

Management Discussion and Analysis

For the second quarter and first half ended June 30, 2018

The Siam Commercial Bank Public Company Limited



The Siam Commercial Bank Public Company Limited

9 Ratchadapisek Road, Jatujak, Bangkok 10900 THAILAND

Tel. +66 2 544-1000

Website: www.scb.co.th

Investor Relations

Email: investor.relations@scb.co.th

Tel. +66 2 544-4358

Reuter: SCB.BK, SCBf.BK, SCB_p.BK

Bloomberg: SCB TH, SCB/F TB, SCB/P TB, SCB/Q TB

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Siam Commercial Bank PCL reported (audited) consolidated **total operating income** of Baht 34,343 million in the second quarter of 2018, with **net profit** of Baht 11,111 million. The top-line number remained robust and continued to grow on the back of net interest income growth of 4.7% yoy despite pressure from lower non-interest income. However, the rise in operating expenses from investments in new technology platforms as part of the Transformation Program and digital acquisition activities led to a yoy decline in net profit for the quarter.

On a **quarter-on-quarter** basis, net profit decreased by Baht 253 million (or 2.2% qoq) to Baht 11,111 million in 2Q18 because of lower net trading and FX income, the digital transaction fee waiver, and lower net insurance premium. The decline in non-interest income was partly offset by higher net interest income.

For the **first half of 2018**, net profit stood at Baht 22,476 million, a 5.7% yoy decrease from Baht 23,823 million in 1H17. The main cause of this decline was higher operating expenses mainly from transformation related investments and expenses which outweighed the 3.8% yoy growth in total operating income from both net interest income and non-interest income.

Net Profit and Total Comprehensive Income

Unit: Baht million

Net Profit and Total Comprehensive Income (Consolidated)	2Q18	% qoq	% yoy	1H18	% yoy
Net interest income	23,849	2.2%	4.7%	47,181	4.0%
Non-interest income	10,494	-12.9%	-6.2%	22,540	3.3%
Total operating income	34,343	-2.9%	1.1%	69,721	3.8%
Non-interest expenses	15,779	-2.8%	10.7%	32,009	15.5%
Operating profit	18,563	-3.1%	-5.9%	37,712	-4.4%
Impairment loss on loans and debt securities	5,007	-0.1%	-0.1%	10,018	-0.0%
Income tax	2,433	-11.8%	-12.7%	5,191	-6.9%
Non-controlling interests	12	-15.1%	-17.5%	27	-4.2%
Net profit (attributable to shareholders of the Bank)	11,111	-2.2%	-6.7%	22,476	-5.7%
Other comprehensive income (loss)	(3,409)	NM	NM	(5,228)	NM
Total comprehensive income	7,702	-19.3%	-42.4%	17,248	-34.2%
EPS (Baht)	3.27	-2.2%	-6.7%	6.61	-5.7%
ROAE	12.0%			12.3%	
ROAA	1.4%			1.5%	

NM denotes “not meaningful”

I. Income Statement for 2Q18 and first half ended June 30, 2018

(Consolidated basis)

1. Net interest income

Unit: Baht million

Net Interest Income and Yield (Consolidated)	2Q18	% qoq	% yoy	1H18	% yoy
Interest income	31,967	2.2%	2.8%	63,255	2.1%
- Loans	24,359	2.5%	2.7%	48,120	1.3%
- Interbank and money markets	1,315	2.2%	1.4%	2,600	2.5%
- Financial leases	2,966	4.2%	8.4%	5,814	7.5%
- Investments	3,299	-2.1%	-0.5%	6,670	3.6%
- Others	28	16.9%	47.6%	51	27.8%
Interest expenses	8,118	2.0%	-2.3%	16,074	-3.1%
- Deposits	4,520	1.1%	-6.4%	8,992	-6.9%
- Interbank and money markets	384	-4.6%	43.4%	785	50.9%
- Borrowings	729	17.9%	-12.5%	1,348	-22.4%
- Contribution to the Deposit Protection Agency & FIDF	2,446	1.6%	3.2%	4,854	4.2%
- Others	39	-29.8%	308.1%	95	373.4%
Net interest income	23,849	2.2%	4.7%	47,181	4.0%
Net interest margin	3.21%	0.03%	0.03%	3.19%	0.00%
Yield on earning assets	4.31%	0.05%	-0.03%	4.28%	-0.07%
Yield on loans	5.25%	0.06%	-0.15%	5.21%	-0.20%
Yield on interbank	1.53%	-0.04%	-0.06%	1.57%	-0.07%
Yield on investment	2.43%	0.01%	0.15%	2.40%	0.18%
Cost of funds*	1.40%	0.01%	-0.06%	1.39%	-0.07%
Cost of deposits**	1.31%	0.00%	-0.10%	1.30%	-0.10%
Spread (yield on earning assets – cost of funds)	2.90%	0.03%	0.02%	2.89%	0.00%

