supernap (Thailand) Co., Ltd.	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			

Carrying amount of interests in associates

Group's share of:

- Loss from continuing operations	-	(86)	(10)	(3)
- Total comprehensive loss	-	(86)	(10)	(3)

* On 17 December 2015, the State Bank of Vietnam granted to the Bank an establishment license for a foreign bank branch in Vietnam. On 24 December 2015, the Bank acquired an additional 67% interest in VinaSiam Bank for Baht 1,643 million, increasing its ownership from 33% to 100% of the issued and paid up share capital. The banking license of VinaSiam Bank was revoked on 30 December 2015. In 1Q'16, the Bank transferred all of the assets and liabilities of VinaSiam Bank to its newly established branch in Ho Chi Minh City, the Socialist Republic of Vietnam.

As at 31 December 2016 and 2015, the Bank and a subsidiary have equity securities in companies received as a result of troubled debt restructuring, which represent more than 20% of the paid-up capital of each company. The Bank did not record these securities as investments in subsidiaries and associates. These investments were in Siam Media and Communication Co., Ltd. and S.G. Star Properties Limited. Their financial statements have reported balances which do not have a material impact on the Bank's financial statements.

11.3 Interest in unconsolidated structured entity arising in the normal course of business

The Bank and its asset management subsidiary have transactions with unconsolidated structured entities, through various activities such as involvement in establishment process, fund management, acting as the trustee, as well as providing source of funds. These structured entities are normally in the form of mutual funds.

The provision of funds is in the form of loans which are on normal business terms. These loans are managed in the same way as all other loans. The outstanding loans to these structured entities as of 31 December 2016 and 2015 amounted to Baht 6,037 million and Baht 6,169 million, respectively.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

12 Loans to customers and accrued interest receivables, net

12.1 Classified by product as at 31 December 2016 and 2015

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Overdrafts	103,864	110,606	103,217	110,016
Loans	1,349,447	1,230,012	1,338,845	1,219,735
Bills	268,031	275,743	268,031	275,743
Finance leases	191,971	191,579	191,971	191,579
Others	49,292	48,064	48,758	47,187
Less deferred revenue	<u>(23,557)</u>	<u>(22,598)</u>	<u>(23,557)</u>	<u>(22,598)</u>
Total loans to customers, net	1,939,048	1,833,406	1,927,265	1,821,662
Add accrued interest receivables	<u>4,128</u>	<u>4,545</u>	<u>3,505</u>	<u>4,107</u>
Total loans to customers and accrued interest receivables, net	1,943,176	1,837,951	1,930,770	1,825,769
Less allowance for doubtful accounts				
- allowance established per BoT regulations				
- Individual approach	(44,063)	(48,374)	(43,339)	(47,152)
- Collective approach	(6,569)	(6,218)	(6,569)	(6,218)
- allowance established in excess of BoT regulations	(22,721)	(9,831)	(22,716)	(9,817)
Less revaluation allowance for debt restructuring	<u>(4,004)</u>	<u>(354)</u>	<u>(4,004)</u>	<u>(354)</u>
Total	<u>1,865,819</u>	<u>1,773,174</u>	<u>1,854,142</u>	<u>1,762,228</u>

12.2 Classified by currency and residential status of customers as at 31 December 2016 and 2015

	Consolidated					
	2016		2015		Total	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
	<i>(in million Baht)</i>					
Baht	1,795,790	26,187	1,821,977	1,691,013	20,838	1,711,851
US Dollar	39,234	62,923	102,157	79,544	26,802	106,346
Other currencies	1,289	13,625	14,914	14,738	471	15,209
Total			<u>1,939,048</u>			<u>1,833,406</u>

	The Bank					
	2016		2015		Total	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
	<i>(in million Baht)</i>					
Baht	1,786,916	26,187	1,813,103	1,683,653	20,838	1,704,491
US Dollar	39,234	60,014	99,248	78,706	24,244	102,950
Other currencies	1,289	13,625	14,914	13,750	471	14,221
Total			<u>1,927,265</u>			<u>1,821,662</u>

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

12.3 Classified by business type and quality of loan classification as at 31 December 2016 and 2015

	Consolidated											
	2016					2015						
	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *
	<i>(in million Baht)</i>											
Agriculture and mining	14,676	170	86	62	172	15,166	15,710	364	144	78	206	16,502
Manufacturing and commercial	558,665	16,628	8,287	3,709	18,061	605,350	550,508	7,908	14,114	10,180	11,121	593,831
Real estate and construction	125,456	2,201	1,543	882	2,673	132,755	137,138	893	500	164	2,543	141,238
Utilities and services	319,793	610	2,481	626	1,776	325,286	249,231	958	1,598	317	2,020	254,124
Housing loans	500,840	10,672	4,736	3,128	2,493	521,869	476,562	9,756	4,680	2,648	1,366	495,012
Others	317,525	14,219	3,541	1,300	2,037	338,622	312,013	13,369	3,876	1,422	2,019	332,699
Total *	1,836,955	44,500	20,674	9,707	27,212	1,939,048	1,741,162	33,248	24,912	14,809	19,275	1,833,406

	The Bank											
	2016					2015						
	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *	Normal	Special Mention	Sub- Standard	Doubtful	Doubtful Loss	Total *
	<i>(in million Baht)</i>											
Agriculture and mining	14,621	170	86	62	172	15,111	15,304	340	144	78	44	15,910
Manufacturing and commercial	556,043	16,628	8,287	3,709	18,061	602,728	547,871	7,908	14,114	10,000	10,939	590,832
Real estate and construction	125,456	2,201	1,543	882	1,683	131,765	137,138	859	500	164	1,481	140,142
Utilities and services	319,608	610	2,481	626	1,776	325,101	248,716	957	1,598	317	1,865	253,453
Housing loans	500,794	10,672	4,736	3,128	2,493	521,823	476,541	9,755	4,680	2,648	1,366	494,990
Others	309,699	14,219	3,541	1,300	1,978	330,737	305,707	13,369	3,876	1,422	1,961	326,335
Total *	1,826,221	44,500	20,674	9,707	26,163	1,927,265	1,731,277	33,188	24,912	14,629	17,656	1,821,662

* Net of deferred revenue, excludes accrued interest receivables

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

12.4 Finance leases

As at 31 December 2016 and 2015, the Bank had finance leases as follows:

	Consolidated and the Bank							
	2016				2015			
	Amount due				Amount due			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Total of gross investments in the lease	57,715	129,122	5,134	191,971	59,858	127,170	4,551	191,579
<i>Less</i> deferred revenue				<u>(23,350)</u>				<u>(22,499)</u>
Present value of the lease payments				168,621				169,080
<i>Less</i> allowance for doubtful accounts				<u>(6,569)</u>				<u>(6,218)</u>
Finance leases, net				<u>162,052</u>				<u>162,862</u>

12.5 Loans to listed companies identified for delisting

	Consolidated and the Bank							
	2016				2015			
	Loans and accrued				Loans and accrued			
	No. of companies	interest receivables*	Collateral	Amount of provision	No. of companies	interest receivables*	Collateral	Amount of provision
Listed companies identified for delisting	4	12,724	5,914	8,721	2	2,377	1,807	469

* Including loans to financial institutions but excluding other expenses

12.6 Non-Performing Loans

As at 31 December 2016 and 2015, the Bank used the guidelines specified in the BoT's notification dated 3 August 2008 in determining Non-Performing Loans which consist of loans classified as sub-standard, doubtful, doubtful loss and loss under the BoT's guideline. The amounts were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
Non-Performing Loans (net of allowance for doubtful accounts)	29,309	25,069	28,949	24,458
% of Non-Performing Loans to total loans (net)	1.4	1.3	1.4	1.2
Non-Performing Loans (gross)	57,593	58,996	56,544	57,197
% of Non-Performing Loans to total loans	2.7	2.9	2.6	2.8

As at 31 December 2016, Rutchayothin Assets Management Co., Ltd. which is a subsidiary of the Bank, had Non-Performing Loans of Baht 459 million (2015: Baht 465 million). However, the Non-Performing Loans based on principal of loan purchased from the Bank and its subsidiaries as at 31 December 2016 was Baht 990 million (2015: Baht 997 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

12.7 Non-accrual loans

Non-accrual loans, gross (including loans to financial institutions) as at 31 December 2016 and 2015 were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Loans where recognition of income has been suspended*	55,129	50,717	54,074	49,661
% of loans where recognition of income has been suspended	2.6	2.5	2.5	2.5

* Non-accrual loans as announced by the Notification of the Bank of Thailand number Sor Nor Sor 21/2555

12.8 Classified assets

The Bank and its subsidiaries had classified assets as at 31 December 2016 and 2015 as follows:

	Consolidated					
	2016					
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
	<i>(in million Baht)</i>					
Normal	1,840,936	217,558	-	-	20	2,058,514
Special Mention	44,618	-	-	-	2	44,620
Sub-Standard	20,698	-	-	-	17	20,715
Doubtful	9,707	-	-	-	5	9,712
Doubtful Loss	27,217	-	6,663	635	569	35,084
	1,943,176	217,558	6,663	635	613	2,168,645

	Consolidated					
	2015					
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
	<i>(in million Baht)</i>					
Normal	1,745,381	207,306	-	-	20	1,952,707
Special Mention	33,495	-	-	-	3	33,498
Sub-Standard	24,985	-	-	-	4	24,989
Doubtful	14,809	-	-	-	4	14,813
Doubtful Loss	19,281	-	3,111	597	442	23,431
	1,837,951	207,306	3,111	597	473	2,049,438

* Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

The Bank						
2016						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
<i>(in million Baht)</i>						
Normal	1,829,584	209,733	-	-	20	2,039,337
Special Mention	44,618	-	-	-	2	44,620
Sub-Standard	20,698	-	-	-	17	20,715
Doubtful	9,707	-	-	-	5	9,712
Doubtful Loss	26,163	-	4,762	632	455	32,012
	<u>1,930,770</u>	<u>209,733</u>	<u>4,762</u>	<u>632</u>	<u>499</u>	<u>2,146,396</u>

The Bank						
2015						
	Loans and accrued interest receivables*	Loans to financial institutions and accrued interest receivables	Investments	Properties for sale	Other assets	Total
<i>(in million Baht)</i>						
Normal	1,735,064	200,574	-	-	20	1,935,658
Special Mention	33,435	-	-	-	3	33,438
Sub-Standard	24,985	-	-	-	4	24,989
Doubtful	14,629	-	-	-	4	14,633
Doubtful Loss	17,656	-	3,285	594	442	21,977
	<u>1,825,769</u>	<u>200,574</u>	<u>3,285</u>	<u>594</u>	<u>473</u>	<u>2,030,695</u>

* Net of deferred revenue

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

12.9 Allowance for doubtful accounts

12.9.1 Loans classified by quality as at 31 December 2016 and 2015 (inclusive of accrued interest receivables)

	Consolidated							Total
	2016							
	Individual approach (All loans except for finance leases)				Collective approach (Finance leases)			
	Loans and accrued interest receivables	Net amount used to set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Net amount used to set the allowance for doubtful accounts	Allowance for doubtful accounts***		
<i>(in million Baht)</i>								
Minimum allowance of BoT regulations								
- Normal	1,840,936	1,646,674*	1	16,388	155,903	2,796	19,184	
- Special Mention	44,618	33,195*	2	664	9,626	2,336	3,000	
- Sub-Standard	20,698	9,204**	100	9,204	895	450	9,654	
- Doubtful	9,707	2,956**	100	2,956	416	197	3,153	
- Doubtful Loss	27,217	14,851**	100	14,851	1,781	790	15,641	
Total	1,943,176	1,706,880		44,063	168,621	6,569	50,632	
Allowance established in excess of BoT regulations							22,721	
Total							73,353	

	Consolidated							Total
	2015							
	Individual approach (All loans except for finance leases)				Collective approach (Finance leases)			
	Loans and accrued interest receivables	Net amount used to set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Net amount used to set the allowance for doubtful accounts	Allowance for doubtful accounts***		
<i>(in million Baht)</i>								
Minimum allowance of BoT regulations								
- Normal	1,745,381	1,536,211*	1	15,295	156,698	2,855	18,150	
- Special Mention	33,495	23,404*	2	469	8,875	1,856	2,325	
- Sub-Standard	24,985	14,087**	100	14,087	1,058	468	14,555	
- Doubtful	14,809	7,801**	100	7,712	641	275	7,987	
- Doubtful Loss	19,281	10,811**	100	10,811	1,808	764	11,575	
Total	1,837,951	1,592,314		48,374	169,080	6,218	54,592	
Allowance established in excess of BoT regulations							9,831	
Total							64,423	

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

The Bank							
2016							
	Individual approach (All loans except for finance leases)				Collective approach (Finance leases)		Total
	Loans and accrued interest receivables <i>(in million Baht)</i>	Net amount used to set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Net amount used to set the allowance for doubtful accounts	Allowance for doubtful accounts***	
Minimum allowance of BoT regulations							
- Normal	1,829,584	1,635,940*	1	16,359	155,903	2,796	19,155
- Special Mention	44,618	33,195*	2	664	9,626	2,336	3,000
- Sub-Standard	20,698	9,204**	100	9,204	895	450	9,654
- Doubtful	9,707	2,956**	100	2,956	416	197	3,153
- Doubtful Loss	26,163	14,156**	100	14,156	1,781	790	14,946
Total	<u>1,930,770</u>	<u>1,695,451</u>		<u>43,339</u>	<u>168,621</u>	<u>6,569</u>	49,908
Allowance established in excess of BoT regulations							<u>22,716</u>
Total							<u>72,624</u>

The Bank							
2015							
	Individual approach (All loans except for finance leases)				Collective approach (Finance leases)		Total
	Loans and accrued interest receivables <i>(in million Baht)</i>	Net amount used to set the allowance for doubtful accounts	% used for setting the allowance	Allowance for doubtful accounts***	Net amount used to set the allowance for doubtful accounts	Allowance for doubtful accounts***	
Minimum allowance of BoT regulations							
- Normal	1,735,064	1,526,918*	1	15,269	156,698	2,855	18,124
- Special Mention	33,435	23,386*	2	468	8,875	1,856	2,324
- Sub-Standard	24,985	14,087**	100	14,087	1,058	468	14,555
- Doubtful	14,629	7,621**	100	7,621	641	275	7,896
- Doubtful Loss	17,656	9,707**	100	9,707	1,808	764	10,471
Total	<u>1,825,769</u>	<u>1,581,719</u>		<u>47,152</u>	<u>169,080</u>	<u>6,218</u>	53,370
Allowance established in excess of BoT regulations							<u>9,817</u>
Total							<u>63,187</u>

* Net of cash and near cash collateral

** Net of PV cashflow from loan receivables including sale of collateral

*** Excluding revaluation allowance for troubled debt restructuring

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Following an assessment of the ultimate collectability of the Bank's consolidated loan portfolio, the management of the Bank and its subsidiaries believe that the allowance for doubtful accounts established was adequate as at 31 December 2016 and 2015 and in compliance with the BoT's guidelines, including an assessment for "Possible Impaired Loans", as directed by the them. The aggregate allowance is based on both quantitative criteria noted above and qualitative criteria that reflects management judgment

12.9.2 Changes to the allowance for doubtful accounts

As at 31 December 2016 and 2015, the changes to the allowance for doubtful accounts were as follows:

	Consolidated 2016					Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss		
	<i>(in million Baht)</i>						
As at 1 January 2016	18,150	2,325	14,555	7,987	11,575	9,831	64,423
Bad debt and doubtful accounts	1,034	675	(4,901)	(4,834)	15,845	13,334	21,153
Bad debts written off	-	-	-	-	(11,779)	-	(11,779)
Others	-	-	-	-	-	(444)	(444)
As at 31 December 2016	19,184	3,000	9,654	3,153	15,641	22,721	73,353

	Consolidated 2015					Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss		
	<i>(in million Baht)</i>						
As at 1 January 2015	17,102	2,858	7,623	3,074	10,432	17,904	58,993
Transfer in	-	5	-	1	268	15	289
Bad debt and doubtful accounts	1,046	(539)	6,932	4,912	27,444	(7,931)	31,864
Bad debts written off	-	-	-	-	(26,594)	-	(26,594)
Others	2	1	-	-	25	(157)	(129)
As at 31 December 2015	18,150	2,325	14,555	7,987	11,575	9,831	64,423

	The Bank 2016					Allowance established in excess of BoT regulations	Total
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss		
	<i>(in million Baht)</i>						
As at 1 January 2016	18,124	2,324	14,555	7,896	10,471	9,817	63,187
Transfer in	-	1	-	91	403	10	505
Bad debt and doubtful accounts	1,031	675	(4,901)	(4,834)	15,851	13,333	21,155
Bad debts written off	-	-	-	-	(11,779)	-	(11,779)
Others	-	-	-	-	-	(444)	(444)
As at 31 December 2016	19,155	3,000	9,654	3,153	14,946	22,716	72,624

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank						Allowance established in excess of BoT regulations	Total
	2015							
	Normal	Special Mention	Sub - Standard	Doubtful	Doubtful Loss			
	<i>(in million Baht)</i>							
As at 1 January 2015	17,086	2,858	7,623	3,074	9,691	17,898	58,230	
Bad debt and doubtful accounts	1,038	(534)	6,932	4,822	27,346	(7,924)	31,680	
Bad debts written off	-	-	-	-	(26,566)	-	(26,566)	
Others	-	-	-	-	-	(157)	(157)	
As at 31 December 2015	18,124	2,324	14,555	7,896	10,471	9,817	63,187	

13 Troubled debt restructuring

During the years ended 31 December 2016 and 2015, troubled debt restructuring was as follows:

Types of debt restructuring	No. of accounts		Consolidated and the Bank				Transferred assets		
			Outstanding debts		Fair value				
	2016	2015	Before debt restructuring	After debt restructuring	2016	2015	2016	2015	
			<i>(in million Baht)</i>				<i>(in million Baht)</i>		
Transfers of assets	17	1	116	125	116	125	Immovable properties	-	-
Debt restructuring in various forms	1,123	2,383	15,234	15,510	15,179	15,491	Immovable properties	40	37
Changes of repayment conditions	24,432	28,701	21,398	21,082	21,293	20,982			
Total	25,572	31,085	36,748	36,717	36,588	36,598			

During the years ended 31 December 2016 and 2015, troubled debt restructuring compared with total loans including loans to financial institutions were as follows:

	Consolidated			
	2016		2015	
	No. of accounts	Outstanding debts	No. of accounts	Outstanding debts
	<i>(in million Baht)</i>		<i>(in million Baht)</i>	
Troubled debt restructured during the years ended 31 December	25,572	36,748	31,085	36,717
Total loans including loans to financial institutions	1,240,967	2,160,734	1,209,336	2,045,257

	The Bank			
	2016		2015	
	No. of accounts	Outstanding debts	No. of accounts	Outstanding debts
	<i>(in million Baht)</i>		<i>(in million Baht)</i>	
Troubled debt restructured during the years ended 31 December	25,572	36,748	31,085	36,717
Total loans including loans to financial institutions	1,111,312	2,140,503	1,101,009	2,026,343

