

# Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2017

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The Siam Commercial Bank Public Company Limited



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## Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2017

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

Siam Commercial Bank PCL reported (reviewed) consolidated **net profit** of Baht 10,130 million for the third quarter of 2017, a 12.2% yoy decrease from Baht 11,533 million in 3Q16. The yoy decrease in net profit was primarily due to the Bank setting higher provisions in preparation for the implementation of IFRS 9 in 2019. Other factors contributing to this period’s decline in net profit were lower net insurance premiums by 36.7% yoy, lower gain on investments by 47.3% yoy, and higher operating expenses by 13.8% yoy. However, net interest income and net fee income increased by 4.8% yoy and 3.4% yoy, respectively.

On a **quarter-on-quarter** basis, net profit decreased by 15.0% to Baht 10,130 million largely due to higher provisions as mentioned earlier. Operating profits increased by 2.3% qoq as a result of higher NII and Non-NII by 2.1% qoq and 2.0% qoq, respectively despite higher operating expenses by 1.9% qoq.

For the **first nine months of 2017**, net profit stood at Baht 33,953 million, a 2.7% yoy decrease from 9M16. This decrease was mainly driven by higher operating expenses, lower net insurance premiums, and lower gain on investments. However, net interest income and net fee income continued to increase compared to 9M16.

## Net Profit and Total Comprehensive Income

Unit: Baht million

Net Profit and Total Comprehensive Income (Consolidated)	3Q17	% qoq	% yoy	9M17	% yoy
Net interest income	23,272	2.1%	4.8%	68,621	4.5%
Non-interest income	11,419	2.0%	-4.6%	33,236	-5.3%
Non-interest expenses	14,522	1.9%	13.8%	42,241	14.8%
<b>Operating profit</b>	<b>20,170</b>	<b>2.3%</b>	<b>-5.9%</b>	<b>59,617</b>	<b>-6.7%</b>
Impairment loss on loans and debt securities	7,554	50.8%	7.7%	17,575	-14.4%
Income tax	2,472	-11.3%	-13.9%	8,047	-4.7%
Non-controlling interests	13	-11.4%	-23.5%	42	-17.6%
<b>Net profit</b> (attributable to shareholders of the Bank)	<b>10,130</b>	<b>-15.0%</b>	<b>-12.2%</b>	<b>33,953</b>	<b>-2.7%</b>
Other comprehensive income (loss)	2,656	82.1%	NM	5,057	172.3%
<b>Total comprehensive income</b>	<b>12,787</b>	<b>-4.4%</b>	<b>22.8%</b>	<b>39,010</b>	<b>6.1%</b>
EPS (Baht)	2.98	-15.0%	-12.2%	9.99	-2.7%
ROAE	11.6%			13.2%	
ROAA	1.4%			1.5%	

NM denotes "not meaningful"

## I. Income Statement for 3Q17 and first nine months ended September 30, 2017

(Consolidated basis)

### 1. Net interest income

Unit: Baht million

Net Interest Income and Yield (Consolidated)	3Q17	% qoq	% yoy	9M17	% yoy
Interest income	31,513	1.3%	3.6%	93,454	2.6%
- Loans	24,094	1.5%	2.4%	71,611	1.4%
- Interbank and money markets	1,242	-4.1%	18.5%	3,780	23.8%
- Hire-purchase and financial lease income	2,790	2.0%	5.7%	8,198	4.9%
- Investments	3,361	1.4%	5.2%	9,799	2.3%
- Others	26	36.8%	40.1%	66	1.5%
Interest expenses	8,241	-0.8%	0.4%	24,833	-2.5%
- Deposits	4,731	-2.0%	-0.4%	14,385	-5.5%
- Interbank and money markets	340	27.2%	17.1%	861	7.2%
- Borrowings	779	-6.6%	-21.6%	2,516	-13.1%
- Contribution to the Deposit Protection Agency & FIDF	2,371	0.1%	9.3%	7,031	7.7%
- Others	20	110.5%	399.6%	40	262.5%
<b>Net interest income</b>	<b>23,272</b>	<b>2.1%</b>	<b>4.8%</b>	<b>68,621</b>	<b>4.5%</b>
<b>Net interest margin</b>	<b>3.23%</b>	<b>0.05%</b>	<b>-0.10%</b>	<b>3.24%</b>	<b>-0.05%</b>
Yield on earning assets	4.38%	0.04%	-0.17%	4.42%	-0.14%
Yield on loans	5.43%	0.03%	-0.12%	5.41%	-0.17%
Yield on interbank	1.47%	-0.12%	-0.24%	1.76%	0.20%
Yield on investment	2.41%	0.13%	0.04%	2.30%	-0.12%
Cost of funds*	1.45%	-0.01%	-0.09%	1.48%	-0.10%
Cost of deposits**	1.39%	-0.02%	-0.08%	1.41%	-0.12%
Spread (yield on earning assets – cost of funds)	2.93%	0.05%	-0.09%	2.94%	-0.05%

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

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

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

Net interest income in 3Q17 stood at Baht 23,272 million, a 4.8% yoy increase from 3Q16. Main sources of higher net interest income were loan growth of 4.3% yoy and higher interest income from investments as a result of both larger investment portfolios and higher yields.

