

# Management Discussion and Analysis

For the first quarter ended March 31, 2018

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The Siam Commercial Bank Public Company Limited



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## Management Discussion and Analysis

For the first quarter ended March 31, 2018

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Siam Commercial Bank PCL reported (reviewed) consolidated **net profit** of Baht 11,364 million for the first of 2018, a 4.6% yoy decrease from Baht 11,912 million in 1Q17. Lower net profit was primarily due to higher operating expenses of 20.6% yoy mainly from higher marketing expenses from expanding digital customer base and higher investment in digital banking following the Bank strategy. On the other hand, total operating income increased by 6.6% from the previous year as non-interest income increased by 13.4% yoy largely from an increase in net trading and FX income and net fee income grew by 54.2% yoy and 11.7% yoy, respectively while net interest income increased by 3.4% yoy.

On a **quarter-on-quarter** basis, net profit increased by Baht 2,165 million (+23.5% qoq) to Baht 11,364 million in 1Q18 largely due to lower provisions as the Bank set aside additional prudent provisions of Baht 2,500 million in 4Q17 coupled with a 1.1% qoq increase in operating profit mainly from higher net trading and FX income and higher net insurance premiums.

## Net Profit and Total Comprehensive Income

Unit: Baht million

Net Profit and Total Comprehensive Income (Consolidated)	1Q18	4Q17	% qoq	1Q17	% yoy
Net interest income	23,332	23,688	-1.5%	22,561	3.4%
Non-interest income	12,046	10,667	12.9%	10,624	13.4%
Total operating income	35,378	34,355	3.0%	33,185	6.6%
Non-interest expenses	16,230	15,410	5.3%	13,462	20.6%
<b>Operating profit</b>	<b>19,148</b>	<b>18,946</b>	<b>1.1%</b>	<b>19,723</b>	<b>-2.9%</b>
Impairment loss on loans and debt securities	5,012	7,492	-33.1%	5,010	0.0%
Income tax	2,758	2,244	22.9%	2,788	-1.1%
Non-controlling interests	15	11	30.8%	13	10.9%
<b>Net profit</b> (attributable to shareholders of the Bank)	<b>11,364</b>	<b>9,199</b>	<b>23.5%</b>	<b>11,912</b>	<b>-4.6%</b>
Other comprehensive income (loss)	(1,819)	(138)	NM	942	NM
<b>Total comprehensive income</b>	<b>9,546</b>	<b>9,061</b>	<b>5.4%</b>	<b>12,854</b>	<b>-25.7%</b>
EPS (Baht)	3.34	2.71	23.5%	3.50	-4.6%
ROAE	12.3%	10.3%		14.0%	
ROAA	1.5%	1.2%		1.6%	

NM denotes “not meaningful”

## I. Income Statement for 1Q18 ended March 31, 2018

(Consolidated basis)

### 1. Net interest income

Unit: Baht million

Net Interest Income and Yield (Consolidated)	1Q18	4Q17	% qoq	1Q17	% yoy
Interest income	31,288	31,659	-1.2%	30,844	1.4%
- Loans	23,761	24,178	-1.7%	23,786	-0.1%
- Interbank and money markets	1,286	1,248	3.1%	1,242	3.6%
- Financial leases	2,848	2,826	0.8%	2,672	6.6%
- Investments	3,370	3,386	-0.5%	3,122	7.9%
- Others	24	22	6.5%	21	10.4%
Interest expenses	7,956	7,971	-0.2%	8,283	-3.9%
- Deposits	4,472	4,620	-3.2%	4,826	-7.3%
- Interbank and money markets	402	358	12.4%	253	59.1%
- Borrowings	618	576	7.4%	904	-31.6%
- Contribution to the Deposit Protection Agency & FIDF	2,408	2,388	0.8%	2,290	5.2%
- Others	56	30	88.2%	10	460.7%
<b>Net interest income</b>	<b>23,332</b>	<b>23,688</b>	<b>-1.5%</b>	<b>22,561</b>	<b>3.4%</b>
<b>Net interest margin</b>	<b>3.18%</b>	<b>3.28%</b>	<b>-0.10%</b>	<b>3.21%</b>	<b>-0.03%</b>
Yield on earning assets	4.26%	4.39%	-0.13%	4.39%	-0.13%
Yield on loans	5.19%	5.36%	-0.17%	5.44%	-0.25%
Yield on interbank	1.57%	1.58%	-0.01%	1.82%	-0.25%
Yield on investment	2.42%	2.43%	-0.01%	2.12%	0.30%
Cost of funds*	1.39%	1.41%	-0.02%	1.48%	-0.09%
Cost of deposits**	1.31%	1.36%	-0.05%	1.40%	-0.09%
Spread (yield on earning assets – cost of funds)	2.87%	2.97%	-0.10%	2.91%	-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 DPA & FIDF) / Average interest-bearing liabilities.