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 2Q18 was Baht 23,849 million, a 4.7% yoy increase from 2Q17. Net interest income rose largely due to strong loan growth of 6.7% and widened net interest margin.

On a **quarter-on-quarter** basis, net interest income increased by 2.2% qoq to Baht 23,849 million in 2Q18 mainly from 1.9% qoq loan growth.

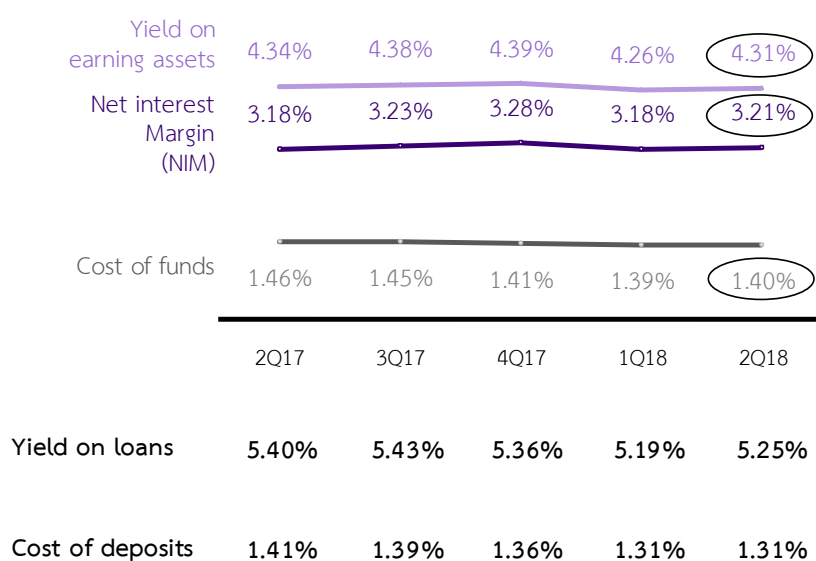
SCB Interest Rates	Apr 29, 15	May 21, 15	Jul 20, 15	Dec 21, 15	Mar 1, 16	Apr 7, 16	Apr 25, 16	Oct 12, 16	May 16, 17
Lending rate (%)									
MLR	6.625	6.525	6.525	6.525	6.525	6.275	6.275	6.275	6.025
MOR	7.50	7.40	7.37	7.37	7.37	7.37	7.12	7.12	6.87
MRR	8.12	7.82	7.87	7.87	7.87	7.87	7.62	7.62	7.37
Deposit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

In the **first half of 2018**, net interest income increased by 4.0% yoy to Baht 47,181 million from 1H17. The increase was due to loan growth of 6.7% yoy and proactive funding cost management resulting in stable net interest margin.

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



2. Non-interest income

Unit: Baht million

Non-Interest Income (Consolidated)	2Q18	% qoq	% yoy	1H18	% yoy
<i>Fee and service income</i>	9,157	-8.8%	4.9%	19,199	8.8%
<i>Less fee and service expenses</i>	2,073	9.3%	30.5%	3,971	23.5%
Net fee and service income	7,084	-13.0%	-0.8%	15,229	5.5%
<i>Net earned insurance premiums</i>	14,553	6.3%	7.1%	28,250	4.9%
<i>Less net insurance claims</i>	14,173	8.3%	12.1%	27,265	10.0%
Net insurance premiums	380	-37.3%	-60.0%	985	-54.0%
Net fee and insurance premium	7,464	-14.7%	-7.8%	16,214	-2.2%
Net trading and FX income	1,698	-34.2%	-4.3%	4,280	24.1%
Share of loss from investment for using equity method	0	NM	NM	0	NM
Dividend income	504	72.1%	25.5%	797	33.3%
Other income	255	183.0%	-62.6%	345	-55.8%
Non-interest income excluding gain on investments	9,920	-15.3%	-9.3%	21,635	1.1%
Net gain on investments	574	73.2%	130.4%	905	114.5%
Total non-interest income	10,494	-12.9%	-6.2%	22,540	3.3%