On a **quarter-on-quarter** basis, net interest income increased by 2.1% qoq to Baht 23,272 million. Factors contributing to this increase were loan growth of 1.2% qoq, lower interest expenses on deposits as

deposit volume shrank, and lower interest expenses on borrowings as USD senior unsecured notes issued by the Bank matured in 3Q17.

SCB Interest Rates	Apr 29, 15	May 21, 15	Jul 20, 15	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16	May 16, 17
<b>Lending rate (%)</b>									
MLR	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275	6.025
MOR	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12	6.87
MRR	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62	7.37
<b>Deposit rate* (%)</b>									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	0.90-0.95	0.90	0.90	0.90-1.60	0.90	0.90	0.90	0.90	0.90
6-month deposits	1.15-1.20	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
12-month deposits	1.50	1.50	1.50	1.30	1.30	1.30	1.30	1.40	1.40

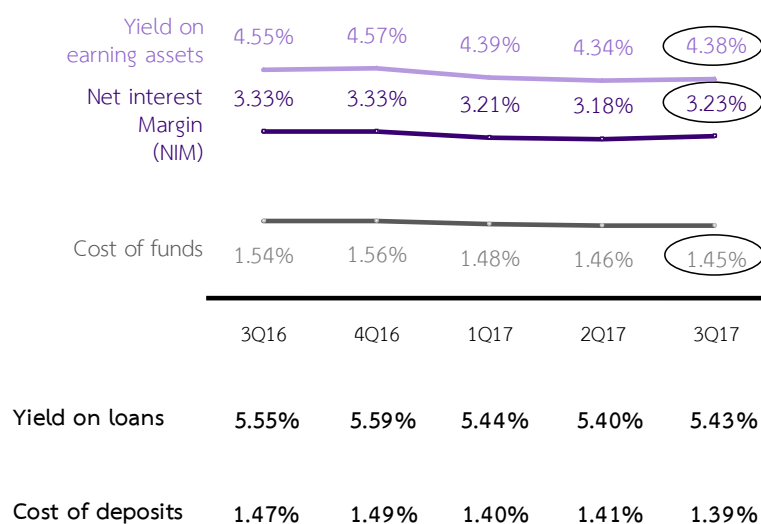
  

	Aug 24, 11	Nov 30, 11	Jan 25, 12	Oct 17, 12	May 29, 13	Nov 27, 13	Mar 12, 14	Mar 11, 15	Apr 29, 15
<b>Policy rate (%)</b>	3.50	3.25	3.00	2.75	2.50	2.25	2.00	1.75	1.50

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

In the **first nine months of 2017**, net interest income increased by 4.5% yoy to Baht 68,621 million. The increase was due to loan growth of 4.3% yoy, and lower interest expenses on deposits and borrowings compared to 9M16.

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



## 2. Non-interest income

Unit: Baht million

Non-Interest Income (Consolidated)	3Q17	% qoq	% yoy	9M17	% yoy
<i>Fee and service income</i>	9,457	8.3%	3.7%	27,105	5.1%
<i>Less fee and service expenses</i>	1,577	-0.7%	5.6%	4,791	6.0%
Net fee and service income	7,880	10.3%	3.4%	22,314	4.9%
<i>Net earned insurance premiums</i>	12,687	-6.7%	-3.9%	39,616	-6.3%
<i>Less net insurance claims</i>	11,940	-5.6%	-0.7%	36,725	-0.7%
Net insurance premiums	747	-21.3%	-36.7%	2,890	-45.5%
<b>Net fee and insurance premium</b>	<b>8,626</b>	<b>6.6%</b>	<b>-2.0%</b>	<b>25,204</b>	<b>-5.2%</b>
Net trading and FX income	1,868	5.3%	8.6%	5,316	11.2%
Share of loss of associates	0	NM	NM	(9)	NM
Dividend income	272	-32.2%	-3.9%	870	-9.4%
Other income	87	-87.2%	-13.7%	867	154.2%
<b>Non-interest income excluding gain on investments</b>	<b>10,854</b>	<b>-0.8%</b>	<b>-0.4%</b>	<b>32,248</b>	<b>-1.2%</b>
Net gain on investments	566	127.3%	-47.3%	988	-59.5%
<b>Total non-interest income</b>	<b>11,419</b>	<b>2.0%</b>	<b>-4.6%</b>	<b>33,236</b>	<b>-5.3%</b>