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

Net interest income in 1Q18 was Baht 23,332 million, a 3.4% yoy increase from 1Q17. The higher net interest income was driven by 5.7% yoy loan growth while yield on loans decreased yoy as a result of the 25 basis point lending rate cut in May 2017 and a shift in loan portfolio toward the corporate segment with lower-than-average yield. Furthermore, net interest income increased due to higher interest income from investments coupled with efficient cost management.

On a **quarter-on-quarter** basis, net interest income decreased by 1.5% qoq to Baht 23,332 million in 1Q18 due to lower loan yield as explained earlier and fewer calendar days.

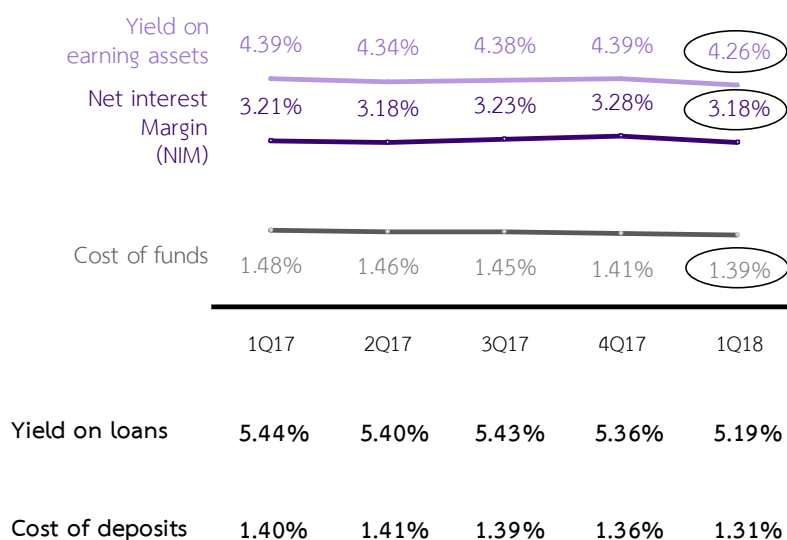
SCB Interest Rates	Apr 29, 15	May 21, 15	Jul 20, 15	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16	May 16, 17
<b>Lending rate (%)</b>									
MLR	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275	6.025
MOR	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12	6.87
MRR	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62	7.37
<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.

