

Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2017

The Siam Commercial Bank Public Company Limited

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Siam Commercial Bank PCL reported (audited) consolidated **net profit** of Baht 43,152 million for 2017, a 9.4% yoy decrease from Baht 47,612 million in 2016. Lower net profit was primarily due to the Bank setting higher prudent provisions to align existing expected loss principles to those required under new accounting standard effective in 2019 as well as an 11.6% rise in operating expenses from investment in digital banking.

On the other hand, total income increased by 2.2% from the previous year as net interest income, net fee income and net trading and FX income grew by 4.4% yoy, 6.7% yoy and 5.6% yoy, respectively countering the sharp drop in net insurance premiums and gain on investments which fell by 49.5% yoy and 36.5% yoy, respectively.

On a **quarterly basis**, net profit decreased by Baht 3,517 million (27.7% yoy) to Baht 9,199 million in 4Q17, largely driven by the higher provisions as previously mentioned. However, operating profit increased by 6.7% yoy as a result of higher net interest income, net fee income, and gain on investments.

On a **quarter-on-quarter** basis, net profit decreased by 9.2% to Baht 9,199 million in 4Q17 largely due to higher seasonal operating expenses and lower net insurance premiums.

Net Profit and Total Comprehensive Income

Unit: Baht million

Net Profit and Total Comprehensive Income (Consolidated)	2017	2016	% yoy	4Q17	% qoq	% yoy
Net interest income	92,310	88,449	4.4%	23,688	1.8%	3.9%
Non-interest income	43,903	44,885	-2.2%	10,667	-6.6%	8.9%
Non-interest expenses	57,650	51,644	11.6%	15,410	6.1%	3.8%
Operating profit	78,563	81,690	-3.8%	18,946	-6.1%	6.7%
Impairment loss on loans and debt securities	25,067	22,528	11.3%	7,492	-0.8%	275.7%
Income tax	10,291	11,493	-10.5%	2,244	-9.2%	-26.3%
Non-controlling interests	53	57	-7.8%	11	-16.1%	64.8%
Net profit (attributable to shareholders of the Bank)	43,152	47,612	-9.4%	9,199	-9.2%	-27.7%
Other comprehensive income (loss)	4,919	(2,291)	NM	(138)	NM	NM
Total comprehensive income	48,071	45,322	6.1%	9,061	-29.1%	5.7%
EPS (Baht)	12.69	14.01	-9.4%	2.71	-9.2%	-27.7%
ROAE	12.4%	14.8%		10.3%		
ROAA	1.5%	1.7%		1.2%		

NM denotes "not meaningful"

I. Income Statement for 4Q17 and year ended December 31, 2017

(Consolidated basis)

1. Net interest income

Unit: Baht million

Net Interest Income and Yield (Consolidated)	2017	2016	% yoy	4Q17	% qoq	% yoy
Interest income	125,113	122,443	2.2%	31,659	0.5%	1.0%
- Loans	95,788	94,844	1.0%	24,178	0.3%	-0.3%
- Interbank and money markets	5,028	4,206	19.5%	1,248	0.4%	8.2%
- Hire-purchase and financial lease income	11,024	10,479	5.2%	2,826	1.3%	5.9%
- Investments	13,185	12,827	2.8%	3,386	0.7%	4.3%
- Others	88	87	1.1%	22	-13.3%	-0.2%
Interest expenses	32,804	33,994	-3.5%	7,971	-3.3%	-6.5%
- Deposits	19,006	20,225	-6.0%	4,620	-2.3%	-7.6%
- Interbank and money markets	1,218	1,034	17.8%	358	5.1%	54.6%
- Borrowings	3,092	3,904	-20.8%	576	-26.0%	-42.9%
- Contribution to the Deposit Protection Agency & FIDF	9,419	8,810	6.9%	2,388	0.7%	4.8%
- Others	69	21	226.5%	30	46.7%	188.1%
Net interest income	92,310	88,449	4.4%	23,688	1.8%	3.9%
Net interest margin	3.23%	3.27%	-0.04%	3.28%	0.05%	-0.05%
Yield on earning assets	4.38%	4.52%	-0.14%	4.39%	0.01%	-0.18%
Yield on loans	5.38%	5.58%	-0.20%	5.36%	-0.07%	-0.23%
Yield on interbank	1.75%	1.62%	0.13%	1.58%	0.11%	-0.20%
Yield on investment	2.27%	2.28%	-0.01%	2.43%	0.02%	0.09%
Cost of funds*	1.45%	1.55%	-0.10%	1.41%	-0.04%	-0.15%
Cost of deposits**	1.38%	1.48%	-0.10%	1.36%	-0.03%	-0.13%
Spread (yield on earning assets – cost of funds)	2.93%	2.97%	-0.04%	2.97%	0.04%	-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 2017 was Baht 92,310 million, a 4.4% yoy increase from 2016. The higher net interest income was driven by 4.9% loan growth despite lower loan yields from a 25 basis point decrease in lending rate in 2017. Furthermore, net interest income increased due to efficient cost management and higher interest income from interbank and money markets.