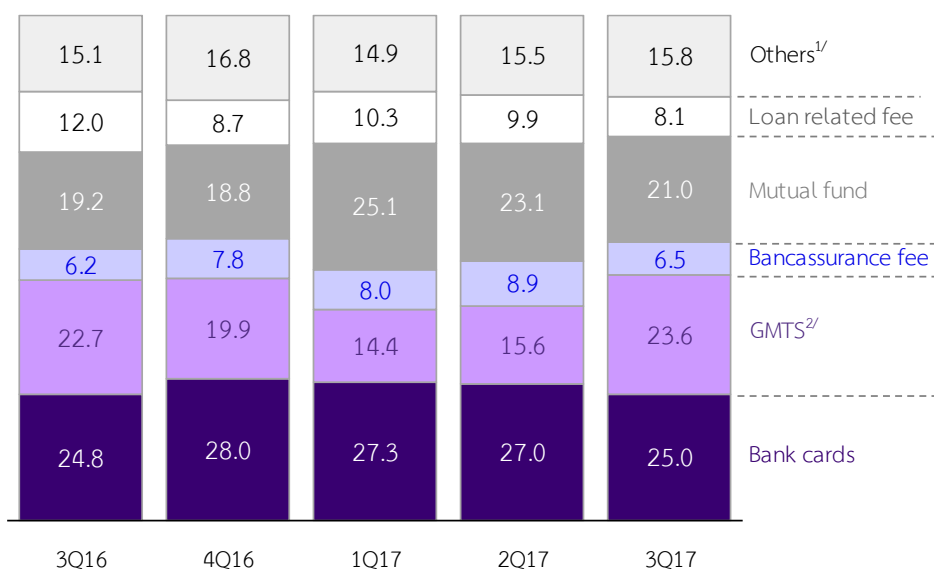
NM denotes "not meaningful"

Non-interest income decreased by 4.6% yoy to Baht 11,419 million in 3Q17. This was largely due to lower gain on investment and lower net insurance premiums despite an increase in net fee income from mutual fund business and corporate finance business, and higher net trading and FX income.

On a **quarter-on-quarter** basis, non-interest income increased by 2.0% qoq due to an increase in net fee income from corporate finance fees and higher gain on investments.

In the **first nine months of 2017**, non-interest income decreased by 5.3% yoy to Baht 33,236 million. The decline was largely due to lower net insurance premiums and lower gain on investments despite an increase in both net fee income and net trading and FX income from 9M16.

Net Fee Income Breakdown (Percentage)



<sup>1/</sup> Others include brokerage fee, fund transfer and remittance.

<sup>2/</sup> GMTS stands for Global Markets and Transaction Services, which includes cash management, trade finance, corporate finance and corporate trust.

### 3. Non-interest expenses

Unit: Baht million

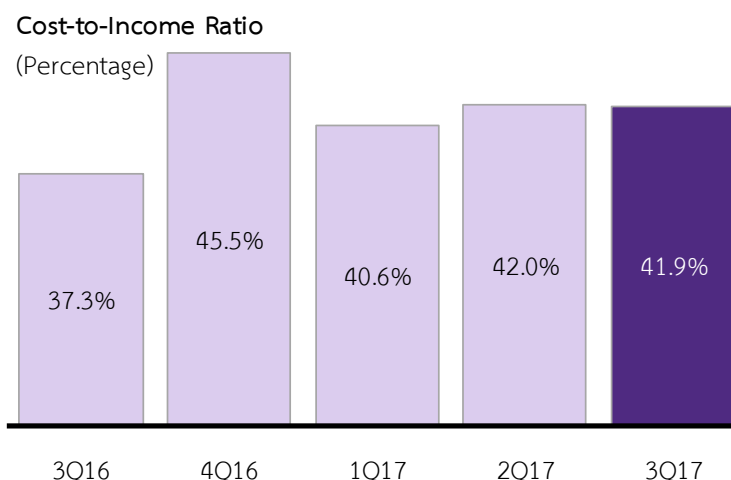
Non-Interest Expenses (Consolidated)	3Q17	% qoq	% yoy	9M17	% yoy
Staff costs	6,852	-2.3%	8.7%	20,731	12.9%
Premises and equipment expenses	2,932	0.6%	9.9%	8,498	8.5%
Tax and duties	1,090	1.8%	0.6%	3,257	1.5%
Director remuneration	26	18.1%	-4.2%	73	1.7%
Other expenses	3,622	12.0%	35.4%	9,682	31.9%
<b>Total non-interest expenses*</b>	<b>14,522</b>	<b>1.9%</b>	<b>13.8%</b>	<b>42,241</b>	<b>14.8%</b>
<b>Cost to income ratio</b>	<b>41.9%</b>			<b>41.5%</b>	

\* Including loss on the sale of repossessed cars of Baht 167 million in 3Q17, Baht 110 million in 2Q17 and Baht 183 million in 3Q16.