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



## 2. Non-interest income

Unit: Baht million

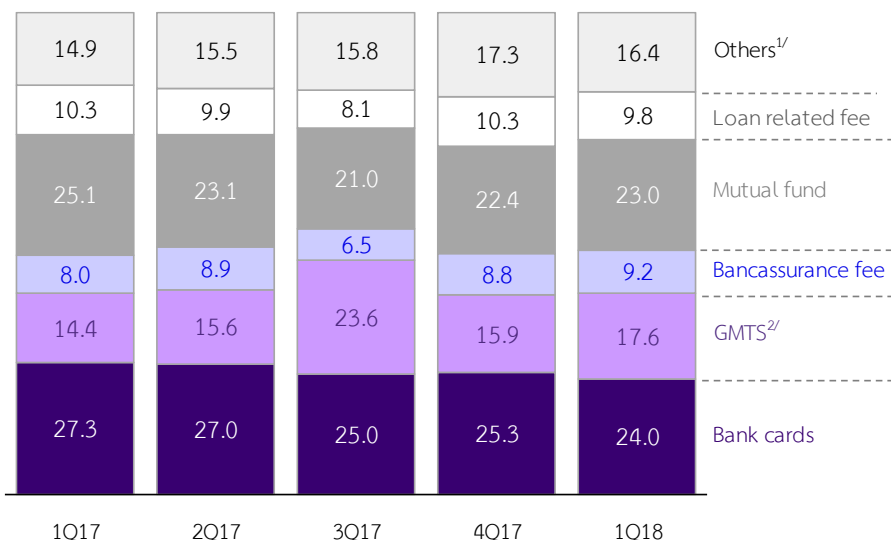
Non-Interest Income (Consolidated)	1Q18	4Q17	% qoq	1Q17	% yoy
<i>Fee and service income</i>	10,042	9,749	3.0%	8,918	12.6%
<i>Less fee and service expenses</i>	1,898	1,739	9.1%	1,626	16.7%
Net fee and service income	8,145	8,010	1.7%	7,292	11.7%
<i>Net earned insurance premiums</i>	13,697	9,616	42.4%	13,335	2.7%
<i>Less net insurance claims</i>	13,091	9,641	35.8%	12,140	7.8%
Net insurance premiums	606	(25)	NM	1,195	-49.3%
<b>Net fee and insurance premium</b>	<b>8,750</b>	<b>7,985</b>	<b>9.6%</b>	<b>8,487</b>	<b>3.1%</b>
Net trading and FX income	2,582	1,774	45.5%	1,674	54.2%
Share of loss from investment for using equity method	0	0	NM	(4)	NM
Dividend income	293	162	80.8%	196	49.4%
Other income	90	123	-26.5%	98	-8.4%
<b>Non-interest income excluding gain on investments</b>	<b>11,715</b>	<b>10,044</b>	<b>16.6%</b>	<b>10,451</b>	<b>12.1%</b>
Net gain on investments	331	623	-46.9%	173	91.7%
<b>Total non-interest income</b>	<b>12,046</b>	<b>10,667</b>	<b>12.9%</b>	<b>10,624</b>	<b>13.4%</b>

NM denotes "not meaningful"

Non-interest income increased by 13.4% yoy to Baht 12,046 million in 1Q18 mainly due to higher net trading and FX income and higher net fee income from corporate finance fees and bancassurance fees.

On a **quarter-on-quarter** basis, non-interest income increased by 12.9% qoq largely due to higher net trading and FX income and higher net insurance premiums.