On a **quarterly basis**, net interest income increased by 3.9% yoy to Baht 23,688 million in 4Q17, largely driven by efficient cost management and loan growth of 4.9% yoy.

On a **quarter-on-quarter** basis, net interest income increased by 1.8% qoq to Baht 23,688 million in 4Q17. Factors contributing to this increase were efficient cost management, loan growth of 2.1% qoq,

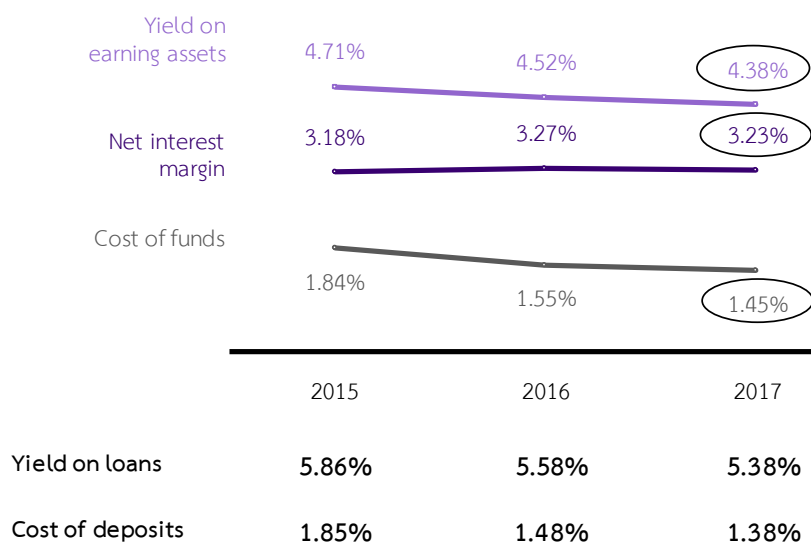
and lower interest expenses on borrowings as USD senior unsecured notes issued by the Bank matured in 3Q17.

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
Lending rate (%)									
MLR	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275	6.025
MOR	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12	6.87
MRR	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62	7.37
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	0.90-0.95	0.90	0.90	0.90-1.60	0.90	0.90	0.90	0.90	0.90
6-month deposits	1.15-1.20	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
12-month deposits	1.50	1.50	1.50	1.30	1.30	1.30	1.30	1.40	1.40