Non-interest expenses increased by 13.8% yoy to Baht 14,522 million in 3Q17 primarily due to higher other expenses (+35.4% yoy), with the main component being marketing and promotion expenses. Moreover, rising staff costs (+8.7% yoy) from both annual salary adjustments and more hiring for areas that require new skills and capability as well as higher premises and equipment expenses (+9.9% yoy) also contributed to the higher non-interest expenses.

On a **quarter-on-quarter** basis, non-interest expenses increased by 1.9% to Baht 14,522 million in 3Q17 due to an increase in other expenses as previously mentioned.

In the **first nine months of 2017**, non-interest expenses increased by 14.8% yoy to Baht 42,241 million, largely due to an increase in staff costs, other expenses (mainly from marketing and promotion expenses), and premises and equipment expenses.



#### 4. Loan loss provisions

Loan loss provisions in 3Q17 were set at Baht 7,554 million or 152 bps of total loans. In this quarter, the Bank set aside additional provisions of Baht 2,500 million in preparation for the implementation of IFRS 9 in 2019. As a result of higher provisions, the coverage ratio increased to 136.4% in 3Q17 from 128.9% in 3Q16 and 133.5% in 2Q17.



## II. Balance sheet as of September 30, 2017 (Consolidated basis)

As of September 30, 2017, the Bank's total assets stood at Baht 2,948 billion, an increase of 5.1% yoy from the end of September 2016. Details on the consolidated balance sheets are provided in the following sections:

### 1. Loans

As of September 30, 2017, total outstanding loans (net of deferred revenue) stood at Baht 1,994 billion, a 4.3% yoy increase from the end of September 2016 and a 1.2% qoq increase from the end of June 2017. Loan growth, both yoy and qoq, was concentrated in the corporate and retail segments. Contrary to other segments, SME loans declined yoy but were relatively flat qoq.

Loan growth of 4.3% from 3Q16 was in line with the Bank's loan growth target for 2017 of 4-6%.

Unit: Baht million

Loans by Segment (Consolidated)	Sep 30, 17	%	Jun 30, 17	%	% qoq	Dec 31, 16	%	% ytd	Sep 30, 16	%	% yoy
Corporate	744,978	37.4%	738,306	37.5%	0.9%	712,272	36.7%	4.6%	702,705	36.7%	6.0%
SME	359,192	18.0%	358,812	18.2%	0.1%	364,544	18.8%	-1.5%	362,765	19.0%	-1.0%
Retail	889,395	44.6%	873,290	44.3%	1.8%	862,232	44.5%	3.2%	846,400	44.3%	5.1%
- Housing loans*	622,619	31.2%	611,905	31.1%	1.8%	607,439	31.3%	2.5%	602,319	31.5%	3.4%
- Auto loans	176,555	8.9%	173,477	8.8%	1.8%	168,684	8.7%	4.7%	164,698	8.6%	7.2%
- Other loans	90,221	4.5%	87,908	4.5%	2.6%	86,109	4.5%	4.8%	79,383	4.2%	13.7%
<b>Total loans</b>	<b>1,993,565</b>	<b>100.0%</b>	<b>1,970,408</b>	<b>100.0%</b>	<b>1.2%</b>	<b>1,939,048</b>	<b>100.0%</b>	<b>2.8%</b>	<b>1,911,870</b>	<b>100.0%</b>	<b>4.3%</b>

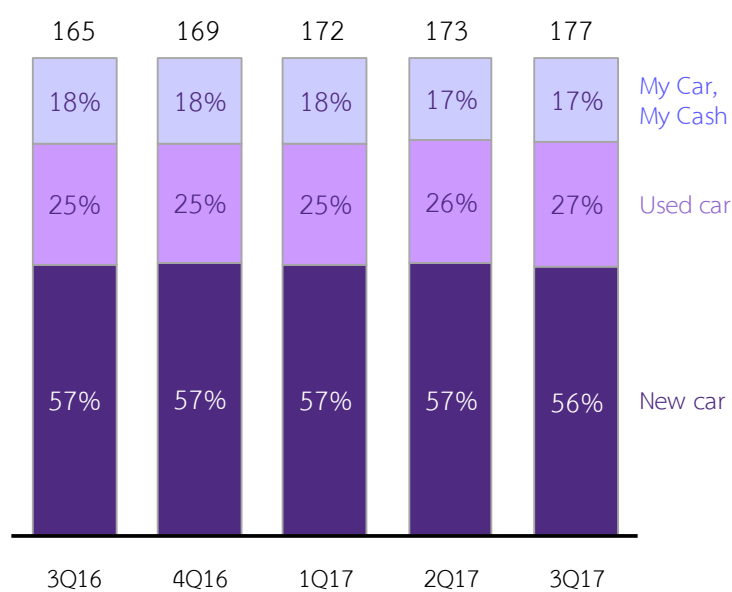
\* Including all home mortgage loans, some of which are from segments other than retail. This is different from the sectorial loans listed on table VI: Addition Financial Information.