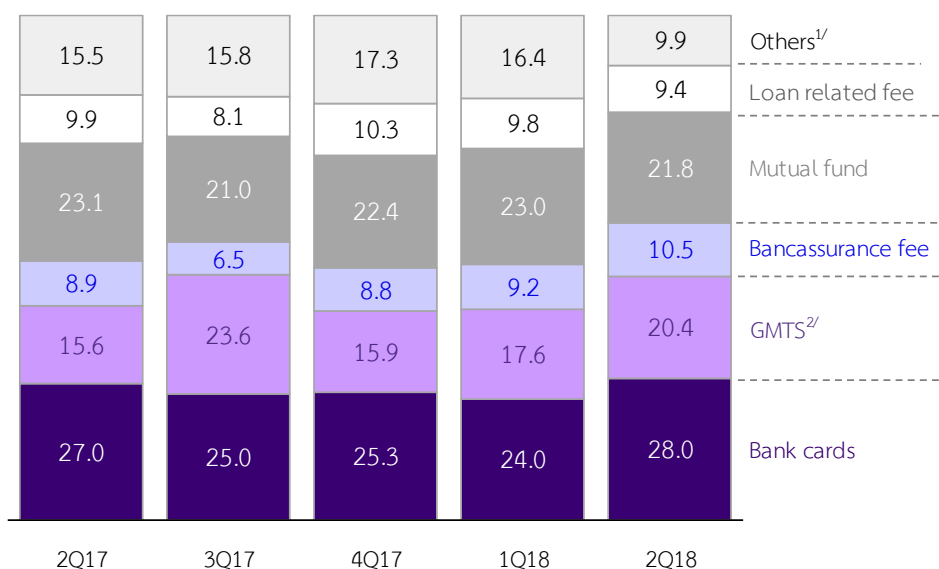
NM denotes "not meaningful"

Non-interest income decreased by 6.2% yoy to Baht 10,494 million in 2Q18 because of the digital transaction fee waiver and a decline in net insurance premium.

On a **quarter-on-quarter** basis, non-interest income decreased by 12.9% qoq mainly due to lower net fee income given the digital transaction fee waiver, lower net trading and FX income, and lower net insurance premium.

In the **first half of 2018**, non-interest income increased by 3.3% yoy to Baht 22,540 million. This increase was largely due to an increase in net trading and FX income, net fee income, and gain on investments which was partly offset by lower net insurance premium and digital transaction fee waiver.

Net Fee Income Breakdown (Percentage)



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

^{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

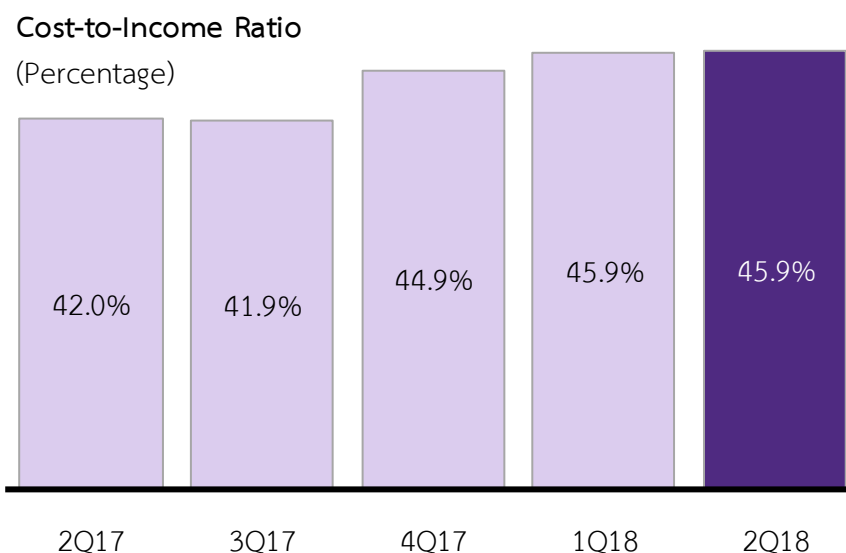
Non-Interest Expenses (Consolidated)	2Q18	% qoq	% yoy	1H18	% yoy
Staff costs	7,313	-1.8%	4.2%	14,761	6.4%
Premises and equipment expenses	3,242	3.3%	11.3%	6,381	14.6%
Tax and duties	1,130	2.8%	5.6%	2,229	2.9%
Director remuneration	21	-17.4%	-2.0%	47	-0.8%
Other expenses	4,073	-9.9%	25.9%	8,591	41.7%
Total non-interest expenses	15,779	-2.8%	10.7%	32,009	15.5%
Cost to income ratio	45.9%			45.9%	