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

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

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



2. Non-interest income

Unit: Baht million

Non-Interest Income (Consolidated)	2017	2016	% yoy	4Q17	% qoq	% yoy
<i>Fee and service income</i>	36,855	34,379	7.2%	9,749	3.1%	13.6%
<i>Less fee and service expenses</i>	6,531	5,965	9.5%	1,739	10.3%	20.4%
Net fee and service income	30,324	28,414	6.7%	8,010	1.7%	12.2%
<i>Net earned insurance premiums</i>	49,232	52,314	-5.9%	9,616	-24.2%	-4.3%
<i>Less net insurance claims</i>	46,366	46,634	-0.6%	9,641	-19.3%	-0.3%
Net insurance premiums	2,866	5,680	-49.5%	(25)	NM	NM
Net fee and insurance premium	33,189	34,094	-2.7%	7,985	-7.4%	6.2%
Net trading and FX income	7,090	6,714	5.6%	1,774	-5.0%	-8.3%
Share of loss of associates	(9)	(11)	NM	-	NM	NM
Dividend income	1,032	1,119	-7.8%	162	-40.5%	1.6%
Other income	990	433	128.4%	123	40.7%	33.0%
Non-interest income excluding gain on investments	42,292	42,350	-0.1%	10,044	-7.5%	3.5%
Net gain on investments	1,611	2,535	-36.5%	623	10.1%	551.5%
Total non-interest income	43,903	44,885	-2.2%	10,667	-6.6%	8.9%

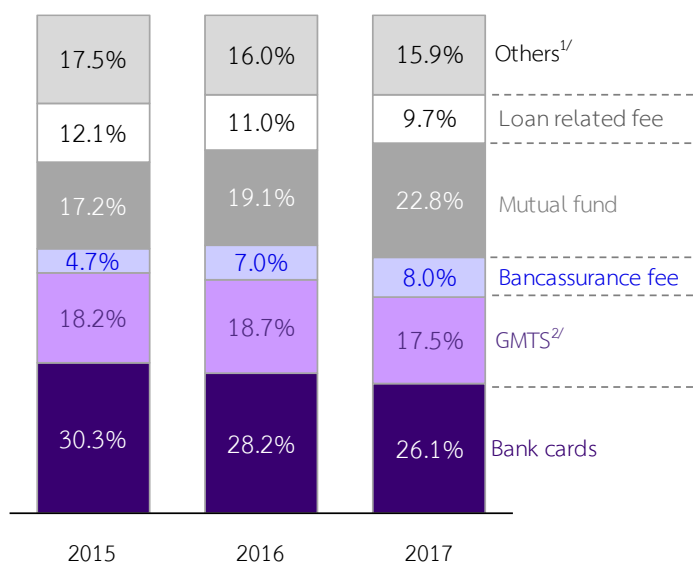
NM denotes "not meaningful"

Non-interest income decreased by 2.2% yoy to Baht 43,903 million in 2017 due to lower net insurance premiums and gain on investment despite an increase of 6.7% yoy in net fee income from mutual fund fees and bancassurance fees, and higher net trading and FX income.

On a **quarterly basis**, non-interest income increased by 8.9% yoy to Baht 10,667 million in 4Q17 due to an increase in net fee income from mutual fund fees and loan related fees and higher gain on investments.

On a **quarter-on-quarter** basis, non-interest income decreased by 6.6% qoq largely due to lower net insurance premiums while net fee income continued to increase.

Net Fee Income Breakdown (Percentage)



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

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

3. Non-interest expenses

Unit: Baht million

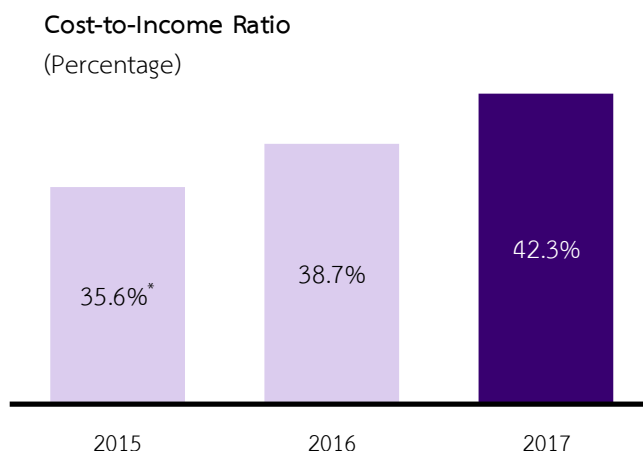
Non-Interest Expenses (Consolidated)	2017	2016	% yoy	4Q17	% qoq	% yoy
Staff costs	27,488	24,597	11.8%	6,758	-1.4%	8.3%
Premises and equipment expenses	11,554	10,823	6.7%	3,056	4.2%	2.1%
Tax and duties	4,417	4,262	3.6%	1,160	6.4%	10.2%
Director remuneration	99	97	2.3%	26	2.5%	3.9%
Other expenses	14,092	11,865	18.8%	4,410	21.8%	-2.6%
Total non-interest expenses*	57,650	51,644	11.6%	15,410	6.1%	3.8%
Cost to income ratio	42.3%	38.7%		44.9%		

