

Management Discussion and Analysis

For the fourth quarter and year ending December 31, 2016

The Siam Commercial Bank Public Company Limited



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

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

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

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

Net Profit and Total Comprehensive Income

Unit: Baht million

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

NM denotes "not meaningful"

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

1. Net interest income

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

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

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

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

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

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

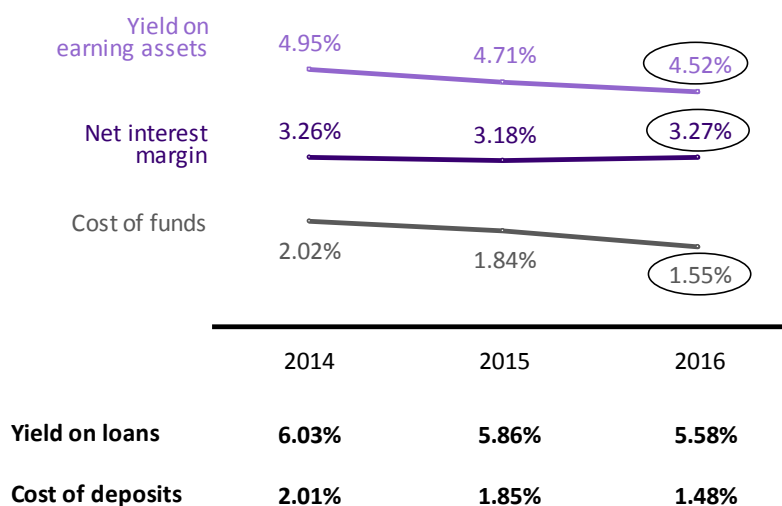
On a **quarter-on-quarter basis**, net interest income in 4Q16 increased by 2.7% qoq to Baht 22,804 million compared with Baht 22,214 million in 3Q16. This increase can be attributed to higher interest income from loans resulting from a 1.4% qoq loan growth and higher yields on loans compared to the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

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

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

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

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



2. Non-interest income

Unit: Baht Million

Non-Interest Income (Consolidated)	2016	2015	% yoy	4Q16	% qoq	% yoy
<i>Fee and service income</i>	34,379	32,704	5.1%	8,583	-5.8%	4.1%
<i>Less fee and service expenses</i>	5,965	5,630	6.0%	1,445	-3.3%	3.8%
Net fee and service income	28,414	27,075	4.9%	7,138	-6.4%	4.2%
<i>Net earned insurance premiums</i>	52,314	52,419	-0.2%	10,046	-23.9%	-0.4%
<i>Less net insurance claims</i>	46,634	44,769	4.2%	9,666	-19.6%	8.4%
Net insurance premiums	5,680	7,650	-25.8%	381	-67.7%	-67.3%
Net fee and insurance premium	34,094	34,725	-1.8%	7,518	-14.6%	-6.2%
Net trading and FX income	6,714	8,315	-19.3%	1,936	12.5%	-2.4%
Share of profit of associates	(11)	(89)	NM	(4)	NM	NM
Dividend income	1,119	1,386	-19.2%	159	-43.7%	-24.5%
Other income	433	697	-37.9%	92	-8.7%	-16.4%
Non-interest income excluding gain on investments	42,350	45,034	-6.0%	9,701	-11.0%	-5.9%
Gain on investments	2,535	9,390	-73.0%	96	-91.1%	-82.8%
Total non-interest income	44,885	54,424	-17.5%	9,797	-18.2%	-9.9%

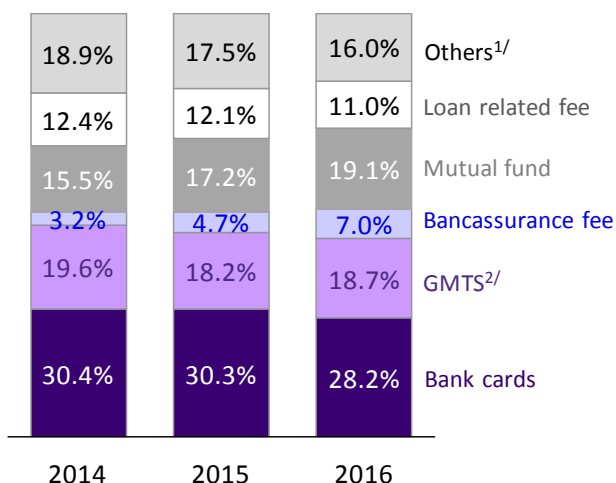
NM denotes "not meaningful"