The average term of troubled debt restructured as of 31 December 2016 is 10.0 years (2015: 11.1 years).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

As at 31 December 2016 and 2015, the Bank and its subsidiaries had outstanding balances relating to troubled debt restructured loans as follows:

	Consolidated and the Bank			
	2016		2015	
	No. of accounts	Outstanding debts <i>(in million Baht)</i>	No. of accounts	Outstanding debts <i>(in million Baht)</i>
Restructured loans which were classified as NPL	3,047	9,651	3,407	6,535
Restructured loans which were not classified as NPL	<u>14,207</u>	<u>30,839</u>	<u>14,089</u>	<u>26,454</u>
Total	<u>17,254</u>	<u>40,490</u>	<u>17,496</u>	<u>32,989</u>

Supplementary information relating to restructured loans for the years ended 31 December 2016 and 2015 were as follows:

	Consolidated and the Bank	
	2016	2015
	<i>(in million Baht)</i>	
Interest income recognised in the statement of profit or loss and other comprehensive income	1,626	1,647

Revaluation allowance for debt restructuring

As at 31 December 2016 and 2015, the changes to the revaluation allowance for debt restructuring was as follows:

	Consolidated and the Bank	
	2016	2015
	<i>(in million Baht)</i>	
As at 1 January	354	21
Increase during the year	<u>3,650</u>	<u>333</u>
As at December	<u>4,004</u>	<u>354</u>

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

14 Disclosure of the statement of cash flows of the asset management company

In accordance with the BoT's letter number Sor Nor Sor (01) Wor 3258/2543 dated 27 November 2000, relating to the regulations of the asset management company (AMC), the Bank is required to disclose the statements of cash flows of the AMC in the notes to the financial statements. The statements of cash flows of Rutchayothin Assets Management Co., Ltd. were as follows:

Rutchayothin Assets Management Co., Ltd. Statement of cash flows

	For the year ended 31 December	
	2016 (Unaudited)	2015 (Audited)
	<i>(in million Baht)</i>	
Cash flows from operating activities		
(Loss) profit before tax	(2)	270
<i>Adjustment for</i>		
Reversal of impairment loss on loans and debt securities	(6)	(36)
Net gain on investments	-	(1)
	(8)	233
Net interest expense	7	14
(Loss) profit from operations before changes in operating assets and liabilities	(1)	247
<i>(Increase) decrease in operating assets</i>		
Intercompany and money market items	22	(36)
Investments	7	33
Other assets	-	1
<i>Increase (decrease) in operating liabilities</i>		
Debt issued and short-term borrowing	(27)	(247)
Accrued expense	(1)	1
Net cash used in operating activities	-	(1)
Cash flows from investing activities		
Proceeds from sales of general securities	-	1
Net cash from investing activities	-	1
Net increase in cash	-	-
Cash at 1 January	-	-
Cash at 31 December	-	-

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

15 Properties for sale, net

As at 31 December 2016 and 2015, the changes to the properties for sale, net were as follows:

	Consolidated			Ending balance
	Beginning balance	Additions	Disposals/ Decreases	
	2016			
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	10,798	1,940	(1,042)	11,696
Movable assets	226	7,202	(7,039)	389
Total	<u>11,024</u>	<u>9,142</u>	<u>(8,081)</u>	<u>12,085</u>
Others	131	292	(269)	154
Total properties for sale	<u>11,155</u>	<u>9,434</u>	<u>(8,350)</u>	<u>12,239</u>
Less allowance for impairment	<u>(597)</u>	<u>(58)</u>	<u>20</u>	<u>(635)</u>
Total properties for sale, net	<u>10,558</u>	<u>9,376</u>	<u>(8,330)</u>	<u>11,604</u>
	Consolidated			
	2015			
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	9,724	2,200	(1,126)	10,798
Movable assets	694	6,696	(7,164)	226
Total	<u>10,418</u>	<u>8,896</u>	<u>(8,290)</u>	<u>11,024</u>
Others	298	418	(585)	131
Total properties for sale	<u>10,716</u>	<u>9,314</u>	<u>(8,875)</u>	<u>11,155</u>
Less allowance for impairment	<u>(995)</u>	<u>-</u>	<u>398</u>	<u>(597)</u>
Total properties for sale, net	<u>9,721</u>	<u>9,314</u>	<u>(8,477)</u>	<u>10,558</u>
	The Bank			
	2016			
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets	10,792	1,937	(1,040)	11,689
Movable assets	225	7,202	(7,038)	389
Total	<u>11,017</u>	<u>9,139</u>	<u>(8,078)</u>	<u>12,078</u>
Others	131	292	(269)	154
Total properties for sale	<u>11,148</u>	<u>9,431</u>	<u>(8,347)</u>	<u>12,232</u>
Less allowance for impairment	<u>(594)</u>	<u>(58)</u>	<u>20</u>	<u>(632)</u>
Total properties for sale, net	<u>10,554</u>	<u>9,373</u>	<u>(8,327)</u>	<u>11,600</u>

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

	Beginning balance	The Bank 2015		Ending balance
		Additions	Disposals/ Decreases	
		<i>(in million Baht)</i>		
Foreclosed assets				
Immovable assets	9,710	2,200	(1,118)	10,792
Movable assets	693	6,696	(7,164)	225
Total	10,403	8,896	(8,282)	11,017
Others	299	418	(586)	131
Total properties for sale	10,702	9,314	(8,868)	11,148
Less allowance for impairment	(991)	-	397	(594)
Total properties for sale, net	9,711	9,314	(8,471)	10,554

The losses on sales of properties for sale recognised in the consolidated profit or loss for the years ended 31 December 2016 and 2015 were Baht 484 million and Baht 1,085 million respectively, and for the Bank's profit or loss were Baht 482 million and Baht 1,085 million, respectively.

Immovable assets for sale classified by internal appraisers as at 31 December 2016 and 2015 were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Foreclosed assets				
Immovable assets				
Appraised by internal appraisers	11,696	10,798	11,689	10,792
Total	11,696	10,798	11,689	10,792

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

16 Premises and equipment, net

As at 31 December 2016 and 2015, the changes to the premises and equipment, net were as follows:

	Cost				Consolidated 2016 Accumulated depreciation			Ending balance	Allowance for impairment	Net balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Depreciation	Disposals			
Land										
Cost	5,858	-	(9)	5,849	-	-	-	-	(146)	5,703
Appraisal *	13,435	-	(48)	13,387	-	-	-	-	-	13,387
Premises and building improvements										
Cost	17,660	736	(66)	18,330	(8,228)	(409)	56	(8,581)	(176)	9,573
Appraisal *	9,225	-	(5)	9,220	(1,489)	(367)	-	(1,856)	(17)	7,347
Equipment	19,975	2,819	(1,484)	21,310	(16,781)	(1,472)	1,491	(16,762)	-	4,548
Others	672	2,789	(3,131)	330	-	-	-	-	-	330
Total	66,825	6,344	(4,743)	68,426	(26,498)	(2,248)	1,547	(27,199)	(339)	40,888

* Appraisal values are based on valuations completed in 2015 for the Bank and its subsidiaries

Depreciation presented in the consolidated profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 2,248 million and Baht 2,216 million, respectively.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	Cost					Consolidated 2015 Accumulated depreciation					Allowance for impairment	Net balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Transfer in from subsidiary	Ending balance	Beginning balance <i>(in million Baht)</i>	Depreciation	Disposals	Transfer in from subsidiary	Ending balance		
Land												
Cost	5,855	14	(11)	-	5,858	-	-	-	-	-	(146)	5,712
Appraisal *	8,050	5,387	(2)	-	13,435	-	-	-	-	-	-	13,435
Premises and building improvements												
Cost	17,272	723	(335)	-	17,660	(7,844)	(641)	257	-	(8,228)	(176)	9,256
Appraisal *	8,790	441	(6)	-	9,225	(1,207)	(283)	1	-	(1,489)	(17)	7,719
Equipment	18,769	1,654	(527)	79	19,975	(15,840)	(1,292)	427	(76)	(16,781)	-	3,194
Others	438	1,193	(960)	1	672	-	-	-	-	-	-	672
Total	59,174	9,412	(1,841)	80	66,825	(24,891)	(2,216)	685	(76)	(26,498)	(339)	39,988

* Appraisal values are based on valuations completed in 2015 for the Bank and its subsidiaries

The gross amount of the Bank and its subsidiaries' fully depreciated premises and equipment that were still in use as at 31 December 2016 amounted to Baht 22,025 million (2015: Baht 21,885 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	Cost					The Bank 2016 Accumulated depreciation					Allowance for impairment	Net balance
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Transfer in from subsidiary	Ending balance	Beginning balance	Depreciation	Disposals	Transfer in from subsidiary	Ending balance		
Land												
Cost	5,662	-	(8)	-	5,654	-	-	-	-	-	(145)	5,509
Appraisal *	12,792	-	(48)	-	12,744	-	-	-	-	-	-	12,744
Premises and building improvements												
Cost	17,127	707	(64)	-	17,770	(7,870)	(388)	54	-	(8,204)	(176)	9,390
Appraisal *	9,126	-	(5)	-	9,121	(1,466)	(363)	-	-	(1,829)	-	7,292
Equipment	18,881	2,763	(1,313)	79	20,410	(15,894)	(1,330)	1,270	(76)	(16,030)	-	4,380
Others	676	2,785	(3,130)	1	332	-	-	-	-	-	-	332
Total	64,264	6,255	(4,568)	80	66,031	(25,230)	(2,081)	1,324	(76)	(26,063)	(321)	39,647

* Appraisal values are based on valuations completed in 2015

Depreciation presented in the Bank's profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 2,081 million and Baht 2,112 million, respectively.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank										
	2015										
	Beginning balance	Cost		Disposals/ Transfer out	Ending balance	Beginning balance	Accumulated depreciation		Ending balance	Allowance for impairment	Net balance
Additions/ Transfer in			Depreciation				Disposals				
<i>(in million Baht)</i>											
Land											
Cost	5,665	-	(3)	5,662	-	-	-	-	(145)	5,517	
Appraisal *	7,478	5,316	(2)	12,792	-	-	-	-	-	12,792	
Premises and building improvements											
Cost	16,808	645	(326)	17,127	(7,505)	(616)	251	(7,870)	(176)	9,081	
Appraisal *	8,711	421	(6)	9,126	(1,189)	(278)	1	(1,466)	-	7,660	
Equipment	17,728	1,601	(448)	18,881	(15,042)	(1,218)	366	(15,894)	-	2,987	
Others	443	1,193	(960)	676	-	-	-	-	-	676	
Total	56,833	9,176	(1,745)	64,264	(23,736)	(2,112)	618	(25,230)	(321)	38,713	

* Appraisal values are based on valuations completed in 2015

The gross amount of the Bank's fully depreciated premises and equipment that were still in use as at 31 December 2016 amounted to Baht 21,267 million (2015: Baht 20,860 million).