* Including loss on the sale of repossessed cars of Baht 462 million in 2017, Baht 540 million in 2016 and Baht 97 million in 4Q17.

Non-interest expenses increased by 11.6% yoy to Baht 57,650 million in 2017 primarily due to higher staff costs (+11.8% yoy) from both annual salary adjustments and more hiring in areas that require new skills and capabilities. Moreover, an increase in other expenses (+18.8% yoy), with the main component being marketing and promotion expenses, and higher premises and equipment expenses (+6.7% yoy) also contributed to the higher non-interest expenses.

On a **quarterly basis**, non-interest expenses increased by 3.8% yoy from 4Q16 to Baht 15,410 million in 4Q17 mainly due to higher staff costs from annual salary adjustments and a larger pool of staff.

On a **quarter-on-quarter** basis, non-interest expenses increased by 6.1% to Baht 15,410 million in 4Q17, reflecting the seasonality in marketing and promotion expenses which spike in the last quarter of the year.



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

4. Loan loss provisions

Loan loss provisions in 2017 were set at Baht 25,067 million or 126 bps of total loans which included additional prudent provisions of Baht 5,000 million that the Bank set aside to align existing expected loss principles to those required under new accounting standard effective in 2019. As a result of higher provisions, the coverage ratio increased to 137.3% in 2017 from 134.3% in 2016.

II. Balance sheet as of December 31, 2017 (Consolidated basis)

As of December 31, 2017, the Bank's total assets stood at Baht 3,024 billion, an increase of 3.8% from the end of 2016. Details on the consolidated balance sheets are provided in the following sections:

1. Loans

As of December 31, 2017, total outstanding loans (net of deferred revenue) stood at Baht 2,035 billion, a 4.9% increase from the end of 2016. The yoy overall loan growth was contributed by the corporate and retail segments while the volume of SME loans remained unchanged yoy.

The 4.9% loan growth was in line with the Bank's loan growth target for 2017 of 4-6%.

Unit: Baht million

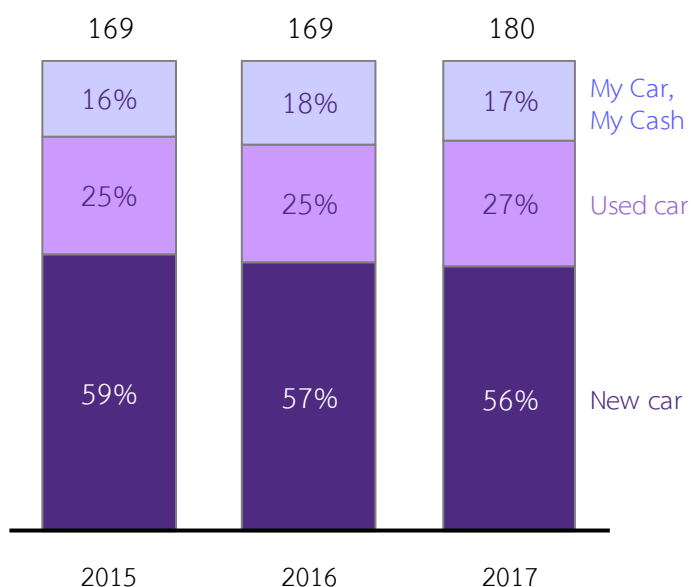
Loans by Segment (Consolidated)	Dec 31, 17	%	Dec 31, 16	%	% yoy	Sep 30, 17	%	% qoq
Corporate	760,912	37.4%	712,272	36.7%	6.8%	744,978	37.4%	2.1%
SME	364,039	17.9%	364,544	18.8%	-0.1%	359,192	18.0%	1.3%
Retail	909,781	44.7%	862,232	44.5%	5.5%	889,395	44.6%	2.3%
- Housing loans*	630,079	31.0%	607,439	31.3%	3.7%	622,619	31.2%	1.2%
- Auto loans	179,933	8.8%	168,684	8.7%	6.7%	176,555	8.9%	1.9%
- Other loans	99,769	4.9%	86,109	4.5%	15.9%	90,221	4.5%	10.6%
Total loans	2,034,732	100.0%	1,939,048	100.0%	4.9%	1,993,565	100.0%	2.1%