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

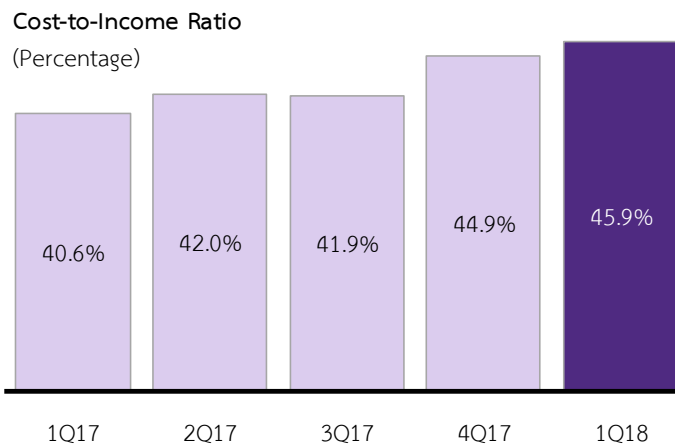
Unit: Baht million

Non-Interest Expenses (Consolidated)	1Q18	4Q17	% qoq	1Q17	% yoy
Staff costs	7,448	6,758	10.2%	6,862	8.5%
Premises and equipment expenses	3,138	3,056	2.7%	2,652	18.3%
Tax and duties	1,099	1,160	-5.3%	1,096	0.3%
Director remuneration	26	26	-2.1%	25	0.1%
Other expenses	4,518	4,410	2.5%	2,827	59.8%
<b>Total non-interest expenses*</b>	<b>16,230</b>	<b>15,410</b>	<b>5.3%</b>	<b>13,462</b>	<b>20.6%</b>
<b>Cost to income ratio</b>	<b>45.9%</b>	<b>44.9%</b>		<b>40.6%</b>	

\* Including loss on the sale of repossessed cars of Baht 140 million in 1Q18, Baht 156 million in 4Q17 and Baht 118 million in 1Q17.

Non-interest expenses increased by 20.6% yoy to Baht 16,230 million in 1Q18 primarily due to higher staff costs (+8.5% yoy) from annual salary adjustments and higher other expenses (+59.8% yoy), with the main component being marketing expenses to expand digital customer base. Moreover, premises and equipment expenses increased by 18.3% yoy due to higher depreciation on investment program of the Bank.

On a **quarter-on-quarter** basis, non-interest expenses increased by 5.3% to Baht 16,230 million in 1Q18 mainly due to higher staff costs from annual salary adjustments.



#### 4. Loan loss provisions

Loan loss provisions in 1Q18 were set at Baht 5,012 million or 98 bps of total loans which was adequate based on prudential provisions for future uncertainty. Loan loss provisions were flat yoy but decreased from 4Q16 because the Bank set aside additional prudent provisions of Baht 2,500 million in 4Q17. The coverage ratio improved to 141.9% in 1Q18 from 133.4% in 1Q17.



## II. Balance sheet as of March 31, 2018 (Consolidated basis)

As of March 31, 2018, the Bank's total assets stood at Baht 3,055 billion, an increase of 4.0% yoy. Details on the consolidated balance sheets are provided in the following sections:

### 1. Loans

As of March 31, 2018, total outstanding loans (net of deferred revenue) stood at Baht 2,063 billion, rising by 5.7% yoy and 1.4% qoq. Loan growth yoy was experienced across all segments, particularly in the corporate and retail segments.

The 5.7% yoy loan growth was slightly lower than the Bank's loan growth target for 2018 of 6-8%.

Unit: Baht million

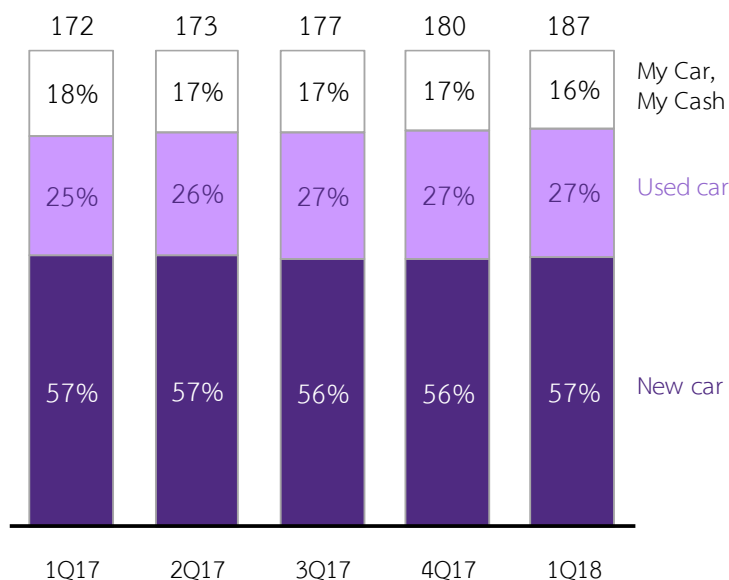
Loans by Segment (Consolidated)	Mar 31, 18	%	Dec 31, 17	%	% qoq	Mar 31, 17	%	% yoy
Corporate	783,562	38.0%	760,912	37.4%	3.0%	725,624	37.2%	8.0%
SME	362,305	17.5%	364,039	17.9%	-0.5%	360,260	18.5%	0.6%
Retail	917,584	44.5%	909,781	44.7%	0.9%	866,014	44.4%	6.0%
- Housing loans*	632,463	30.6%	630,079	31.0%	0.4%	608,880	31.2%	3.9%
- Auto loans	187,084	9.1%	179,933	8.8%	4.0%	171,839	8.8%	8.9%
- Other loans	98,037	4.8%	99,769	4.9%	-1.7%	85,295	4.4%	14.9%
<b>Total loans</b>	<b>2,063,451</b>	<b>100.0%</b>	<b>2,034,732</b>	<b>100.0%</b>	<b>1.4%</b>	<b>1,951,898</b>	<b>100.0%</b>	<b>5.7%</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 grew by 8.0% yoy owing to large corporate customers' drawdowns.
- **SME** loans increased slightly by 0.6% yoy.
- **Retail** loans rose by 6.0% yoy and 0.9% qoq.
  - **Housing loans** grew by 3.9% yoy and 0.4% qoq, in line with the market growth
  - **Auto loans** grew by 8.9% yoy and 4.0% qoq. Both yoy and qoq growth were driven by loan expansion in both used car and new car segments.