The fair value of land and premises was determined by external independent property valuers with appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of land and premises was determined by the independent valuers using the market approach for land and the depreciated replacement cost approach for premises, all of which are categorised as Level 3 in the fair value hierarchy.

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

17 Goodwill and other intangible assets, net

As at 31 December 2016 and 2015, the changes to the goodwill and other intangible assets, net were as follows:

	Consolidated									
	2016					2016				
	Cost					Accumulated amortisation				
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Ending balance	Beginning balance	Amortisations	Disposals	Ending balance	Impairment	Net balance
	<i>(in million Baht)</i>									
Goodwill	10,135	-	-	10,135	-	-	-	-	-	10,135
Software licenses	6,112	1,186	(51)	7,247	(4,733)	(599)	39	(5,293)	(94)	1,860
Software under installation	516	1,002	-	1,518	-	-	-	-	-	1,518
Others	8	-	-	8	(7)	-	-	(7)	-	1
Total	16,771	2,188	(51)	18,908	(4,740)	(599)	39	(5,300)	(94)	13,514

Amortisation presented in the consolidated profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 599 million and Baht 501 million, respectively.

	Consolidated										
	2015					2015					
	Cost					Accumulated amortisation					
	Beginning balance	Additions/ Transfer in	Disposals/ Transfer out	Transfer in from subsidiary	Ending balance	Beginning balance	Amortisations	Disposals	Transfer in from subsidiary	Ending balance	Net balance
	<i>(in million Baht)</i>										
Goodwill	9,669	466	-	-	10,135	-	-	-	-	-	10,135
Software licenses	5,532	665	(116)	31	6,112	(4,217)	(499)	7	(24)	(4,733)	1,379
Software under installation	392	240	(116)	-	516	-	-	-	-	-	516
Others	35	-	(27)	-	8	(5)	(2)	-	-	(7)	1
Total	15,628	1,371	(259)	31	16,771	(4,222)	(501)	7	(24)	(4,740)	12,031

The gross amount of the Bank and its subsidiaries' fully amortised intangible assets that were still in use as at 31 December 2016 amounted to Baht 3,634 million (2015: Baht 3,617 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank								
	Cost			2016					
	Beginning balance	Additions/ Transfer in	Transfer in from subsidiary	Ending balance	Accumulated amortisation			Net balance	
				Beginning balance	Amortisations	Ending balance			
				<i>(in million Baht)</i>					
Goodwill	804	-	466	1,270	-	-	-	1,270	
Software licenses	5,228	1,122	-	6,350	(4,241)	(510)	(4,751)	1,599	
Software under installation	459	937	-	1,396	-	-	-	1,396	
Total	6,491	2,059	466	9,016	(4,241)	(510)	(4,751)	4,265	

Amortisation presented in the Bank's profit or loss for the years ended 31 December 2016 and 2015 amounted to Baht 510 million and Baht 424 million, respectively.

	The Bank							
	Cost			2015				
	Beginning balance	Additions/ Transfer in	Ending balance	Accumulated amortisation			Net balance	
			Beginning balance	Amortisations	Ending balance			
				<i>(in million Baht)</i>				
Goodwill	804	-	804	-	-	-	804	
Software licenses	4,833	395	5,228	(3,817)	(424)	(4,241)	987	
Software under installation	311	148	459	-	-	-	459	
Total	5,948	543	6,491	(3,817)	(424)	(4,241)	2,250	

The gross amount of the Bank's fully amortised intangible assets that were still in use as at 31 December 2016 amounted to Baht 3,483 million (2015: Baht 3,494 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

18 Assets pending transfer

As at 31 December 2016 and 2015, assets pending transfer were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Pending for E-Banking receivables	1,076	1,168	1,076	1,168
Sundry receivables	707	561	778	646
Prepayment of option premium	336	309	336	309
Others	252	230	252	230
Total	2,371	2,268	2,442	2,353

19 Other assets, net

As at 31 December 2016 and 2015, other assets, net were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Collateral per Credit Support Annex	13,467	19,602	13,467	19,602
Prepaid expenses	3,707	4,258	3,648	4,196
Securities business receivables and receivables from clearing house	3,168	2,945	-	-
Receivable from sales of NPL	2,564	1,870	2,564	1,870
Accrued interest on investment and interest rate derivatives	1,976	2,086	655	765
Accrued service income	836	849	2,175	2,006
Net inter-account balance	666	415	666	487
Others	4,741	5,277	2,456	3,167
Total	31,125	37,302	25,631	32,093

20 Deposits

20.1 Classified by product as at 31 December 2016 and 2015:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Demand	61,585	57,136	60,582	56,292
Savings	1,148,768	1,106,016	1,145,554	1,101,596
Fixed				
- Less than 6 months	201,141	221,323	200,544	221,014
- 6 months and less than 1 year	392,309	300,657	392,305	300,631
- Over 1 year	222,469	205,597	222,469	205,371
Total	2,026,272	1,890,729	2,021,454	1,884,904

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

20.2 Classified by currency and residence of customer as at 31 December 2016 and 2015

	Consolidated					
	2016		2015			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	1,954,081	476	1,954,557	1,797,211	700	1,797,911
US Dollar	59,607	9,406	69,013	79,127	10,642	89,769
Other currencies	1,553	1,149	2,702	1,986	1,063	3,049
Total	<u>2,015,241</u>	<u>11,031</u>	<u>2,026,272</u>	<u>1,878,324</u>	<u>12,405</u>	<u>1,890,729</u>

	The Bank					
	2016		2015			
	Domestic	Foreign	Total	Domestic	Foreign	Total
	<i>(in million Baht)</i>					
Baht	1,954,939	459	1,955,398	1,797,899	671	1,798,570
US Dollar	59,607	3,752	63,359	79,127	4,554	83,681
Other currencies	1,553	1,144	2,697	1,986	667	2,653
Total	<u>2,016,099</u>	<u>5,355</u>	<u>2,021,454</u>	<u>1,879,012</u>	<u>5,892</u>	<u>1,884,904</u>

21 Interbank and money market items (Liabilities)

As at 31 December 2016 and 2015, interbank and money market items (Liabilities) were as follows:

	Consolidated					
	2016		2015			
	Demand	Time	Total	Demand	Time	Total
	<i>(in million Baht)</i>					
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	-	17,830	17,830	-	22,110	22,110
Commercial banks	1,541	22,850	24,391	1,550	33,300	34,850
Specialised financial institutions*	88	32,483	32,571	1,577	46,165	47,742
Other financial institutions**	13,805	7,031	20,836	12,917	6,367	19,284
Total domestic items	<u>15,434</u>	<u>80,194</u>	<u>95,628</u>	<u>16,044</u>	<u>107,942</u>	<u>123,986</u>
Foreign items:						
US Dollar	677	1,791	2,468	3,295	12,631	15,926
Japanese Yen	-	-	-	1	-	1
Euro	247	-	247	622	-	622
Other currencies	2,610	-	2,610	2,402	-	2,402
Total foreign items	<u>3,534</u>	<u>1,791</u>	<u>5,325</u>	<u>6,320</u>	<u>12,631</u>	<u>18,951</u>
Total domestic and foreign items	<u>18,968</u>	<u>81,985</u>	<u>100,953</u>	<u>22,364</u>	<u>120,573</u>	<u>142,937</u>

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank					
	Demand	2016 Time	Total	Demand	2015 Time	Total
	<i>(in million Baht)</i>					
Domestic items:						
Bank of Thailand and Financial Institutions Development Fund	-	17,830	17,830	-	22,110	22,110
Commercial banks	1,541	22,850	24,391	1,550	33,300	34,850
Specialised financial institutions*	88	32,483	32,571	1,577	46,165	47,742
Other financial institutions**	15,987	7,481	23,468	15,621	6,367	21,988
Total domestic items	17,616	80,644	98,260	18,748	107,942	126,690
Foreign items:						
US Dollar	853	1,791	2,644	3,345	12,631	15,976
Japanese Yen	-	-	-	1	-	1
Euro	247	-	247	622	-	622
Other currencies	2,628	-	2,628	2,429	-	2,429
Total foreign items	3,728	1,791	5,519	6,397	12,631	19,028
Total domestic and foreign items	21,344	82,435	103,779	25,145	120,573	145,718

* Specialised financial institutions mean financial institutions which operate under specific development mandates such as the Small and Medium Enterprise Development Bank of Thailand, Bank for Agriculture and Agricultural Co-operatives, Export-Import Bank of Thailand, Government Savings Banks, Government Housings Bank, Islamic Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation

** Other financial institutions mean financial institutions which have a license to offer interest on loans under the Finance Institution Act and, excluding those itemised separately above, such as Finance companies, Securities companies, Credit foncier companies, Life insurance companies, Cooperatives, the Federation of Savings and Credit Cooperatives of Thailand Limited and the Credit Union League of Thailand Limited

22 Debt issued and borrowings

As at 31 December 2016 and 2015, debt issued and borrowings were as follows:

	Interest rate (%)	Year of maturity	Consolidated					Total
			Domestic	2016 Foreign	Total	Domestic	2015 Foreign	
<i>(in million Baht)</i>								
Bonds								
- US Dollar	3.38 - 3.50	2017 - 2019	-	65,573	65,573	-	80,549	80,549
- Baht	1.03 - 1.16	2017	267	-	267	-	-	-
Subordinated bonds								
- Baht	4.50 - 4.65	2022 - 2024	40,000	-	40,000	40,000	-	40,000
Structured notes								
- Baht	0.41 - 0.75	2017	914	-	914	508	-	508
Others			84	-	84	107	-	107
Total			41,265	65,573	106,838	40,615	80,549	121,164

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

	Interest rate (%)	Year of maturity	The Bank					
			Domestic	2016 Foreign	Total (in million Baht)	Domestic	2015 Foreign	Total
Bonds								
- US Dollar	3.38 - 3.50	2017 - 2019	-	66,302	66,302	-	81,279	81,279
- Baht	1.03 - 1.16	2017	267	-	267	-	-	-
Subordinated bonds								
- Baht	4.50 - 4.65	2022 - 2024	40,000	-	40,000	40,000	-	40,000
Others			84	-	84	107	-	107
Total			40,351	66,302	106,653	40,107	81,279	121,386

23 Provisions

As at 31 December 2016 and 2015, provisions were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Reserve for pension and gratuity	4,541	4,315	4,206	3,975
Reserve for reward points	2,579	2,569	2,575	2,563
Possible loss from legal cases	227	227	221	221
Provisions for commitments as off-financial reporting items	115	115	115	115
Others	-	2	-	2
Total	7,462	7,228	7,117	6,876

Pension and other post-retirement employee benefits

The Bank operates a number of pension and post-retirement benefit plans including both defined contribution plans and defined benefit plans. All defined benefit plans are unfunded.

Present value of unfunded obligations as at 31 December 2016 and 2015 were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Severance Payment (SP) benefits scheme	3,728	3,549	3,445	3,257
Other schemes	813	766	761	718
Total present value of unfunded obligations	4,541	4,315	4,206	3,975

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Movement in the present value of the defined benefit obligations.

	Consolidated			
	2016		2015	
	SP	Others	SP	Others
	<i>(in million Baht)</i>			
Defined benefit obligations at 1 January	3,549	766	2,630	724
Included in profit or loss:				
Current service cost	287	34	279	45
Interest on obligation	124	27	119	29
Actuarial gain	-	-	-	(37)
	<u>411</u>	<u>61</u>	<u>398</u>	<u>37</u>
Included in other comprehensive income				
Actuarial loss	-	-	619	9
	<u>-</u>	<u>-</u>	<u>619</u>	<u>9</u>
Others				
Transfer out	-	-	(4)	-
Benefits paid	(232)	(14)	(94)	(4)
	<u>(232)</u>	<u>(14)</u>	<u>(98)</u>	<u>(4)</u>
Defined benefit obligations at 31 December	<u>3,728</u>	<u>813</u>	<u>3,549</u>	<u>766</u>

	The Bank			
	2016		2015	
	SP	Others	SP	Others
	<i>(in million Baht)</i>			
Defined benefit obligations at 1 January	3,257	718	2,394	685
Included in profit or loss:				
Current service cost	252	30	251	40
Interest on obligation	116	25	110	28
Actuarial gain	-	-	-	(37)
	<u>368</u>	<u>55</u>	<u>361</u>	<u>31</u>
Included in other comprehensive income				
Actuarial loss	-	-	586	3
	<u>-</u>	<u>-</u>	<u>586</u>	<u>3</u>
Others				
Transfer in (out)	30	-	(4)	-
Benefits paid	(210)	(12)	(80)	(1)
	<u>(180)</u>	<u>(12)</u>	<u>(84)</u>	<u>(1)</u>
Defined benefit obligations at 31 December	<u>3,445</u>	<u>761</u>	<u>3,257</u>	<u>718</u>

Actuarial losses recognised in other comprehensive income arising from:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Financial assumptions	-	247	-	231
Experience adjustment	-	60	-	37
Other	-	321	-	321
Total	<u>-</u>	<u>628</u>	<u>-</u>	<u>589</u>

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

	Consolidated and the Bank	
	2016	2015
	(%)	
Discount rate	3.6	3.6
Future salary growth	5.5 - 10.0	5.5 - 10.0
Medical cost trend rate	4.0 - 4.8	4.0 - 4.8
Price inflation rate	3.0	3.0
Gold price inflation rate	3.5	3.5

Assumptions regarding future mortality have been based on published statistics and mortality tables.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	Consolidated		The Bank	
	Increase	Decrease	Increase	Decrease
Defined benefit obligations at 31 December 2016	<i>(in million Baht)</i>			
Discount rate (1% movement)	(528)	645	(490)	599
Future salary growth (1% movement)	449	(387)	409	(352)

	Consolidated		The Bank	
	Increase	Decrease	Increase	Decrease
Defined benefit obligations at 31 December 2015	<i>(in million Baht)</i>			
Discount rate (1% movement)	(501)	611	(466)	570
Future salary growth (1% movement)	427	(367)	390	(335)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Post-employee benefit expenses included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Recognised in profit or loss:				
Defined contribution plans	1,010	949	897	834
Defined benefit plans	472	435	423	392
Total post-employment benefit expenses	<u>1,482</u>	<u>1,384</u>	<u>1,320</u>	<u>1,226</u>
Recognised in other comprehensive income:				
Actuarial losses recognised in the year	<u>-</u>	<u>628</u>	<u>-</u>	<u>589</u>

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

24 Liabilities under insurance contracts

As at 31 December 2016 and 2015, liabilities under insurance contracts were as follows:

	Consolidated	
	2016	2015
	<i>(in million Baht)</i>	
SCB Life Assurance PCL		
Long-term technical reserves	215,958	183,717
Short-term technical reserves	1,036	1,062
Total	<u>216,994</u>	<u>184,779</u>

Liabilities under insurance contracts for SCB life Assurance PCL are calculated as described in note 4.28.

Long-term technical reserves

	Consolidated	
	2016	2015
	<i>(in million Baht)</i>	
At 1 January	183,717	150,702
Reserve increase from new and inforce policies in the year	43,720	42,548
Reserve released for benefit payments, lapse and cancellation in the year	(11,479)	(9,533)
At 31 December	<u>215,958</u>	<u>183,717</u>

25 Liabilities pending transfer

As at 31 December 2016 and 2015, liabilities pending transfer were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Pending for payment E-banking	5,430	6,472	5,430	6,472
Other payables	4,802	1,538	4,795	1,550
Others	3,239	3,535	3,203	3,457
Total	<u>13,471</u>	<u>11,545</u>	<u>13,428</u>	<u>11,479</u>

26 Other liabilities

As at 31 December 2016 and 2015, other liabilities were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Accrued expenses	19,053	18,164	15,761	14,571
Other payable per Credit Support Annex	9,573	1,667	9,573	1,667
Interest payable	5,014	6,789	5,029	6,810
Securities business payables and payables to clearing house	2,892	2,640	-	-
Withholding tax payable	675	722	546	603
Margin deposits	965	236	942	213
Others	1,430	2,182	1,084	1,939
Total	<u>39,602</u>	<u>32,400</u>	<u>32,935</u>	<u>25,803</u>

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

27 Share capital

All preference shares had a period of 10 years, which expired on 10 May 2009. Hence, rights of preference shareholders has been the same as those of the ordinary shareholders since then.

Holders of preference shares are entitled to convert the shares they hold into ordinary shares, with the conversion ratio of 1:1. The holders of ordinary shares and preferred shares are entitled to receive dividends as declared, and are entitled to one vote per share at the shareholders' meeting of the Bank.

28 Reserves

Reserves comprise:

Appropriations of profit and/or retained earnings

Legal reserves

Under the Public Companies Act, the Bank and its subsidiaries, which are public companies are required to set aside as a legal reserve at least 5% of their net profit, net of accumulated deficit brought forward (if any), until the reserve is not less than 10% of the registered capital. The legal reserve is not available for dividend distribution.

According to the Civil and Commercial Code, subsidiaries which are private companies must appropriate to a reserve fund at each distribution of dividend at least 5% of the profit arising from the business of the Company until the reserve fund reaches 10% of the capital of the Company. Such reserve fund is not available for distribution as dividend.

Other reserves

Fair value changes in available-for-sale investments

The fair value changes in available-for-sale investments account comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

Currency translation differences

The currency translation differences account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Valuation surplus

The valuation surplus account comprises the cumulative net change in the valuation of premises included in the financial statements at valuation until such premises are sold or otherwise disposed of.

Movements in reserves

Movements in reserves are shown in the statement of changes in equity.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

29 Dividends

The Board of Director Meeting held on 23 August 2016 passed a resolution approving an interim dividend payment in respect of the half-year result of 2016 of Baht 1.50 per share, amounting to Baht 5,099 million. The dividend was paid to shareholder on 16 September 2016.

At the annual general meeting of the shareholders of the Bank held on 5 April 2016, the shareholders approved the appropriation of dividend of Baht 4.00 per share, amounting to Baht 13,597 million. The dividend was paid to shareholders on 3 May 2016.