* 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 6.8% owing to M&A deals of large corporate customers.
- **SME** loans were flat yoy, mainly due to the Bank's continued stringent underwriting criteria.
- **Retail** loans grew by 5.5% yoy.
 - **Housing loans** rose by 3.7% yoy, a slower pace compared with the 5.4% growth in 2016, as competition in the housing loans market intensified.
 - **Auto loans** increased by 6.7% yoy, following an expansion in all segments, namely used car, new car, and "My Car, My Cash" segments ("My Car, My Cash" is a personal loan product which is structured as a hire-purchase contract, using the borrower's automobile as the underlying collateral).

Auto loan portfolio (Baht billion)



- **Other loans** (largely personal loans and credit card receivables) grew by 15.9% yoy, driven by an increase in both credit card loans and personal loans.

2. Deposits

Unit: Baht million

Deposits (Consolidated)	Dec 31, 17	%	Dec 31, 16	%	% yoy	Sep 30, 17	%	% qoq
Demand	78,274	3.7%	61,585	3.0%	27.1%	69,032	3.4%	13.4%
Savings	1,281,892	61.3%	1,148,768	56.7%	11.6%	1,241,202	61.2%	3.3%
Fixed	732,291	35.0%	815,919	40.3%	-10.2%	716,563	35.4%	2.2%
- Less than 6 months	164,034	7.9%	201,141	9.9%	-18.4%	165,935	8.2%	-1.1%
- 6 months and up to 1 year	176,335	8.4%	392,309	19.4%	-55.1%	177,977	8.8%	-0.9%
- Over 1 year	391,922	18.7%	222,469	11.0%	76.2%	372,651	18.4%	5.2%
Total deposits	2,092,457	100.0%	2,026,272	100.0%	3.3%	2,026,797	100.0%	3.2%
Gross loans to deposits ratio	97.2%		95.7%			98.4%		
CASA - Current & Savings Accounts (%)	65.0%		59.7%			64.6%		

As of December 31, 2017, total **deposits** stood at Baht 2,092 billion, a 3.3% increase from the end of 2016. The yoy increase mainly came from higher savings (+11.6% yoy) and current deposits (+27.1% yoy), following the Bank's strategy to increase the proportion of low cost deposits (CASA). Consequently, the Bank's CASA rose to 65.0% at the end of 2017 from 59.7% at the end of 2016.

As loans grew by 4.9% yoy while deposits rose by 3.3% yoy, the loan-to-deposit ratio on a consolidated basis increased to 97.2% at the end of 2017 from 95.7% at the end of 2016. Furthermore, the Bank's liquidity ratio stood at a high level of 26.9%. In this regard, the Bank continues to ensure that there is adequate liquidity to cushion against unexpected shocks and challenges.

The Bank's policy on liquidity management, as formulated by the Assets and Liabilities Management Committee, is to secure adequate funding sources to facilitate loan growth at acceptable costs. The Bank currently maintains a daily liquidity ratio of 20% or higher as measured by total liquid assets (at a bank-only level) to total deposits. If the ratio falls below 20%, a corrective action will be immediately taken.