Auto loan portfolio (Baht billion)



- **Other loans** (largely personal loans and credit card receivables) grew by 14.9% yoy, driven by an increase in both credit card loans and personal loans, but declined by 1.7% qoq mainly from a seasonal effect of borrowers paying off their credit card balance after high credit card spending at the year end.

## 2. Deposits

Unit: Baht million

Deposits (Consolidated)	Mar 31, 18	%	Dec 31, 17	%	% qoq	Mar 31, 17	%	% yoy
Demand	72,612	3.5%	78,274	3.7%	-7.2%	71,244	3.5%	1.9%
Savings	1,352,105	64.6%	1,281,892	61.3%	5.5%	1,194,547	59.0%	13.2%
Fixed	668,068	31.9%	732,291	35.0%	-8.8%	758,316	37.5%	-11.9%
- Less than 6 months	137,788	6.6%	164,034	7.9%	-16.0%	166,488	8.2%	-17.2%
- 6 months and up to 1 year	137,655	6.6%	176,335	8.4%	-21.9%	330,054	16.3%	-58.3%
- Over 1 year	392,625	18.7%	391,922	18.7%	0.2%	261,774	12.9%	50.0%
Negotiable Certificate of Deposit	-	0.0%	-	0.0%	0.0%	500	0.0%	0.0%
<b>Total deposits</b>	<b>2,092,785</b>	<b>100.0%</b>	<b>2,092,457</b>	<b>100.0%</b>	<b>0.0%</b>	<b>2,024,607</b>	<b>100.0%</b>	<b>3.4%</b>
Gross loans to deposits ratio	98.6%		97.2%			96.4%		
CASA - Current & Savings Accounts (%)	68.1%		65.0%			62.5%		

As of March 31, 2018, total **deposits** stood at Baht 2,093 billion, a rise of 3.4% yoy but relatively flat qoq. The yoy increase mainly came from higher savings (+13.2% yoy) and current deposits (+1.9% yoy), following the Bank's strategy to increase the proportion of low cost deposits (CASA), while fixed deposits declined yoy.

Consequently, the Bank's CASA rose to 68.1% at the end of March 2018, an increase on both yoy and qoq basis.

As loans grew by 5.7% yoy while deposits rose 3.4% yoy, the loan-to-deposit ratio on a consolidated basis increased to 98.6% at the end of March 2018 from 96.4% at the end of March 2017. Furthermore, the Bank's liquidity ratio stood at a high level of 25.8%, which 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 March 31, 2018, shareholders' equity stood at Baht 373 billion, an increase of 7.5% yoy, driven by appropriations of net profit in 2017. 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. On a quarter-on-quarter basis, shareholders' equity grew by 2.6% largely from the 1Q18 net profit.