The Board of Director Meeting held on 25 August 2015 passed a resolution approving an interim dividend payment in respect of the half-year result of 2015 of Baht 1.50 per share, amounting to Baht 5,099 million. The dividend was paid to shareholder on 18 September 2015.

At the annual general meeting of the shareholders of the Bank held on 2 April 2015, the shareholders approved the appropriation of dividend of Baht 4.50 per share, amounting to Baht 15,296 million. The dividend was paid to shareholders on 30 April 2015.

30 Assets pledged as collateral and under restriction

As at 31 December 2016 and 2015, assets pledged as collateral and under restriction were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Investments				
Securities pledged as collateral for repurchase	21,570	42,636	21,570	42,636
Others	43,550	35,191	167	272
Total	65,120	77,827	21,737	42,908

31 Contingencies

As at 31 December 2016 and 2015, contingencies were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Avals to bills	9,505	5,754	9,505	5,754
Guarantees of loans	19,442	248	18,627	110
Liability under unmatured import bills	10,403	8,228	10,403	8,228
Letters of credit	24,152	27,775	23,961	27,567
Other contingencies				
- Amount of unused bank overdrafts	165,963	156,991	165,176	156,255
- Other guarantees	165,493	178,458	164,386	176,498
- Receivables / payables from investments	3,972	7,383	3,474	7,383
- Others	28,526	38,132	23,526	35,584
Total	427,456	422,969	419,058	417,379

As at 31 December 2016, the Bank had commitments of Baht 3 million, in connection with finance companies whose operations were closed down permanently by the Ministry of Finance on 8 December 1997 (2015: Baht 3 million).

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

32 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank and its subsidiaries if the Bank and its subsidiaries have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and its subsidiaries and the party are subject to common control or common significant influence. Related parties may be individuals or juristic entities.

The Bank has business transactions with related parties or persons. Interest rate for staff loans under the staff welfare scheme is charged in accordance with the Bank's regulations for such loans. Interest rate and other pricing for other related parties are at the same rate as in the normal course of business with the same business conditions as general customers. For other income and expenses are charged at market price as normal business or the price as stipulated in the agreement. Transactions with related parties or persons were as follows:

32.1 Loans, deposits, borrowings and contingencies

Loans, deposits, borrowings and contingencies to related parties or persons as at 31 December 2016 and 2015 were as follows:

	Consolidated							
	2016				2015			
	Loans*	Deposits	Borrowings	Contingencies	Loans*	Deposits	Borrowings	Contingencies
	<i>(in million Baht)</i>							
Associate	1,907	378	-	-	-	692	-	-
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	2	-	-	-	1
Major shareholders (more than 10% ownership)	-	10,372	-	-	-	8,216	-	-
Entities in which the directors, management or close members of their families have significant influence	88	514	178	106	11	655	1	107
Directors and key executive officers	169	1,166	13	-	122	712	19	-
Total	2,164	12,430	191	108	133	10,275	20	108

* Net of provision (1%)

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank							
	2016				2015			
	Loans*	Deposits	Borrow-ings	Contin-gencies	Loans*	Deposits	Borrow-ings	Contin-gencies
	<i>(in million Baht)</i>							
Subsidiaries								
Finance & Insurance	-	2,126	2,140	14,938	-	2,012	1,727	13,151
Others	-	145	-	-	-	460	-	-
Total subsidiaries	-	2,271	2,140	14,938	-	2,472	1,727	13,151
Associate	1,907	378	-	-	-	692	-	-
Related companies (Shareholding through other companies' debt restructuring process)	-	-	-	2	-	-	-	1
Major shareholders (more than 10% ownership)	-	10,372	-	-	-	8,216	-	-
Entities in which the directors, management or close members of their families have significant influence	88	514	178	106	11	655	1	107
Directors and key executive officers	169	1,166	13	-	122	712	19	-
Total	2,164	14,701	2,331	15,046	133	12,747	1,747	13,259

* Net of provision (1%)

32.2 Income and expenses

Significant income and expenses between the Bank and its subsidiaries, associate and related companies for the years ended 31 December 2016 and 2015 were as follows:

	Consolidated							
	2016				2015			
	Income		Expenses		Income		Expenses	
	Interest	Others	Interest	Others	Interest	Others	Interest	Others
	<i>(in million Baht)</i>							
Associate	-	10	6	-	-	-	4	-
Major shareholders	-	-	143	23	-	4,289	226	22
	The Bank							
	2016				2015			
	Income		Expenses		Income		Expenses	
	Interest	Others	Interest	Others	Interest	Others	Interest	Others
	<i>(in million Baht)</i>							
Subsidiaries	7	12,617	55	2,702	14	12,909	89	2,499
Associate	-	10	6	-	-	-	4	-
Major shareholders	-	-	143	23	-	4,289	226	22

On 24 September 2015, the Bank sold 9,070,600 common shares held by the Bank in the Siam Cement Public Company Limited to the Crown Property Bureau, which is a related party. The selling price was based on prevailing market prices to reflect an arm's length basis. Sales proceeds amounted to Baht 4.5 billion and a gain on investment of Baht 4.3 billion has been recorded in 2015.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

33 Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, holding the position of Executive Vice President or higher.

The Bank has not paid benefits to directors and executives other than the benefits that are normally paid such as meeting allowances, reward, salary, bonus, cost of living allowance, transportation charges and fringe benefits according to the Bank's regulations.

<i>For the year ended 31 December</i>	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Short-term employee benefits	1,686	1,617	1,389	1,335
Post-employment benefits	95	49	93	46
Total	1,781	1,666	1,482	1,381

34 Operating leases

Leases as lessee

The Bank and its subsidiaries lease a number of branch offices rental, foreign exchange booths, ATM rental areas, cars and office equipment under operating lease. The leases typically run for an average period of 5 years, with an option to renew the lease after maturity date.

The branch offices rental, foreign exchange booths, ATM rental areas, cars, and office equipment were entered into many years ago as combined leases of land, buildings, vehicles, and equipment which were classified to operating leases. The rent paid to the lessors are adjusted to market rentals at regular intervals, and the Bank and its subsidiaries do not have an interest in the residual value of the rental assets. As a result, it was determined that substantially all of the risks and rewards of the rental assets are with the lessors.

(a) *Future minimum lease payments*

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows.

Type of lease	Period	Consolidated		The Bank	
		2016	2015	2016	2015
		<i>(in million Baht)</i>			
Land and/or premises	Within 1 year	2,046	1,974	1,951	1,850
	1 - 5 years	1,668	1,617	1,520	1,576
	Over 5 years	219	192	219	192
Equipment	Within 1 year	163	83	163	82
Vehicles	Within 1 year	214	209	206	196
	1 - 5 years	562	617	551	599
	Over 5 years	80	-	80	-

(b) *Amount recognised in profit or loss*

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Lease expense	2,658	2,502	2,658	2,513

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

35 Operating segments

As at 31 December 2016 and 2015, operating segments were as follows:

Information on the Bank's operating model and business segments is set out in the annual report. Specifically, the Bank has four main lines of business: the Corporate Segment which serves corporate and commercial customers; the SME Segment which serves SME customers; the Retail Segment which serves individuals and small businesses; and the Special Business Function which is responsible for NPL resolution. In addition, the Bank has three major subsidiaries: SCB Securities Co., Ltd., SCB Asset Management Co., Ltd. and SCB Life Assurance PCL.

In the information provided below, the results of subsidiaries together with the income from the Banks' investments, interbank and money market, that is not allocated to a specific business unit, are presented under the "Life Insurance" and "Others" column. The results of the Special Business unit are allocated back to the line of business from which the workout assets were transferred. With respect to fee income earned by subsidiaries, it is allocated to the appropriate line of business (Corporate Segment, SME Segment or Retail Segment) in the Management Discussion and Analysis that accompanies the financial statements but is stated under "Life Insurance" and "Others" in the analysis below. Finally, operating expenses are both direct and indirect business expenses of each line of business as well as allocation of common expenses to these businesses.

The Bank has determined that the Chief Operating Decision Maker is the Executive Committee. Financial information of the business segments measured on a basis that is consistent with internal reporting was as follows:

<i>For the year ended 31 December 2016</i>	Corporate Segment	SME Segment	Consolidated		Others	Total
			Retail Segment	Life Insurance		
			<i>(in million Baht)</i>			
Net interest income	16,503	14,794	44,671	8,061	4,420	88,449
Net fees income & dividend and other income	9,501	6,206	26,351	3,197	(370)	44,885
Total operating income	26,004	21,000	71,022	11,258	4,050	133,334
Total operating expenses	(8,281)	(5,334)	(36,021)	(2,679)	671	(51,644)
Profit before impairment loss and income tax	17,723	15,666	35,001	8,579	4,721	81,690
Impairment loss and income tax						(34,021)
Net profit						47,669

<i>For the year ended 31 December 2015</i>	Corporate Segment	SME Segment	Consolidated		Others	Total
			Retail Segment	Life Insurance		
			<i>(in million Baht)</i>			
Net interest income	15,847	14,573	41,577	7,154	3,683	82,834
Net fees income & dividend and other income	10,035	6,318	26,192	3,784	8,095	54,424
Total operating income	25,882	20,891	67,769	10,938	11,778	137,258
Total operating expenses	(7,334)	(5,352)	(33,644)	(2,438)	(29)	(48,797)
Profit before impairment loss and income tax	18,548	15,539	34,125	8,500	11,749	88,461
Impairment loss and income tax						(41,221)
Net profit						47,240