3. Shareholders' equity

As of December 31, 2017, shareholders' equity stood at Baht 363 billion, an 8.8% increase from the end of 2016, driven by appropriations of net profit over the year. Net profit was appropriated for the dividend payment of Baht 4.00 per share in accordance with the resolution of the Annual General Meeting of Shareholders in April 2017, the interim dividend payment of Baht 1.50 per share in accordance with the resolution of the Board of Directors meeting in August 2017, and gain on remeasurement of available-for-sale investments.

The book value per share as of December 31, 2017 was Baht 106.93 (3,399 million ordinary and preferred shares at the end of 2017), up by 8.8% from Baht 98.28 at the end of 2016, for the reasons stated above.

III. Statutory Capital

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

Furthermore, the Bank has recently been classified by the BOT, along with 4 other major Thai commercial banks, as Domestic Systemically Important Banks (D-SIBs) which are required to maintain higher minimum Common Equity Tier 1 capital to provide additional stability and resilience to banks with D-SIBs status. This 1% Higher Loss Absorbency requirement applied to D-SIBs will be phased in starting at 0.5% in 2019 and increasing to 1.0% in 2020.

The minimum regulatory capital requirements which include the capital conservation buffer and D-SIBs 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%
Additional buffers					
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 has formulated a long-term capital management plan to accommodate both current and upcoming regulatory changes well in advance. The Bank believes that its strong capital position, which is currently above the minimum regulatory requirement, together with high loan loss provisions will enable the Bank to withstand any adverse shocks, be it Bank-specific or economy-wide. Also, its strong capital position will facilitate the Bank to pursue any future growth opportunities.

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

Statutory Capital (Consolidated Supervision)		Dec 31, 17	Dec 31, 16	Sep 30, 17
Common Equity Tier 1 / Tier 1*	Baht million	321,939	294,566	324,983
	% of RWA	15.6%	14.8%	16.1%
Tier 2 capital	Baht million	42,564	57,752	42,230
	% of RWA	2.1%	2.9%	2.1%
Total capital	Baht million	364,503	352,318	367,213
	% of RWA	17.7%	17.7%	18.2%
Risk-weighted assets	Baht million	2,055,938	1,986,927	2,022,816
Statutory Capital (Bank only)		Dec 31, 17	Dec 31, 16	Sep 30, 17
Common Equity Tier 1 / Tier 1*	Baht million	299,978	280,108	301,740
	% of RWA	15.1%	14.5%	15.5%
Tier 2 capital	Baht million	41,754	57,165	41,464
	% of RWA	2.1%	2.9%	2.1%
Total capital	Baht million	341,732	337,273	343,204
	% of RWA	17.2%	17.4%	17.6%
Risk-weighted assets	Baht million	1,984,315	1,933,848	1,954,927

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

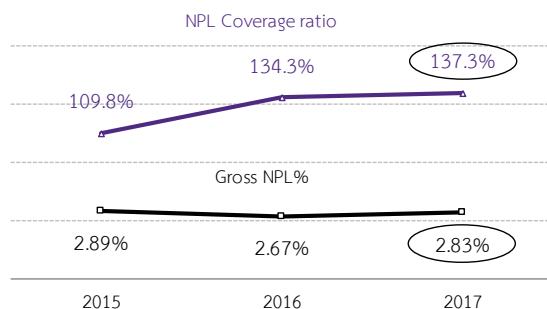
IV. Non-Performing Assets

At the end of December 2017, gross NPLs on a consolidated basis stood at 2.83% of total loans, up from 2.67% of total loans at the end of 2016. Higher NPLs were concentrated in the SME segment and housing loans for self-employed borrowers, while NPLs from the corporate segment subsided.