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

- **Corporate** loans increased by 6.0% yoy and 0.9% qoq.
- **SME** loans decreased by 1.0% yoy mainly due to lower loan demand amid slow economic recovery, and more stringent underwriting criteria. On a quarter-on-quarter basis, loan volume was relatively stable.
- **Retail** loans grew by 5.1% yoy and 1.8% qoq.
  - **Housing loans** rose by 3.4% yoy and 1.8% qoq. Growth in this sector was driven by SCB's strong presence in the housing loans market and an effective marketing strategy for each customer segment.

- **Auto loans** increased significantly by 7.2% yoy and 1.8% qoq, resulting from an expansion in all segments, especially in used car and “My Car, My Cash” segments (“My Car, My Cash” is a personal loan product which is structured as a hire-purchase contract, using the borrower’s automobile as the underlying collateral).

Auto loan portfolio (Baht billion)



- **Other loans** (largely personal loans and credit card receivables) grew by 13.7% yoy and 2.6% qoq, mainly driven by an increase in credit card usage and personal loans.

## 2. Deposits

Unit: Baht million

Deposits (Consolidated)	Sep 30, 17	%	Jun 30, 17	%	% qoq	Dec 31, 16	%	% ytd	Sep 30, 16	%	% yoy
Demand	69,032	3.4%	68,663	3.3%	0.5%	61,585	3.0%	12.1%	57,746	3.1%	19.5%
Savings	1,241,202	61.2%	1,246,400	60.6%	-0.4%	1,148,768	56.7%	8.0%	1,086,901	57.6%	14.2%
Fixed	716,563	35.4%	741,801	36.1%	-3.4%	815,919	40.3%	-12.2%	742,643	39.3%	-3.5%
- Less than 6 months	165,935	8.2%	165,632	8.1%	0.2%	201,141	9.9%	-17.5%	172,978	9.2%	-4.1%
- 6 months and up to 1 year	177,977	8.8%	257,446	12.5%	-30.9%	392,309	19.4%	-54.6%	353,821	18.7%	-49.7%
- Over 1 year	372,651	18.4%	318,723	15.5%	16.9%	222,469	11.0%	67.5%	215,844	11.4%	72.6%
Negotiable Certificate of Deposit	-	0.0%	500	0.0%	-100.0%	-	0.0%	0.0%	-	0.0%	0.0%
<b>Total deposits</b>	<b>2,026,797</b>	<b>100.0%</b>	<b>2,057,364</b>	<b>100.0%</b>	<b>-1.5%</b>	<b>2,026,272</b>	<b>100.0%</b>	<b>0.0%</b>	<b>1,887,290</b>	<b>100.0%</b>	<b>7.4%</b>
Gross loans to deposits ratio	98.4%		95.8%			95.7%			101.3%		
CASA - Current & Savings Accounts (%)	64.6%		63.9%			59.7%			60.7%		

As of September 30, 2017, total **deposits** stood at Baht 2,027 billion, a 7.4% yoy increase from the end of September 2016. The yoy increase mainly came from higher savings and current deposits, following the

Bank's strategy to increase the proportion of low cost deposits (CASA). Consequently, the Bank's CASA stood at 64.6% at the end of September 2017 which went up both yoy and qoq.

As loans grew by 4.3% yoy while deposits rose by 7.4% yoy, the loan-to-deposit ratio on a consolidated basis declined to 98.4% at the end of September 2017 from 101.3% at the end of September 2016. Furthermore, the Bank's liquidity ratio stood at a high level of 23.9%. In this regard, the Bank continues to ensure that there is adequate liquidity to cushion against unexpected shocks and challenges.

The Bank's policy on liquidity management, as formulated by the Assets and Liabilities Management Committee, is to 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 September 30, 2017, shareholders' equity stood at Baht 354 billion, an 8.9% yoy increase from the end of September 2016, driven by net profit over the year and gain on remeasuring available-for-sale investments. Net profit was appropriated for the dividend payment of Baht 4.00 per share in accordance with the resolution of the Annual General Meeting of Shareholders in April 2017 and the interim dividend payment of Baht 1.50 per share in accordance with the resolution of the Board of Directors meeting in August 2017. On a quarter-on-quarter basis, shareholders' equity rose by 2.2%, which resulted from net profit over the period after the interim dividend payment in August 2017.

The book value per share as of September 30, 2017 was Baht 104.26 (3,399 million ordinary and preferred shares at the end of September 2017), up by 8.9% yoy from Baht 95.76 at the end of September 2016 and 2.2% qoq from Baht 102.00 at the end of June 2017, for the reasons stated above.

### III. Statutory Capital

According to an adoption of Basel III guidelines, the Bank of Thailand (BOT) requires all Thai commercial banks to hold a capital conservation buffer from January 1, 2016. This additional capital requirement is to be phased in gradually to the Common Equity Tier 1 capital requirement at the rate of 0.625% p.a. until reaching the 2.5% target in 2019.