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

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

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

Net Fee Income Breakdown (Percentage)



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

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

3. Non-interest expenses

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

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

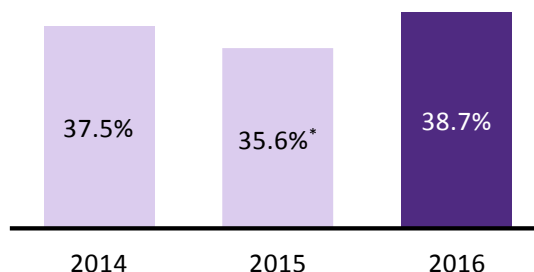
** Excluding loss on the sale of NPA, non-interest expenses growth in 2016 would have increased by 6.3% yoy and for 4Q16 would have increased 16.8% both qoq and yoy.

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

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

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

Cost-to-Income Ratio
(Percentage)



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

4. Loan loss provisions

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

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

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

1. Loans

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

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

1.1 Loans by segment

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

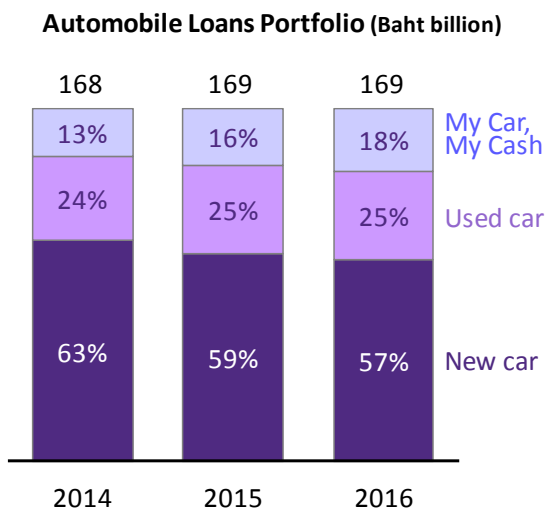
* Includes all home mortgage loans, some of which are from segments other than retail. This is different from the sectorial loans listed on table VI: Addition Financial Information.

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

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

Furthermore, the Bank has focused on growing automobile loans by expanding the "My Car, My Cash" loan segment, which offers higher yields than new car loans but has lower credit

risk than the used car segment. (“My Car, My Cash” is a personal loan product which is structured as a hire-purchase contract, using the borrower’s automobile as the underlying collateral). This shift is evident from the historical trend of auto loans by segment as shown below.



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

2. Deposits

Unit: Baht million

Deposits (Consolidated)	Dec 31, 16	%	Dec 31, 15	%	%yoy	Sep 30, 16	%	%qoq
Demand	61,585	3.0%	57,136	3.0%	7.8%	57,746	3.1%	6.6%
Savings	1,148,768	56.7%	1,106,016	58.5%	3.9%	1,086,901	57.6%	5.7%
Fixed	815,919	40.3%	727,577	38.5%	12.1%	742,643	39.3%	9.9%
- Less than 6 months	201,141	9.9%	221,323	11.7%	-9.1%	172,978	9.2%	16.3%
- 6 months and up to 1 year	392,309	19.4%	300,657	15.9%	30.5%	353,821	18.7%	10.9%
- Over 1 year	222,469	11.0%	205,597	10.9%	8.2%	215,844	11.4%	3.1%
Total deposits	2,026,272	100.0%	1,890,729	100.0%	7.2%	1,887,290	100.0%	7.4%
Gross loans to deposits ratio	95.7%		97.0%			101.3%		
CASA - Current & Savings Accounts (%)	59.7%		61.5%			60.7%		

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

As loans grew by 5.8% yoy while deposits rose by 7.2% yoy, the loan-to-deposit ratio on a consolidated basis dropped to 95.7% at the end of 2016 from 97.0% at the end of 2015. Furthermore, the Bank’s liquidity ratio stood at a high level of 28.8%. In this regard, the Bank continues to ensure that there is adequate liquidity to cushion against unexpected shocks and challenges.