Non-Performing Loans and Allowance (Consolidated)		Dec 31, 17	Dec 31, 16	Sep 30, 17
Non-Performing Loans (Gross NPLs)	% of total loans	2.83%	2.67%	2.75%
	Baht million	65,560	57,593	62,760
Non-Performing Loans (Net NPLs)	% of total loans	1.56%	1.38%	1.46%
	Baht million	35,592	29,309	32,889
Allowance for doubtful accounts and debt restructuring ¹	Baht million	89,990	77,357	85,599
Total allowance to NPLs		137.3%	134.3%	136.4%
Non-Performing Loans (Gross NPLs) (Bank only)	% of total loans	2.81%	2.65%	2.73%
	Baht million	64,537	56,544	61,721

¹ Excluding interbank and money market items.

Gross NPL Ratio & NPL Coverage Ratio
(Percentage)

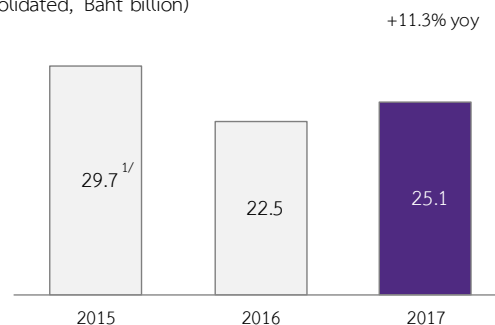


NPL by Segment and by Product

Corporate	4.0%*	2.3%	1.8%
SME	4.6%	6.4%	7.6%
Retail	2.0%	2.1%	2.6%
Mortgage	2.1%	2.2%	3.1%
Auto Loans	2.1%	1.8%	1.8%

* The increase is accounted for mainly by SSI.

Provisions
(Consolidated, Baht billion)



Credit	165	119	126
Costs (bps)			

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

Special mention loans stood at Baht 51.7 billion at the end of 2017, a significant increase of 15.9% from the end of 2016. The yoy increase was due mainly to one corporate customer in the mining industry and higher special mention loans from mortgage segment.

Unit: Baht million

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Dec 31, 17		Dec 31, 16		Sep 30, 17	
	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	1,920,725	19,964	1,840,936	19,184	1,885,470	19,537
Special mention	51,721	3,225	44,618	3,000	48,873	3,203
Substandard	17,161	7,961	20,698	9,654	16,018	6,899
Doubtful	13,429	4,163	9,707	3,153	14,777	4,592
Doubtful loss	35,024	18,206	27,217	15,641	31,996	18,580
Total	2,038,060	53,519	1,943,176	50,632	1,997,134	52,811
Allowance established in excess of BOT regulations		32,180		22,721		28,491
Total allowance		85,699		73,353		81,302

In 2017, new NPL formation was at 1.71%, down from 1.80% in 2016, which was mainly driven by lower new NPLs in the corporate and SME segments.

In 4Q17, new NPL formation was at 0.49%, up from 0.38% in 3Q17, largely attributed to higher new NPLs in the SME and housing loan segments.

New NPLs by Segment and by Product

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	2016	2017
Total loans	0.41%	0.40%	0.50%	0.52%	0.41%	0.45%	0.38%	0.49%	1.80%	1.71%
Corporate	0.05%	0.00%	0.28%	0.18%	0.04%	0.03%	0.01%	0.10%	0.51%	0.17%
SME	0.86%	0.60%	0.70%	1.08%	0.60%	1.02%	0.54%	0.63%	3.23%	2.77%
Housing loans ^{1/}	0.51%	0.65%	0.68%	0.61%	0.76%	0.70%	0.70%	0.96%	2.41%	3.07%
Auto loans ^{2/}	0.41%	0.43%	0.40%	0.50%	0.41%	0.50%	0.50%	0.54%	1.72%	1.91%
New NPLs (Baht billion)	8.6	8.2	10.8	11.2	9.1	10.4	8.8	11.4	38.9	39.6

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

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

V. Sources and Uses of Funds

As of December 31, 2017, deposits accounted for 69.2% of SCB's funding base. Other major sources of funds were: 12.0% from shareholders' equity, 8.2% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 3.6% from interbank borrowings, and 2.6% from the issuance of debt instruments. As of December 31, 2017, the funds were deployed as follows: 67.3% for loans, 18.9% for investments in securities, 10.5% for interbank and money markets lending, and 1.3% held in cash.