Furthermore, the Bank was recently named by the BOT, among 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) in Thailand. To ensure stability and sustainability of D-SIBs,

the BOT requires D-SIBs to maintain higher minimum Common Equity Tier 1 as a capital buffer (so called Higher Loss Absorbency) at 1.0%, starting from 2019 at 0.5% and increasing to 1.0% in 2020.

The minimum regulatory capital requirements including capital conservation buffer and D-SIB buffer (Higher Loss Absorbency) are shown in the table below.

Minimum regulatory capital requirement (%)	2016	2017	2018	2019	2020
Common Equity Tier 1	4.50%	4.50%	4.50%	4.50%	4.50%
Tier 1 capital	6.00%	6.00%	6.00%	6.00%	6.00%
Total capital	8.50%	8.50%	8.50%	8.50%	8.50%
<b>Additional buffers</b>					
Capital Conservation Buffer	0.625%	1.25%	1.875%	2.50%	2.50%
D-SIB Buffer	-	-	-	0.50%	1.00%
Common Equity Tier 1	5.125%	5.75%	6.375%	7.50%	8.00%
Tier 1 capital	6.625%	7.25%	7.875%	9.00%	9.50%
Total capital	9.125%	9.75%	10.375%	11.50%	12.00%

The Bank's total capital ratios under Basel III at the end of September 2017 are shown in the table below.

Statutory Capital under Basel III* (As of September 30, 2017)	Consolidated	Bank-only
Common Equity Tier 1 / Tier 1	16.1%	15.5%
Tier 2 capital	2.1%	2.1%
Total capital	18.2%	17.6%

\* If net profit for 3Q17 was included, the total capital ratio and CET1 capital ratio on a consolidated basis would have been 18.6% and 16.5% and on bank-only basis would have been 18.0% and 15.9%.

In response to current and upcoming regulatory changes, the Bank has planned to cope up with the requirements through its long-term capital management plan. The Bank believes that its strong capital position, which is currently well above the minimum regulatory requirement, together with high loan loss provisions will enable the Bank to withstand any adverse shocks, be it Bank-specific or economy-wide. Also, its strong capital position will facilitate the Bank to pursue any future growth opportunities.

Statutory Capital (Consolidated Supervision)		Sep 30, 17	Dec 31, 16	Sep 30, 16
Common Equity Tier 1 / Tier 1*	Baht million	324,983	294,566	297,834
	% of RWA	16.1%	14.8%	15.0%
Tier 2 capital	Baht million	42,230	57,752	57,490
	% of RWA	2.1%	2.9%	2.9%
Total capital	Baht million	367,213	352,318	355,324
	% of RWA	18.2%	17.7%	17.9%
Risk-weighted assets	Baht million	2,022,816	1,986,927	1,987,426
Statutory Capital (Bank only)		Sep 30, 17	Dec 31, 16	Sep 30, 16
Common Equity Tier 1 / Tier 1*	Baht million	301,740	280,108	281,086
	% of RWA	15.5%	14.5%	14.6%
Tier 2 capital	Baht million	41,464	57,165	56,814
	% of RWA	2.1%	2.9%	3.0%
Total capital	Baht million	343,204	337,273	337,900
	% of RWA	17.6%	17.4%	17.6%
Risk-weighted assets	Baht million	1,954,927	1,933,848	1,916,852

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

#### IV. Non-Performing Assets

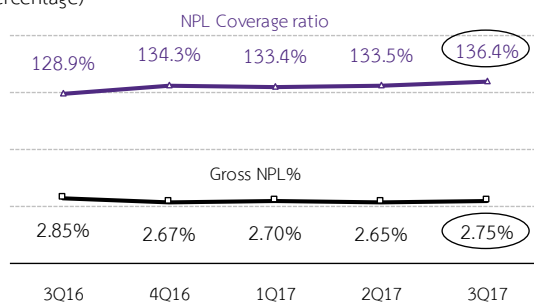
At the end of September 2017, gross NPLs on a consolidated basis stood at 2.75% of total loans, declining from 2.85% of total loans at the end of September 2016, mainly because of lower NPLs in the corporate segment. However, NPLs from the SME segment and from housing loans for self-employed borrowers continued to increase due to slow economic recovery in Thailand.

Non-Performing Loans and Allowance (Consolidated)		Sep 30, 17	Jun 30, 17	Dec 31, 16	Sep 30, 16
Non-Performing Loans (Gross NPLs)	% of total loans	<b>2.75%</b>	<b>2.65%</b>	<b>2.67%</b>	<b>2.85%</b>
	Baht million	62,760	61,151	57,593	61,370
Non-Performing Loans (Net NPLs)	% of total loans	<b>1.46%</b>	<b>1.31%</b>	<b>1.38%</b>	<b>1.34%</b>
	Baht million	32,889	29,790	29,309	28,384
Allowance for doubtful accounts and debt restructuring <sup>1</sup>	Baht million	85,599	81,663	77,357	79,130
Total allowance to NPLs		136.4%	133.5%	134.3%	128.9%
Non-Performing Loans (Gross NPLs) (Bank only)	% of total loans	<b>2.73%</b>	<b>2.63%</b>	<b>2.65%</b>	<b>2.82%</b>
	Baht million	61,721	60,102	56,544	60,315

<sup>1</sup> Excluding interbank and money market items.