The Bank’s policy on liquidity management, as formulated by the Assets and Liabilities Management Committee, is to find adequate funding sources to facilitate loan growth at acceptable costs. The Bank currently

maintains a daily liquidity ratio of 20% or higher as measured by total liquid assets (at a bank-only level) to total deposits. If the ratio falls below 20%, a corrective action will be immediately taken.

3. Shareholders' equity

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

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

III. Statutory Capital

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

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

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

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

Statutory Capital (Consolidated Supervision)		Dec 31, 16	Dec 31, 15	Sep 30, 16
(Basel III)				
Common Equity Tier-1 / Tier 1*	Baht million	294,566	265,491	297,834
	% of RWA	14.8%	14.1%	15.0%
Tier-2 capital	Baht million	57,752	59,140	57,490
	% of RWA	2.9%	3.2%	2.9%
Total capital	Baht million	352,318	324,631	355,324
	% of RWA	17.7%	17.3%	17.9%
Risk-weighted assets	Baht million	1,986,927	1,880,484	1,987,426
Statutory Capital (Bank only)		Dec 31, 16	Dec 31, 15	Sep 30, 16
(Basel III)				
Common Equity Tier-1 / Tier 1* (Regulatory minimum Tier 1 of 6.625%)	Baht million	280,108	257,204	281,086
	% of RWA	14.5%	14.0%	14.6%
Tier-2 capital	Baht million	57,165	59,140	56,814
	% of RWA	2.9%	3.2%	3.0%
Total capital (Regulatory minimum CAR of 9.125%)	Baht million	337,273	316,344	337,900
	% of RWA	17.4%	17.2%	17.6%
Risk-weighted assets	Baht million	1,933,848	1,841,506	1,916,852

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

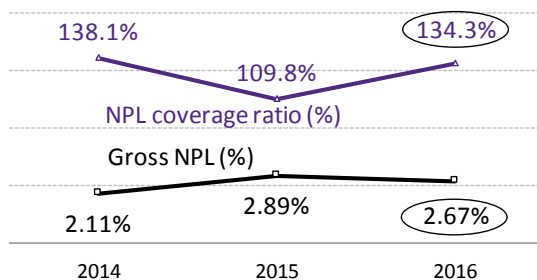
IV. Non-Performing Assets

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

Non-Performing Loans and Allowance (Consolidated)		Dec 31, 16	Dec 31, 15	Sep 30, 16
Non-Performing Loans (Gross NPLs)	% of total loans	2.67%	2.89%	2.85%
	Baht million	57,593	58,996	61,370
Non-Performing Loans (Net NPLs)	% of total loans	1.38%	1.25%	1.34%
	Baht million	29,309	25,069	28,384
Allowance for doubtful accounts and debt restructuring ¹	Baht million	77,357	64,777	79,130
Total allowance to NPLs		134.3%	109.8%	128.9%

¹ Excluding interbank.

Gross NPL Ratio & NPL Coverage Ratio (Percentage)

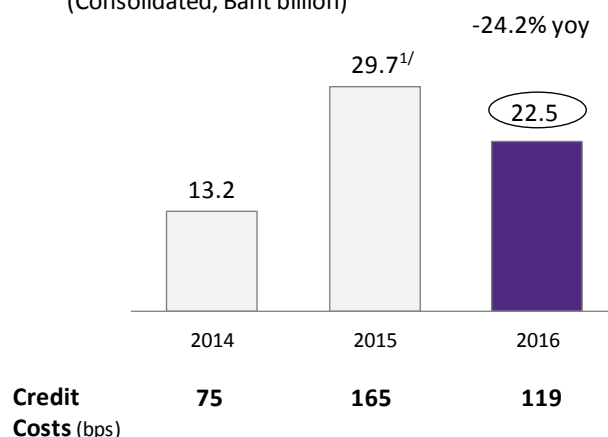


NPL by Segment and by Product

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

* The increase is accounted for mainly by SSI.