The book value per share as of March 31, 2018 was Baht 109.73 (3,399 million ordinary and preferred shares at the end of March 2018), up by 7.5% from Baht 102.07 at the end of March 2017 and by 2.6% from Baht 106.93 at the end of December 2017, 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. 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 the 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%
<u>Additional buffers</u>					
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 March 2018 are shown in the table below.

Statutory Capital (Consolidated Supervision)		Mar 31, 18	Dec 31, 17	Mar 31, 17
Common Equity Tier 1 / Tier 1*	Baht million	314,581	321,939	294,314
	% of RWA	15.1%	15.6%	14.7%
Tier 2 capital	Baht million	42,909	42,564	41,799
	% of RWA	2.0%	2.1%	2.1%
Total capital	Baht million	357,490	364,503	336,113
	% of RWA	17.1%	17.7%	16.8%
Risk-weighted assets	Baht million	2,085,530	2,055,938	1,996,299

Statutory Capital (Bank only)		Mar 31, 18	Dec 31, 17	Mar 31, 17
Common Equity Tier 1 / Tier 1*	Baht million	297,224	299,978	279,194
	% of RWA	14.7%	15.1%	14.4%
Tier 2 capital	Baht million	42,129	41,754	41,156
	% of RWA	2.1%	2.1%	2.1%
Total capital	Baht million	339,353	341,732	320,350
	% of RWA	16.8%	17.2%	16.5%
Risk-weighted assets	Baht million	2,016,547	1,984,315	1,938,791

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

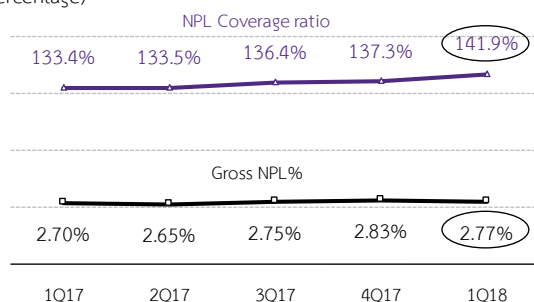
#### IV. Non-Performing Assets

At the end of March 2018, gross NPLs on a consolidated basis stood at 2.77% of total loans, up from 2.70% of total loans at the end of March 2017. The yoy increase in NPLs was concentrated in the SME segment and housing loans. On a quarter-on-quarter basis, gross NPLs declined from 2.83% at the end of December 2017, driven by lower NPLs in housing loans and auto loans, while SME NPLs continued to rise.

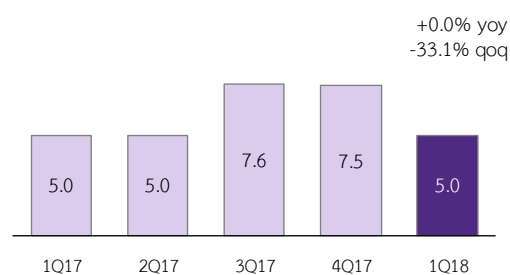
Non-Performing Loans and Allowance (Consolidated)		Mar 31, 18	Dec 31, 17	Mar 31, 17
Non-Performing Loans (Gross NPLs)	% of total loans	<b>2.77%</b>	<b>2.83%</b>	<b>2.70%</b>
	Baht million	65,840	65,560	59,649
Non-Performing Loans (Net NPLs)	% of total loans	<b>1.53%</b>	<b>1.56%</b>	<b>1.42%</b>
	Baht million	35,929	35,592	30,959
Allowance for doubtful accounts and debt restructuring <sup>1</sup>	Baht million	93,443	89,990	79,545
Total allowance to NPLs		141.9%	137.3%	133.4%
Non-Performing Loans (Gross NPLs)	% of total loans	<b>2.75%</b>	<b>2.81%</b>	<b>2.68%</b>
(Bank only)	Baht million	64,817	64,537	58,600