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	Consolidated					Total
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	
	2016					
	<i>(in million Baht)</i>					
Investment in associate	-	-	-	-	334	334
Loans*	708,683	364,940	856,276	7,351	1,798	1,939,048
Total assets	806,011	332,260	835,864	248,340	690,548	2,913,023
Total liabilities	580,158	172,850	1,348,848	223,144	253,725	2,578,725

	Consolidated					Total
	Corporate Segment	SME Segment	Retail Segment	Life Insurance	Others	
	2015					
	<i>(in million Baht)</i>					
Investment in associate	-	-	-	-	344	344
Loans*	640,876	357,193	824,319	5,487	5,531	1,833,406
Total assets	740,022	331,048	804,400	212,491	686,348	2,774,309
Total liabilities	604,406	159,619	1,203,067	191,053	308,471	2,466,616

* Net of deferred revenue

36 The financial position and results of operations classified by domestic and foreign business

36.1 As at 31 December 2016 and 2015, the financial position classified by domestic and foreign business was as follows:

	2016			Consolidated				2015		
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total		
	<i>(in million Baht)</i>									
Total assets	2,871,674	89,275	(47,926)	2,913,023	2,704,384	112,710	(42,785)	2,774,309		
Interbank and money market items, net (Assets)	247,262	10,188	(194)	257,256	233,400	27,620	(77)	260,943		
Investments, net *	587,405	3,516	-	590,921	536,129	870	-	536,999		
Loans to customers and accrued interest receivables, net	1,847,244	18,575	-	1,865,819	1,746,380	26,794	-	1,773,174		
Deposits	2,015,822	10,450	-	2,026,272	1,877,221	13,508	-	1,890,729		
Interbank and money market items (Liabilities)	99,356	1,791	(194)	100,953	130,383	12,631	(77)	142,937		
Debt issued and borrowings	41,265	65,573	-	106,838	40,615	80,549	-	121,164		

* Includes net investments in subsidiaries and associate

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	The Bank							
	2016				2015			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Total assets	2,627,878	81,296	(47,732)	2,661,442	2,497,559	102,575	(42,708)	2,557,426
Interbank and money market items, net (Assets)	238,481	5,421	-	243,902	224,735	21,757	-	246,492
Investments, net *	376,302	3,516	-	379,818	359,974	867	-	360,841
Loans to customers and accrued interest receivables, net	1,838,463	15,679	-	1,854,142	1,739,314	22,914	-	1,762,228
Deposits	2,016,678	4,776	-	2,021,454	1,877,909	6,995	-	1,884,904
Interbank and money market items (Liabilities)	101,988	1,791	-	103,779	133,087	12,631	-	145,718
Debt issued and borrowings	40,351	66,302	-	106,653	40,107	81,279	-	121,386

* Includes net investments in subsidiaries and associate

36.2 The results of operations classified by domestic and foreign business for the years ended 31 December 2016 and 2015 were as follows:

	Consolidated							
	2016				2015			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	121,387	3,451	(2,395)	122,443	121,298	3,576	(2,412)	122,462
Interest expense	(32,990)	(3,399)	2,395	(33,994)	(38,532)	(3,508)	2,412	(39,628)
Net interest income	88,397	52	-	88,449	82,766	68	-	82,834
Net fees and service income	28,336	78	-	28,414	27,022	53	-	27,075
Other operating income	16,381	90	-	16,471	27,290	59	-	27,349
Other operating expenses	(73,870)	(302)	-	(74,172)	(78,447)	(73)	-	(78,520)
Profit before tax	59,244	(82)	-	59,162	58,631	107	-	58,738

	The Bank							
	2016				2015			
	Domestic business	Foreign business	Elimination	Total	Domestic business	Foreign business	Elimination	Total
	<i>(in million Baht)</i>							
Interest income	113,291	3,248	(2,395)	114,144	114,007	3,438	(2,412)	115,033
Interest expense	(32,986)	(3,383)	2,395	(33,974)	(38,578)	(3,497)	2,412	(39,663)
Net interest income	80,305	(135)	-	80,170	75,429	(59)	-	75,370
Net fees and service income	31,679	17	-	31,696	30,703	(11)	-	30,692
Other operating income	11,379	76	-	11,455	20,703	46	-	20,749
Other operating expenses	(71,615)	(223)	-	(71,838)	(76,154)	5	-	(76,149)
Profit before tax	51,748	(265)	-	51,483	50,681	(19)	-	50,662

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

37 Interest income

Interest income included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Interbank and money market items	4,206	3,687	3,794	3,280
Investments and trading transactions	597	501	597	501
Investments in debt securities	12,230	12,372	4,831	5,733
Loans	94,844	95,729	94,356	95,346
Hire-purchase and finance leases	10,479	10,097	10,479	10,097
Others	87	76	87	76
Total	122,443	122,462	114,144	115,033

38 Interest expense

Interest expense included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Deposits	20,225	26,463	20,220	26,505
Interbank and money market items	1,034	1,078	1,049	1,085
Contributions to Deposit Protection Agency	8,810	8,584	8,810	8,584
Debt issued				
- Subordinated debentures	1,835	1,830	1,835	1,830
- Others	2,010	1,624	2,039	1,653
Borrowings	59	43	-	-
Others	21	6	21	6
Total	33,994	39,628	33,974	39,663

39 Net fees and service income

Net fees and service income included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Fees and service income				
- Acceptances, avals and guarantees	1,645	1,272	1,629	1,258
- ATM, Debit cards, Credit Cards and other banking electronic	11,965	12,099	11,980	12,115
- Others	20,769	19,333	23,000	22,151
Total fees and service income	34,379	32,704	36,609	35,524
Fees and service expense	(5,965)	(5,629)	(4,913)	(4,832)
Net fees and service income	28,414	27,075	31,696	30,692

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

40 Net trading income

Net trading income included in profit or loss for years ended 31 December 2016 and 2015 was as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Gain on trading and foreign exchange transactions				
- Foreign currencies and foreign currency related derivatives	5,161	7,520	5,228	7,126
- Interest rate related derivatives	1,223	402	1,223	402
- Debt securities	85	326	13	258
- Equity securities	245	66	83	13
- Others	-	1	-	1
Total	6,714	8,315	6,547	7,800

41 Net gain on investments

Net gain on investments included in profit or loss for the years ended 31 December 2016 and 2015 was as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Gain (loss) on sales				
- Available-for-sale securities	2,685	9,732	1,254	8,946
- Held-to-maturity securities	(191)	(188)	-	-
- General investments	2	-	2	-
Total	2,496	9,544	1,256	8,946
Gain (loss) on impairment				
- Available-for-sale securities	10	4	10	4
- General investments	-	(2)	-	(2)
- Investments in subsidiaries and associate	29	(156)	13	(357)
Total	39	(154)	23	(355)
Net gain on investments	2,535	9,390	1,279	8,591

42 Impairment loss on loans and debt securities

Bad debt, doubtful accounts and loss on debt restructuring included in profit or loss for the years ended 31 December 2016 and 2015 were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Interbank and money market items	(26)	(22)	(26)	(22)
Available-for-sale securities	-	(35)	-	(35)
Held-to-maturity securities	-	(19)	-	(19)
Loans to customers *	18,815	29,759	18,817	29,762
Loss on debt restructuring	3,739	40	3,739	40
Total	22,528	29,723	22,530	29,726

* Includes bad debt recovery

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

43 Income tax

Income tax recognised in profit or loss

<i>For the year ended 31 December</i>	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Current tax expense				
Current year	12,081	11,374	9,865	9,183
Deferred tax expense				
Movements in temporary differences	(588)	124	(547)	142
Total income tax expense	11,493	11,498	9,318	9,325

Income tax recognised in other comprehensive income

<i>For the year ended 31 December</i>	Consolidated					
	2016		2015		Tax	
	Before tax	Tax benefit	Net of tax	Before tax	benefit (expense)	Net of tax
	<i>(in million Baht)</i>					
Investments	(2,641)	531	(2,110)	(7,906)	1,484	(6,422)
Derivatives	(136)	27	(109)	(4)	1	(3)
Premises and equipment	(53)	11	(42)	5,823	(1,165)	4,658
Provisions	-	-	-	(628)	126	(502)
Total	(2,830)	569	(2,261)	(2,715)	446	(2,269)

<i>For the year ended 31 December</i>	The Bank					
	2016		2015		Tax	
	Before tax	Tax benefit	Net of tax	Before tax	benefit (expense)	Net of Tax
	<i>(in million Baht)</i>					
Investments	(122)	24	(98)	(6,271)	1,232	(5,039)
Derivatives	(51)	10	(41)	-	-	-
Premises and equipment	(53)	11	(42)	5,728	(1,146)	4,582
Provisions	-	-	-	(589)	118	(471)
Total	(226)	45	(181)	(1,132)	204	(928)

Reconciliation of effective tax rate

<i>For the year ended 31 December</i>	Consolidated			
	2016		2015	
	Rate (%)	(in million Baht)	Rate (%)	(in million Baht)
Profit before income tax expense		59,162		58,738
Income tax using the Thai corporation tax rate	20.0	11,832	20.0	11,748
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		(339)		(250)
Total	19.4	11,493	19.6	11,498

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

<i>For the year ended 31 December</i>	The Bank			
	Rate (%)	2016 (in million Baht)	Rate (%)	2015 (in million Baht)
Profit before income tax expense		<u>51,483</u>		<u>50,662</u>
Income tax using the Thai corporation tax rate	20.0	10,297	20.0	10,132
Tax effect of income and expenses that are not taxable income or not deductible in determining taxable profit, net		<u>(979)</u>		<u>(807)</u>
Total	<u>18.1</u>	<u>9,318</u>	<u>18.4</u>	<u>9,325</u>

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for the accounting periods which begins on or after 1 January 2016.