Non-interest expenses increased by 10.7% yoy to Baht 15,779 million in 2Q18 primarily due to investments in new technology platforms as part of the Transformation Program and digital acquisition activities. Higher other expenses were mainly from marketing expenses to support digital acquisition, marketing campaigns, and new product launch. Higher premises and equipment expenses from higher depreciation on the Bank's investment program coupled with an increase in software rental and higher staff costs from annual salary adjustments also contributed to a rise in non-interest expenses.

On a **quarter-on-quarter** basis, non-interest expenses decreased by 2.8% to Baht 15,779 million in 2Q18 mainly due to lower other expenses and lower staff costs.

In the **first half of 2018**, non-interest expenses increased by 15.5% yoy to Baht 32,009 million from 1H17, due to an increase in other expenses, higher staff costs, and higher premises and equipment expenses as explained earlier.

With modest top-line growth amid this high investment cycle, cost-to-income ratio reached 45.9% in the first half of 2018. Going forward, the Bank has revised the target cost-to-income ratio upward to be in the range of 45-47% in 2018 from the earlier target of 42-45%



4. Loan loss provisions

Loan loss provisions in 2Q18 were set at Baht 5,007 million or 96 bps of total loans which was adequate based on prudential provisions for future uncertainty. Loan loss provisions did not change significantly yoy and qoq. The coverage ratio improved to 143.5% in 2Q18 from 133.5% in 2Q17.

II. Balance sheet as of June 30, 2018 (Consolidated basis)

As of June 30, 2018, the Bank's total assets stood at Baht 3,100 billion, an increase of 3.2% yoy. Details on the consolidated balance sheets are provided in the following sections:

1. Loans

As of June 30, 2018, total outstanding loans (net of deferred revenue) stood at Baht 2,103 billion, expanding by 6.7% yoy and 1.9% qoq. Loan growth at both the yoy and qoq levels was seen across all customer segments, especially corporate and retail segments.

The 6.7% yoy loan growth was within the Bank's loan growth target of 6-8% for 2018.

Unit: Baht million

Loans by Segment (Consolidated)	Jun 30, 18		Mar 31, 18			Dec 31, 17			Jun 30, 17		
		%	(Restated)	%	% qoq	(Restated)	%	% ytd	(Restated)	%	% yoy
Corporate*	827,835	39.4%	804,068	39.0%	3.0%	782,523	38.5%	5.8%	758,753	38.5%	9.1%
SME*	344,357	16.4%	341,789	16.5%	0.8%	342,411	16.8%	0.6%	338,365	17.2%	1.8%
Retail	930,447	44.2%	917,594	44.5%	1.4%	909,798	44.7%	2.3%	873,290	44.3%	6.5%
- Housing loans**	636,725	30.3%	632,463	30.6%	0.7%	630,079	31.0%	1.1%	611,905	31.0%	4.1%
- Auto loans	192,187	9.1%	187,083	9.1%	2.7%	179,933	8.8%	6.8%	173,477	8.8%	10.8%
- Other loans	101,535	4.8%	98,048	4.8%	3.6%	99,786	4.9%	1.8%	87,908	4.5%	15.5%
Total loans	2,102,639	100.0%	2,063,451	100.0%	1.9%	2,034,732	100.0%	3.3%	1,970,408	100.0%	6.7%