VI. Additional Financial Information

(Baht million, %)

(Consolidated)	Dec 31, 17	Dec 31, 16	% yoy	Sep 30, 17	% qoq
Loans by Sector	2,034,732	1,939,048	4.9%	1,993,565	2.1%
Agricultural and mining	19,554	15,166	28.9%	18,375	6.4%
Manufacturing and commercial	612,733	605,350	1.2%	601,573	1.9%
Real estate and construction	149,123	132,755	12.3%	152,250	-2.1%
Utilities and services	346,294	325,286	6.5%	336,040	3.1%
Housing loans*	542,564	521,869	4.0%	535,612	1.3%
Other loans	364,464	338,622	7.6%	349,715	4.2%
Investment**	570,371	590,921	-3.5%	543,545	4.9%
Trading securities and securities measured at fair value through P/L	16,193	28,876	-43.9%	21,931	-26.2%
Available-for-sale securities	432,064	438,473	-1.5%	401,106	7.7%
Held-to-maturity securities	120,671	122,166	-1.2%	119,169	1.3%
General investments	1,443	1,072	34.6%	1,339	7.8%
Investment in associate	0	334	-100.0%	0	-4.8%
Debt securities in issue and borrowings	78,538	106,838	-26.5%	60,325	30.2%
Bonds	54,542	65,840	-17.2%	38,478	41.7%
Subordinated bonds	20,000	40,000	-50.0%	20,000	0.0%
Structured notes	3,815	914	317.3%	1,679	127.3%
Others	181	84	115.9%	168	7.9%
NPL breakdown by status (Bank-only)					
Restructured and being serviced	66.2%	69.0%	-2.8%	57.3%	8.9%
Under negotiation for restructuring	5.8%	7.7%	-1.9%	9.5%	-3.7%
In litigation	15.0%	11.2%	3.8%	14.6%	0.4%
In foreclosure process	13.0%	12.0%	1.0%	18.6%	-5.6%
Troubled debt restructured loans	35,723	40,490	-11.8%	36,977	-3.4%
Restructured loans which are classified as NPL	8,595	9,651	-10.9%	8,997	-4.5%
Restructured loans which are not classified as NPL	27,128	30,839	-12.0%	27,980	-3.0%
	4Q17	3Q17	4Q16	2017	2016
Yield on loans by segment					
Yield on loans	5.36%	5.43%	5.59%	5.38%	5.58%
Corporate	4.18%	4.18%	4.30%	4.14%	4.17%
SME	5.97%	5.99%	6.20%	5.96%	6.36%
Retail	6.30%	6.45%	6.56%	6.34%	6.55%
Housing loans	5.19%	5.30%	5.47%	5.24%	5.55%
Auto loans	6.39%	6.41%	6.43%	6.36%	6.30%
NPL reduction methodology					
Repayments, auctions, and foreclosures	37.4%	44.5%	20.3%	39.1%	34.1%
Debt restructuring	7.4%	4.3%	40.3%	5.8%	27.7%
NPL sales***	26.8%	5.0%	23.9%	28.9%	21.4%
Write off	28.4%	46.2%	15.5%	26.1%	16.8%

* Classified by sector/product and excludes retail loans where customers use their home as collateral. (These loans are classified under "Other loans" in accordance with regulatory guidelines). Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of December 31, 2017, September 30, 2017 and December 31, 2016, was Baht 630 billion, Baht 623 billion, and Baht 607 billion, respectively.

** 86.0% were investments in government and state-enterprise securities. The Bank held a high proportion of government securities to fulfill its goal of maintaining, at a bank-only level, a liquidity ratio (liquid assets/deposits) of at least 20%.

*** The Bank sold NPLs of Baht 2.7 billion in 4Q17, Baht 0.4 billion in 3Q17 and Baht 4.4 billion in 4Q16. In 2017, the Bank sold NPLs of Baht 11.7 billion and Baht 10.7 billion in 2016.

VII. Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	December 31, 2017
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(th)