<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

	1Q17	2Q17	3Q17	4Q17	1Q18
Corporate	2.3%	2.3%	1.9%	1.8%	1.8%
SME	6.5%	7.2%	7.6%	7.6%	7.8%
Retail	2.3%	2.1%	2.4%	2.6%	2.6%
Housing loans	2.6%	2.3%	2.8%	3.1%	3.0%
Auto loans	1.6%	1.7%	1.8%	1.8%	1.7%

	1Q17	2Q17	3Q17	4Q17	1Q18
Credit	103	102	152	149	98
Costs (bps)					

**Special mention** loans stood at Baht 48.6 billion at the end of March 2018, increasing significantly by 11.2% yoy but falling by 6.0% qoq. The yoy increase was due mainly to one corporate customer in the mining industry in 3Q17 and higher special mention loans from the mortgage segment.

Unit: Baht million

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Mar 31, 18		Dec 31, 17		Mar 31, 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	1,952,900	20,247	1,920,725	19,964	1,852,387	19,379
Special mention	48,628	3,065	51,721	3,225	43,742	2,962
Substandard	14,720	6,448	17,161	7,961	17,463	6,886
Doubtful	13,380	4,538	13,429	4,163	14,390	5,949
Doubtful loss	37,773	19,277	35,024	18,206	27,824	16,004
<b>Total</b>	<b>2,067,401</b>	<b>53,575</b>	<b>2,038,060</b>	<b>53,519</b>	<b>1,955,806</b>	<b>51,180</b>
Allowance established in excess of BOT regulations		35,588		32,180		24,359
<b>Total allowance</b>		<b>89,163</b>		<b>85,699</b>		<b>75,539</b>

In 1Q18, new NPL formation was at 0.41%, down from 0.49% at the end of December 2017, which was mainly a result of lower new NPLs in all segments, except for SME segment.

New NPLs by Segment and by Product

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
<b>Total loans</b>	0.41%	0.40%	0.50%	0.52%	0.41%	0.45%	0.38%	0.49%	0.41%
<b>Corporate</b>	0.05%	0.00%	0.28%	0.18%	0.04%	0.03%	0.01%	0.10%	0.06%
<b>SME</b>	0.86%	0.60%	0.70%	1.08%	0.60%	1.02%	0.54%	0.63%	0.75%
<b>Housing loans<sup>1/</sup></b>	0.51%	0.65%	0.68%	0.61%	0.76%	0.70%	0.70%	0.96%	0.70%
<b>Auto loans<sup>2/</sup></b>	0.41%	0.43%	0.40%	0.50%	0.41%	0.50%	0.50%	0.54%	0.43%
<b>New NPLs (Baht billion)</b>	8.6	8.2	10.8	11.2	9.1	10.4	8.8	11.4	9.7

<sup>1/</sup> Most of new NPLs in mortgages were highly concentrated among customers who are self-employed with high levels of leverage and high loan-to-value ratios. The Bank has tightened its underwriting standards for these segments since early 2014.

<sup>2/</sup> Exclude the cases in which cars had been repossessed before the end of the month on the month that loans were classified as NPL. Losses on sale of repossessed cars are booked as expenses as explained in the non-interest expense section.

## V. Sources and Uses of Funds

As of March 31, 2018, deposits accounted for 68.5% of SCB's funding base. Other major sources of funds were: 12.2% from shareholders' equity, 8.4% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 3.9% from interbank borrowings, and 2.5% from the issuance of debt instruments. As of March 31, 2018, the funds were deployed as follows: 67.5% for loans, 17.8% for investments in securities, 11.1% for interbank and money markets lending, and 1.2% held in cash.