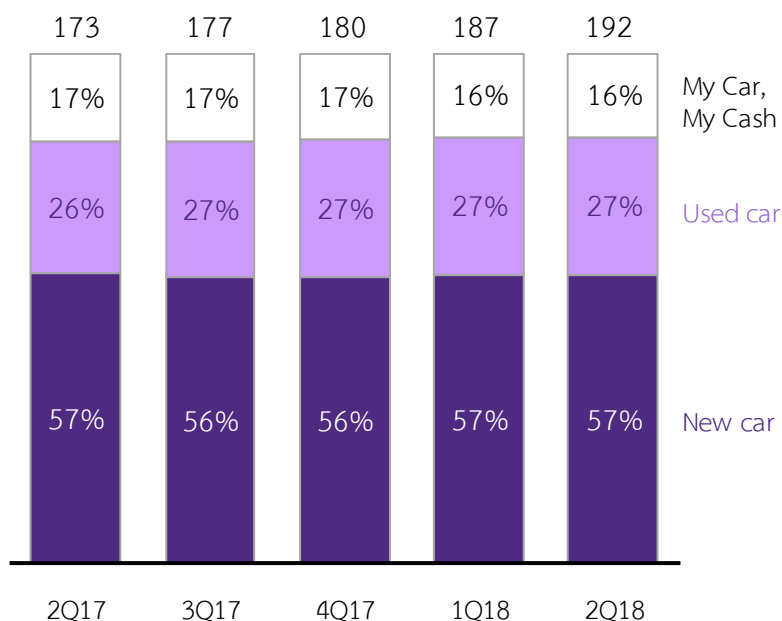
* Some SME customers have experienced sales turnover growth and have been reclassified as Corporate loans. Data for Jun 30, 2017, Dec 31, 2017, and Mar 31, 2018 are restated figures.

** 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 9.1% yoy and 3.0% qoq owing to large corporate customers' drawdowns.
- **SME** loans increased by 1.8% yoy and 0.8% qoq.
- **Retail** loans rose by 6.5% yoy and 1.4% qoq.
 - **Housing loans** grew by 4.1% yoy and 0.7% qoq, in line with the overall market growth.
 - **Auto loans** grew by 10.8% yoy and 2.7% qoq. Both yoy and qoq growth was driven by higher car sales.

Auto loan portfolio (Baht billion)



- **Other loans** (mostly personal loans and credit card receivables) grew by 15.5% yoy and 3.6% qoq, driven by an increase in both credit card loans and personal loans.

2. Deposits

Unit: Baht million

Deposits (Consolidated)	Jun 30, 18	%	Mar 31, 18	%	% qoq	Dec 31, 17	%	% ytd	Jun 30, 17	%	% yoy
Demand	69,964	3.3%	72,612	3.5%	-3.6%	78,274	3.7%	-10.6%	68,663	3.3%	1.9%
Savings	1,390,897	64.8%	1,352,105	64.6%	2.9%	1,281,892	61.3%	8.5%	1,246,400	60.6%	11.6%
Fixed	684,731	31.9%	668,068	31.9%	2.5%	732,291	35.0%	-6.5%	741,801	36.1%	-7.7%
- Less than 6 months	161,774	7.5%	137,788	6.6%	17.4%	164,034	7.9%	-1.4%	165,632	8.1%	-2.3%
- 6 months and up to 1 year	148,924	7.0%	137,655	6.6%	8.2%	176,335	8.4%	-15.5%	257,446	12.5%	-42.2%
- Over 1 year	374,033	17.4%	392,625	18.7%	-4.7%	391,922	18.7%	-4.6%	318,723	15.5%	17.4%
Negotiable Certificate of Deposit	-	0.0%	-	0.0%	0.0%	-	0.0%	0.0%	500	0.0%	0.0%
Total deposits	2,145,592	100.0%	2,092,785	100.0%	2.5%	2,092,457	100.0%	2.5%	2,057,364	100.0%	4.3%
Gross loans to deposits ratio	98.0%		98.6%			97.2%			95.8%		
CASA - Current & Savings Accounts (%)	68.1%		68.1%			65.0%			63.9%		

As of June 30, 2018, total **deposits** stood at Baht 2,146 billion, an increase of 4.3% yoy and 2.5% qoq. The rise in total deposits can be attributed to higher savings (+11.6% yoy) and current deposits (+1.9% yoy) as a result of the Bank's strategy to increase the proportion of low cost deposits (CASA), while fixed deposits declined by 7.7% yoy. On a quarter-on-quarter basis, the sources of deposit growth were saving and fixed

deposits. The Bank's CASA stood at 68.1% at the end of June 2018, up from 63.9% at the end of June 2017 but unchanged qoq.