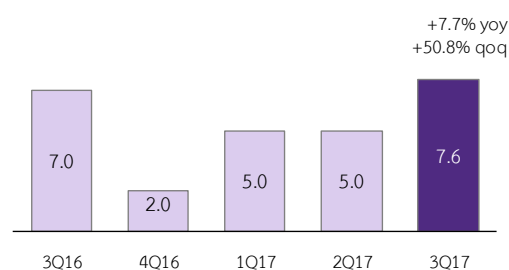
### Gross NPL ratio & NPL Coverage ratio

(Percentage)



### Provisions

(Consolidated, Baht billion)



### NPL by Segment and by Product

	3Q16	4Q16	1Q17	2Q17	3Q17
Corporate	3.4%	2.3%	2.3%	2.3%	1.9%
SME	5.2%	6.4%	6.5%	7.2%	7.6%
Retail	2.2%	2.1%	2.3%	2.1%	2.4%
Housing loans	2.4%	2.2%	2.6%	2.3%	2.8%
Auto loans	1.9%	1.8%	1.6%	1.7%	1.8%

Credit Costs (bps)

Period	3Q16	4Q16	1Q17	2Q17	3Q17
Credit Costs (bps)	149	41	103	102	152

**Special mention** loans stood at Baht 48.9 billion at the end of September 2017, a significant increase of 35.8% yoy from the end of September 2016. The yoy increase was mainly due to one large corporate loan being reclassified from non-performing to special mention loan in December 2016. On a quarter-on-quarter basis, special mention loans increased by 6.7%, largely from one corporate customer in the mining industry.

Unit: Baht million

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Sep 30, 17		Jun 30, 17		Dec 31, 16		Sep 30, 16	
	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts	Loan and accrued interest	Allowance for doubtful accounts
Normal	1,885,470	19,537	1,867,016	19,369	1,840,936	19,184	1,818,396	21,564
Special mention	48,873	3,203	45,805	3,207	44,618	3,000	35,985	2,799
Substandard	16,018	6,899	18,429	8,441	20,698	9,654	14,384	6,620
Doubtful	14,777	4,592	11,356	4,425	9,707	3,153	10,585	3,658
Doubtful loss	31,996	18,580	31,400	18,680	27,217	15,641	36,443	22,874
<b>Total</b>	<b>1,997,134</b>	<b>52,811</b>	<b>1,974,006</b>	<b>54,122</b>	<b>1,943,176</b>	<b>50,632</b>	<b>1,915,793</b>	<b>57,515</b>
Allowance established in excess of BOT regulations		28,491		23,178		22,721		21,374
Total allowance		81,302		77,300		73,353		78,889

In 3Q17, new NPL formation was at 0.38%, down substantially from 0.45% in 2Q17, which was mainly driven by lower SME's new NPLs.

**New NPLs by Segment and by Product**

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
<b>Total loans</b>	0.44%	0.40%	1.18% <sup>3/</sup>	0.50%	0.41%	0.40%	0.50%	0.52%	0.41%	0.45%	0.38%
<b>Corporate</b>	0.24%	0.05%	2.28% <sup>3/</sup>	0.14%	0.05%	0.00%	0.28%	0.18%	0.04%	0.03%	0.01%
<b>SME</b>	0.78%	1.03%	0.94%	1.04%	0.86%	0.60%	0.70%	1.08%	0.60%	1.02%	0.54%
<b>Housing loans</b> <sup>1/</sup>	0.29%	0.35%	0.68%	0.55%	0.51%	0.65%	0.68%	0.61%	0.76%	0.70%	0.70%
<b>Auto loans</b> <sup>2/</sup>	0.70%	0.60%	0.58%	0.56%	0.41%	0.43%	0.40%	0.50%	0.41%	0.50%	0.50%
<b>New NPLs (Baht billion)</b>	8.8	8.3	24.3 <sup>3/</sup>	10.1	8.6	8.2	10.8	11.2	9.1	10.4	8.8

<sup>1/</sup> 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.

<sup>2/</sup> 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.

<sup>3/</sup> 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%.

## V. Sources and Uses of Funds

As of September 30, 2017, deposits accounted for 68.7% of SCB's funding base. Other major sources of funds were: 12.0% from shareholders' equity, 8.2% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 5.1% from interbank borrowings, and 2.0% from the issuance of debt instruments. As of September 30, 2017, the funds were deployed as follows: 67.6% for loans, 18.4% for investments in securities, 10.7% for interbank and money markets lending, and 1.2% held in cash.