## VI. Additional Financial Information

(Baht million, %)

(Consolidated)	Mar 31, 18	Dec 31, 17	% qoq	Mar 31, 17	% yoy
<b>Loans by Sector</b>	<b>2,063,451</b>	<b>2,034,732</b>	<b>1.4%</b>	<b>1,951,898</b>	<b>5.7%</b>
Agricultural and mining	19,512	19,554	-0.2%	16,354	19.3%
Manufacturing and commercial	620,797	612,733	1.3%	617,135	0.6%
Real estate and construction	154,642	149,123	3.7%	133,802	15.6%
Utilities and services	354,802	346,294	2.5%	323,974	9.5%
Housing loans*	545,647	542,564	0.6%	523,550	4.2%
Other loans	368,051	364,464	1.0%	337,083	9.2%
<b>Investment**</b>	<b>545,318</b>	<b>570,371</b>	<b>-4.4%</b>	<b>590,722</b>	<b>-7.7%</b>
Trading securities and securities measured at fair value through P/L	23,549	16,193	45.4%	22,724	3.6%
Available-for-sale securities	401,175	432,064	-7.1%	445,414	-9.9%
Held-to-maturity securities	119,091	120,671	-1.3%	121,149	-1.7%
General investments	1,503	1,443	4.2%	1,105	36.0%
Investment in associate	0	0	0.3%	330	-100.0%
<b>Debt securities in issue and borrowings</b>	<b>75,856</b>	<b>78,538</b>	<b>-3.4%</b>	<b>97,984</b>	<b>-22.6%</b>
Bonds	52,915	54,542	-3.0%	76,913	-31.2%
Subordinated bonds	20,000	20,000	0.0%	20,000	0.0%
Structured notes	2,726	3,815	-28.6%	938	190.6%
Others	215	181	18.5%	133	61.2%
<b>NPL breakdown by status (Bank-only)</b>					
Restructured and being serviced	65.8%	66.2%	-0.4%	69.5%	-3.7%
Under negotiation for restructuring	5.0%	5.8%	-0.8%	8.3%	-3.3%
In litigation	15.0%	15.0%	0.0%	10.6%	4.4%
In foreclosure process	14.2%	13.0%	1.2%	11.6%	2.6%
<b>Troubled debt restructured loans</b>	<b>34,686</b>	<b>35,723</b>	<b>-2.9%</b>	<b>39,457</b>	<b>-12.1%</b>
Restructured loans which are classified as NPL	7,800	8,595	-9.2%	10,257	-24.0%
Restructured loans which are not classified as NPL	26,886	27,128	-0.9%	29,200	-7.9%
	<b>1Q18</b>	<b>4Q17</b>	<b>3Q17</b>	<b>2Q17</b>	<b>1Q17</b>
<b>Yield on loans by segment</b>					
<b>Yield on loans</b>	<b>5.19%</b>	<b>5.36%</b>	<b>5.43%</b>	<b>5.40%</b>	<b>5.44%</b>
Corporate	3.99%	4.18%	4.18%	4.13%	4.14%
SME	5.79%	5.97%	5.99%	5.97%	6.05%
Retail	6.15%	6.30%	6.45%	6.42%	6.45%
Housing loans	5.03%	5.19%	5.30%	5.26%	5.33%
Auto loans	6.26%	6.39%	6.41%	6.37%	6.30%
<b>NPL reduction methodology</b>					
Repayments, auctions, and foreclosures	62.6%	37.4%	44.5%	36.5%	39.0%
Debt restructuring	6.1%	7.4%	4.3%	6.7%	4.7%
NPL sales***	17.0%	26.8%	5.0%	40.1%	39.4%
Write off	14.3%	28.4%	46.2%	16.7%	16.9%

\* 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 March 31, 2018, December 31, 2017 and March 31, 2017, was Baht 632 billion, Baht 630 billion, and Baht 609 billion, respectively.

\*\* 85.0% 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 1.8 billion in 1Q18, Baht 2.7 billion in 4Q17, Baht 0.4 billion in 3Q17, Baht 4.6 billion in 2Q17, and Baht 4.0 billion in 1Q17.



## VII. Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	March 31, 2018
<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(thai)