Provisions (Consolidated, Baht billion)



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

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

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

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

Unit: Baht million

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Dec 31, 16		Dec 31, 15		Sep 30, 16	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Normal	1,840,936	19,184	1,745,381	18,150	1,818,396	21,564
Special mention	44,618	3,000	33,495	2,325	35,985	2,799
Substandard	20,698	9,654	24,985	14,555	14,384	6,620
Doubtful	9,707	3,153	14,809	7,987	10,585	3,658
Doubtful loss	27,217	15,641	19,281	11,575	36,443	22,874
Total	1,943,176	50,632	1,837,951	54,592	1,915,793	57,515
Allowance established in excess of BOT regulations		22,721		9,831		21,374
Total allowance		73,353		64,423		78,889

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

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

New NPLs by Segment and by Product

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

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

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

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

V. Sources and Uses of Funds

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

VI. Additional Financial Information

	(Baht million, %)				
(Consolidated)	Dec 31, 16	Dec 31, 15	% yoy	Sep 30, 16	% qoq
Loans by Sector	1,939,048	1,833,406	5.8%	1,911,870	1.4%
Agricultural and mining	15,166	16,502	-8.1%	15,427	-1.7%
Manufacturing and commercial	605,350	593,831	1.9%	593,573	2.0%
Real estate and construction	132,755	141,238	-6.0%	136,122	-2.5%
Utilities and services	325,286	254,124	28.0%	323,358	0.6%
Housing loans*	521,869	495,012	5.4%	516,921	1.0%
Other loans	338,622	332,699	1.8%	326,469	3.7%
Investment**	590,921	537,000	10.0%	521,130	13.4%
Trading securities and securities measured at fair value through P/L	28,876	21,115	36.8%	37,218	-22.4%
Available-for-sale securities	438,473	382,200	14.7%	360,476	21.6%
Held-to-maturity securities	122,166	133,064	-8.2%	122,070	0.1%
General investments	1,072	276	288.4%	1,029	4.2%
Net investment in associated companies	334	344	-3.1%	338	-1.2%
Debt securities in issue and borrowings	106,838	121,164	-11.8%	118,640	-9.9%
Bonds	65,840	80,549	-18.3%	77,635	-15.2%
Subordinated bonds	40,000	40,000	0.0%	40,000	0.0%
Structured notes	914	508	79.9%	917	-0.3%
Others	84	107	-21.5%	89	-5.3%
NPL breakdown by status (Bank-only)					
Restructured and being serviced	69.0%	75.7%	-6.7%	68.7%	0.3%
Under negotiation for restructuring	7.7%	9.4%	-1.7%	10.7%	-3.0%
In litigation	11.2%	6.8%	4.4%	11.4%	-0.2%
In foreclosure process	12.0%	8.1%	3.9%	9.3%	2.7%
Troubled debt restructured loans	40,490	32,989	22.7%	30,900	31.0%
Restructured loans which are classified as NPL	9,651	6,535	47.7%	5,495	75.6%
Restructured loans which are not classified as NPL	30,839	26,454	16.6%	25,405	21.4%
	4Q16	3Q16	4Q15	2016	2015
Yield on loans by segment					
Yield on loans	5.59%	5.55%	5.83%	5.58%	5.86%
Corporate	4.30%	4.14%	4.31%	4.17%	4.38%
SME	6.20%	6.20%	6.78%	6.36%	6.93%
Retail	6.56%	6.53%	6.76%	6.55%	6.76%
Mortgage	5.47%	5.43%	5.86%	5.55%	5.88%
Auto loans	6.43%	6.42%	6.22%	6.30%	6.12%
NPL reduction methodology					
Repayments, auctions, and foreclosures	20.3%	42.8%	31.4%	34.1%	29.4%
Debt restructuring	40.3%	2.2%	24.2%	27.7%	12.0%
NPL sales***	23.9%	32.1%	28.6%	21.4%	18.9%
Write off	15.5%	22.8%	15.8%	16.8%	39.7%

* Classified by sector/product and excludes retail loans where customers use their home as collateral. (These loans are classified under "Other loans" in accordance with regulatory guidelines). Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of December 31, 2016, September 30, 2016 and December 31, 2015, was Baht 607 billion, Baht 602 billion, and Baht 576 billion, respectively.

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

*** The Bank sold NPLs of Baht 4.4 billion in 4Q16, Baht 2.6 billion in 3Q16 and Baht 4.1 billion in 4Q15. In 2016, the Bank sold NPLs of Baht 10.7 billion and Baht 10.7 billion in 2015.

VII. Credit Ratings

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

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