## VI. Additional Financial Information

(Baht million, %)

(Consolidated)	Sep 30, 17	Jun 30, 17	% qoq	Sep 30, 16	% yoy
<b>Loans by Sector</b>	<b>1,993,565</b>	<b>1,970,408</b>	<b>1.2%</b>	<b>1,911,870</b>	<b>4.3%</b>
Agricultural and mining	18,375	16,397	12.1%	15,427	19.1%
Manufacturing and commercial	601,573	608,839	-1.2%	593,573	1.3%
Real estate and construction	152,250	135,674	12.2%	136,122	11.8%
Utilities and services	336,040	340,895	-1.4%	323,358	3.9%
Housing loans*	535,612	526,673	1.7%	516,921	3.6%
Other loans	349,715	341,930	2.3%	326,469	7.1%
<b>Investment**</b>	<b>543,545</b>	<b>571,933</b>	<b>-5.0%</b>	<b>521,130</b>	<b>4.3%</b>
Trading securities and securities measured at fair value through P/L	21,931	19,066	15.0%	37,218	-41.1%
Available-for-sale securities	401,106	431,672	-7.1%	360,476	11.3%
Held-to-maturity securities	119,169	119,912	-0.6%	122,070	-2.4%
General investments	1,339	1,283	4.4%	1,029	30.1%
Investment in associate	0	0	-4.6%	338	-100.0%
<b>Debt securities in issue and borrowings</b>	<b>60,325</b>	<b>98,162</b>	<b>-38.5%</b>	<b>118,640</b>	<b>-49.2%</b>
Bonds	38,478	76,659	-49.8%	77,635	-50.4%
Subordinated bonds	20,000	20,000	0.0%	40,000	-50.0%
Structured notes	1,679	1,365	23.0%	917	83.0%
Others	168	138	21.5%	89	89.3%
<b>NPL breakdown by status (Bank-only)</b>					
Restructured and being serviced	57.3%	61.2%	-3.9%	68.7%	-11.4%
Under negotiation for restructuring	9.5%	9.5%	0.0%	10.7%	-1.2%
In litigation	14.6%	11.7%	2.9%	11.4%	3.2%
In foreclosure process	18.6%	17.6%	1.0%	9.3%	9.3%
<b>Troubled debt restructured loans</b>	<b>36,977</b>	<b>39,169</b>	<b>-5.6%</b>	<b>31,738</b>	<b>16.5%</b>
Restructured loans which are classified as NPL	8,997	11,124	-19.1%	6,887	30.6%
Restructured loans which are not classified as NPL	27,980	28,045	-0.2%	24,851	12.6%
	<b>3Q17</b>	<b>2Q17</b>	<b>3Q16</b>	<b>9M17</b>	<b>9M16</b>
<b>Yield on loans by segment</b>					
<b>Yield on loans</b>	<b>5.43%</b>	<b>5.40%</b>	<b>5.55%</b>	<b>5.41%</b>	<b>5.58%</b>
Corporate	4.18%	4.13%	4.14%	4.15%	4.10%
SME	5.99%	5.97%	6.20%	6.01%	6.39%
Retail	6.45%	6.42%	6.53%	6.40%	6.58%
Housing loans	5.30%	5.26%	5.43%	5.27%	5.56%
Auto loans	6.41%	6.37%	6.42%	6.36%	6.35%
<b>NPL reduction methodology</b>					
Repayments, auctions, and foreclosures	44.5%	36.5%	42.8%	39.7%	42.2%
Debt restructuring	4.3%	6.7%	2.2%	5.3%	20.4%
NPL sales***	5.0%	40.1%	32.1%	29.6%	20.0%
Write off	46.2%	16.7%	22.8%	25.4%	17.5%

\* 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 September 30, 2017, June 30, 2017 and September 30, 2016, was Baht 623 billion, Baht 612 billion, and Baht 602 billion, respectively.

\*\* 85.2% 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 0.4 billion in 3Q17, Baht 4.6 billion in 2Q17 and Baht 2.6 billion in 3Q16.



## VII. Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	September 30, 2017
<b>Moody's Investors Service</b>	
Outlook	Stable
Bank deposits	Baa1/P-2
Senior unsecured MTN	(P) Baa1
Other short term	(P) P-2
<b>S&amp;P Global Ratings</b>	
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
<b>Fitch Ratings</b>	
<b>Foreign Currency</b>	
Long Term Issuer Default Rating	BBB+
Short Term Issuer Default Rating	F2
Outlook	Stable
Senior Unsecured	BBB+
Viability Rating	bbb+
<b>National</b>	
Long Term Rating	AA+(tha)
Short Term Rating	F1+(tha)
Outlook	Stable
Subordinated Debenture	AA(th)