Deferred tax

Deferred tax assets and liabilities as at 31 December 2016 and 2015 were as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht)</i>			
Deferred tax assets	410	66	8	2
Deferred tax liabilities	<u>(2,328)</u>	<u>(3,141)</u>	<u>(2,186)</u>	<u>(2,772)</u>
Net	<u>(1,918)</u>	<u>(3,075)</u>	<u>(2,178)</u>	<u>(2,770)</u>

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

Movements in deferred tax assets and liabilities during for the years ended 31 December 2016 and 2015 were as follows:

	At 1 January 2016	Consolidated (Charged) / Credited to:		At 31 December 2016
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
<i>Deferred tax assets</i>				
Derivative assets	130	(69)	10	71
Investments	340	(5)	116	451
Investments in subsidiaries and associate	409	-	-	409
Loans to customers and accrued interest receivables	160	464	-	624
Properties for sale	119	8	-	127
Premises and equipment	1	-	-	1
Other intangible assets	84	(26)	-	58
Other assets	317	104	-	421
Derivative liabilities	279	2	(122)	159
Provisions	1,443	74	-	1,517
Liabilities under insurance contracts	36	8	-	44
Other liabilities	673	29	-	702
Total	3,991	589	4	4,584
<i>Deferred tax liabilities</i>				
Derivative assets	(311)	(5)	139	(177)
Investments	(1,206)	(12)	415	(803)
Loans to customers and accrued interest receivables	(449)	(52)	-	(501)
Premises and equipment	(5,061)	49	11	(5,001)
Other intangible assets	(16)	16	-	-
Other assets	(23)	3	-	(20)
Total	(7,066)	(1)	565	(6,502)
Net	(3,075)	588	569	(1,918)

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	At 1 January 2015	Consolidated (Charged) / Credited to:			At 31 December 2015
		Profit or loss	Other comprehensive income <i>(in million Baht)</i>	Retained earnings	
<i>Deferred tax assets</i>					
Derivative assets	-	32	-	98	130
Investments	231	(134)	243	-	340
Investments in subsidiaries and associate	376	33	-	-	409
Loans to customers and accrued interest receivables	103	57	-	-	160
Properties for sale	199	(80)	-	-	119
Premises and equipment	1	-	-	-	1
Other intangible assets	113	(29)	-	-	84
Other assets	10	307	-	-	317
Deposits	108	(108)	-	-	-
Derivative liabilities	28	6	245	-	279
Provisions	1,444	(127)	126	-	1,443
Liabilities under insurance contracts	33	3	-	-	36
Other liabilities	703	(30)	-	-	673
Total	3,349	(70)	614	98	3,991
<i>Deferred tax liabilities</i>					
Derivative assets	(66)	(1)	(244)	-	(311)
Investments	(2,463)	16	1,241	-	(1,206)
Loans to customers and accrued interest receivables	(400)	(49)	-	-	(449)
Premises and equipment	(3,861)	(35)	(1,165)	-	(5,061)
Other intangible assets	(21)	5	-	-	(16)
Other assets	(32)	9	-	-	(23)
Other liabilities	(1)	1	-	-	-
Total	(6,844)	(54)	(168)	-	(7,066)
Net	(3,495)	(124)	446	98	(3,075)

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

	At 1 January 2016	The Bank (Charged) / Credited to:		At 31 December 2016
		Profit or loss	Other comprehensive income	
		<i>(in million Baht)</i>		
<i>Deferred tax assets</i>				
Derivative assets	130	(69)	10	71
Investments	90	-	23	113
Investments in subsidiaries and associate	409	-	-	409
Loans to customers and accrued interest receivables	160	464	-	624
Properties for sale	119	7	-	126
Other intangible assets	84	(34)	-	50
Other assets	300	103	-	403
Provisions	1,375	49	-	1,424
Other liabilities	650	26	-	676
Total	3,317	546	33	3,896
<i>Deferred tax liabilities</i>				
Investments	(699)	3	1	(695)
Loans to customers and accrued interest receivables	(449)	(52)	-	(501)
Premises and equipment	(4,917)	48	11	(4,858)
Other assets	(22)	2	-	(20)
Total	(6,087)	1	12	(6,074)
Net	(2,770)	547	45	(2,178)

The Siam Commercial Bank Public Company Limited and its Subsidiaries
Notes to the financial statements
For the year ended 31 December 2016

	At 1 January 2015	The Bank (Charged) / Credited to:			At 31 December 2015
		Profit or loss	Other comprehensive income <i>(in million Baht)</i>	Retained earnings	
Deferred tax assets					
Derivative assets	-	32	-	98	130
Investments	213	(137)	14	-	90
Investments in subsidiaries and associate	376	33	-	-	409
Loans to customers and accrued interest receivables	103	57	-	-	160
Properties for sale	198	(79)	-	-	119
Other intangible assets	113	(29)	-	-	84
Other assets	-	300	-	-	300
Deposits	99	(99)	-	-	-
Provisions	1,378	(121)	118	-	1,375
Other liabilities	690	(40)	-	-	650
Total	3,170	(83)	132	98	3,317
Deferred tax liabilities					
Investments	(1,933)	16	1,218	-	(699)
Loans to customers and accrued interest receivables	(401)	(48)	-	-	(449)
Premises and equipment	(3,735)	(36)	(1,146)	-	(4,917)
Other assets	(31)	9	-	-	(22)
Total	(6,100)	(59)	72	-	(6,087)
Net	(2,930)	(142)	204	98	(2,770)

44 Basic earnings per share

Basic earnings per share in the consolidated and the Bank's financial statements for the years ended 31 December 2016 and 2015 were calculated as follows:

	Consolidated		The Bank	
	2016	2015	2016	2015
	<i>(in million Baht / million shares)</i>			
Profit attributable to ordinary shareholders of the Bank (basic)	47,612	47,182	42,165	41,337
Number of ordinary and preference shares outstanding	3,399	3,399	3,399	3,399
Earnings per share (basic) (in Baht)	14.01	13.88	12.40	12.16

45 Events after the reporting period

45.1 At the Board of Director Meeting held on 28 February 2017 passed a resolution approving an annual dividend payment in respect of the result of 2016. This resolution will be approved by the annual general meeting of the shareholders of the Bank on 11 April 2017.

45.2 On 26 January 2017, the Bank issued bond, with due in 2022, in the amount of USD 400 million. Interest is payable semi-annually at a fixed interest rate of 3.20% per annum.

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

45.3 On 13 January 2017, the Bank registered the conversion of 89,925 preference shares to 89,925 ordinary shares with the Ministry of Commerce.

46 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of new and revised TFRS have been issued but are not yet effective and have not been applied in preparing these financial statements. Those new and revised TFRS that may be relevant to the Bank and its subsidiaries' operations, which become effective for annual financial periods beginning on or after 1 January 2017, are set out below. The Bank and its subsidiaries do not plan to adopt these TFRS early.

TFRS	Topic
TAS 1 (revised 2016)	Presentation of Financial Statements
TAS 7 (revised 2016)	Statement of Cash Flows
TAS 8 (revised 2016)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2016)	Events after the Reporting Period
TAS 12 (revised 2016)	Income Taxes
TAS 16 (revised 2016)	Property, Plant and Equipment
TAS 17 (revised 2016)	Leases
TAS 18 (revised 2016)	Revenue
TAS 19 (revised 2016)	Employee Benefits
TAS 21 (revised 2016)	The Effects of Changes in Foreign Exchange Rates
TAS 24 (revised 2016)	Related Party Disclosures
TAS 26 (revised 2016)	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2016)	Separate Financial Statements
TAS 28 (revised 2016)	Investments in Associates and Joint Ventures
TAS 33 (revised 2016)	Earnings per Share
TAS 34 (revised 2016)	Interim Financial Reporting
TAS 36 (revised 2016)	Impairment of Assets
TAS 37 (revised 2016)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2016)	Intangible Assets
TAS 40 (revised 2016)	Investment Property
TAS 104 (revised 2016)	Troubled Debt Restructuring
TAS 105 (revised 2016)	Accounting for Investments in Debt and Equity Securities
TAS 107 (revised 2016)	Financial Instruments: Disclosure and Presentation
TFRS 3 (revised 2016)	Business Combinations
TFRS 4 (revised 2016)	Insurance Contracts
TFRS 5 (revised 2016)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 8 (revised 2016)	Operating Segments
TFRS 10 (revised 2016)	Consolidated Financial Statements
TFRS 12 (revised 2016)	Disclosure of Interests in Other Entities
TFRS 13 (revised 2016)	Fair Value Measurement
TSIC 15 (revised 2016)	Operating Leases - Incentives
TSIC 27 (revised 2016)	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
TSIC 32 (revised 2016)	Intangible Assets - Web Site Costs
TFRIC 1 (revised 2016)	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 4 (revised 2016)	Determining whether an Arrangement contains a Lease
TFRIC 10 (revised 2016)	Interim Financial Reporting and Impairment
TFRIC 13 (revised 2016)	Customer Loyalty Programmes
TFRIC 14 (revised 2016)	TAS 19 (revised 2016) <i>Employee Benefits</i> - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Siam Commercial Bank Public Company Limited and its Subsidiaries

Notes to the financial statements

For the year ended 31 December 2016

TFRS	Topic
TFRIC 18 (revised 2016)	Transfers of Assets from Customers
FAP Announcement no. 5/2559	Accounting guidance for derecognition of financial assets and financial liabilities
FAP Announcement no. 91/2559	Accounting guidance for insurance business to designate financial instruments as financial instruments measured at fair value through profit or loss

The Bank and its subsidiaries have made a preliminary assessment of the potential initial impact on the consolidated and the Bank's financial statements of these new and revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.