As loans grew by 6.7% yoy while deposits rose 4.3% yoy, the loan-to-deposit ratio on a consolidated basis increased to 98.0% at the end of June 2018 from 95.8% at the end of June 2017. Furthermore, the Bank's liquidity ratio stood at a high level of 24.9%, 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 June 30, 2018, shareholders' equity stood at Baht 367 billion, an increase of 5.9% yoy, driven by appropriations of net profit over the year. Net profit was appropriated for 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 the dividend payment of Baht 4.00 per share in accordance with the resolution of the Annual General Meeting of Shareholders in April 2018. On a quarter-on-quarter basis, shareholders' equity contracted by 1.6% because of lower gain on remeasuring available-for-sale investment and the dividend payment of Baht 4.00 per share as stated above.

The book value per share as of June 30, 2018 was Baht 108.00 (3,399 million ordinary and preferred shares at the end of June 2018), up 5.9% from Baht 102.00 at the end of June 2017 but down 1.6% from Baht 109.73 at the end of March 2018, 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 June 2018 are shown in the table below.

Statutory Capital (Consolidated Supervision)		Jun 30, 18	Dec 31, 17	Jun 30, 17
Common Equity Tier 1 / Tier 1*	Baht million	321,550	321,939	308,097
	% of RWA	15.1%	15.6%	15.3%
Tier 2 capital	Baht million	43,462	42,564	42,046
	% of RWA	2.0%	2.1%	2.1%
Total capital	Baht million	365,012	364,503	350,143
	% of RWA	17.1%	17.7%	17.4%
Risk-weighted assets	Baht million	2,134,369	2,055,938	2,014,257

Statutory Capital (Bank only)		Jun 30, 18	Dec 31, 17	Jun 30, 17
Common Equity Tier 1 / Tier 1*	Baht million	298,679	299,978	286,268
	% of RWA	14.5%	15.1%	14.7%
Tier 2 capital	Baht million	42,659	41,754	41,334
	% of RWA	2.1%	2.1%	2.1%
Total capital	Baht million	341,338	341,732	327,602
	% of RWA	16.6%	17.2%	16.8%
Risk-weighted assets	Baht million	2,059,739	1,984,315	1,951,115

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

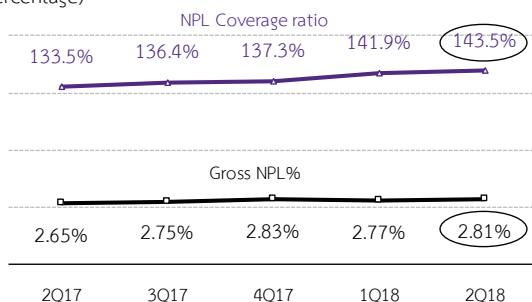
IV. Non-Performing Assets

At the end of June 2018, gross NPLs on a consolidated basis stood at 2.81% of total loans, up from 2.65% of total loans at the end of June 2017 and 2.77% at the end of March 2018. The yoy and qoq increase in NPLs were concentrated in the SME segment and housing loans for self-employed borrowers.

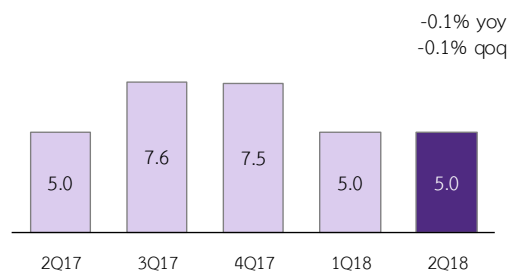
Non-Performing Loans and Allowance (Consolidated)		Jun 30, 18	Mar 31, 18	Dec 31, 17	Jun 30, 17
Non-Performing Loans (Gross NPLs)	% of total loans	2.81%	2.77%	2.83%	2.65%
	Baht million	67,391	65,840	65,560	61,151
Non-Performing Loans (Net NPLs)	% of total loans	1.53%	1.53%	1.56%	1.31%
	Baht million	36,281	35,929	35,592	29,790
Allowance for doubtful accounts and debt restructuring*	Baht million	96,697	93,443	89,990	81,663
Total allowance to NPLs		143.5%	141.9%	137.3%	133.5%
Non-Performing Loans (Gross NPLs) (Bank only)	% of total loans	2.80%	2.75%	2.81%	2.63%
	Baht million	66,374	64,817	64,537	60,102

* Excluding interbank and money market items.

Gross NPL ratio & NPL Coverage ratio
(Percentage)



Provisions
(Consolidated, Baht billion)



NPL by Segment and by Product

	2Q17	3Q17	4Q17	1Q18	2Q18
Corporate*	2.2%	1.8%	1.8%	1.8%	1.7%
SME*	7.6%	8.0%	8.1%	8.2%	8.3%
Retail	2.1%	2.4%	2.6%	2.6%	2.7%
Housing loans	2.3%	2.8%	3.1%	3.0%	3.2%
Auto loans	1.7%	1.8%	1.8%	1.7%	1.7%

	2Q17	3Q17	4Q17	1Q18	2Q18
Credit	102	152	149	98	96
Costs (bps)					

* In 2Q18, some SME customers have experienced sales turnover growth and have been reclassified as Corporate loans. Data as of 2Q17, 3Q17, 4Q17, and 1Q18 are restated figures.

Special mention loans stood at Baht 53.4 billion at the end of June 2018, increasing significantly by 16.7% yoy and 9.9% qoq. The qoq increase was due mainly to the qualitative classification as a special mention loan of one corporate client in commercial industry.

Unit: Baht million

Classified Loans and	Jun 30, 18		Mar 31, 18		Dec 31, 17		Jun 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	Loan and accrued interest	Allowance for doubtful accounts
Normal	1,984,931	20,299	1,952,900	20,247	1,920,725	19,964	1,867,016	19,369
Special mention	53,438	3,472	48,628	3,065	51,721	3,225	45,805	3,207
Substandard	16,136	7,742	14,720	6,448	17,161	7,961	18,429	8,441
Doubtful	13,623	4,700	13,380	4,538	13,429	4,163	11,356	4,425
Doubtful loss	37,667	19,052	37,773	19,277	35,024	18,206	31,400	18,680
Total	2,105,795	55,265	2,067,401	53,575	2,038,060	53,519	1,974,006	54,122
Allowance established in excess of BOT regulations		37,175		35,588		32,180		23,178
Total allowance		92,440		89,163		85,699		77,300

In 2Q18, new NPL formation was at 0.44%, up from 0.41% at the end of March 2018, mainly because of higher new NPLs in housing loans for self-employed borrowers and auto loans.

New NPLs by Segment and by Product

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Total loans	0.41%	0.40%	0.50%	0.52%	0.41%	0.45%	0.38%	0.49%	0.41%	0.44%
Corporate*	0.05%	0.00%	0.28%	0.18%	0.03%	0.03%	0.01%	0.09%	0.06%	0.02%
SME*	0.86%	0.60%	0.70%	1.08%	0.63%	1.08%	0.58%	0.67%	0.79%	0.68%
Housing loans**	0.51%	0.65%	0.68%	0.61%	0.76%	0.70%	0.70%	0.96%	0.70%	0.93%
Auto loans***	0.41%	0.43%	0.40%	0.50%	0.41%	0.50%	0.50%	0.54%	0.43%	0.51%
New NPLs (Baht billion)	8.6	8.2	10.8	11.2	9.1	10.4	8.8	11.4	9.7	10.6

* In 2Q18, some SME customers have experienced sales turnover growth and have been reclassified as Corporate customers. Data as of 1Q17, 2Q17, 3Q17, 4Q17, and 1Q18 are restated figures.

** 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.

*** 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 June 30, 2018, deposits accounted for 69.2% of SCB's funding base. Other major sources of funds were: 11.8% from shareholders' equity, 8.6% from liabilities under insurance contracts recorded by the Bank's insurance subsidiary (SCB Life Assurance PCL), 3.7% from interbank borrowings, and 2.6% from the issuance of debt instruments. As of June 30, 2018, the funds were deployed as follows: 67.8% for loans, 17.5% for investments in securities, 11.2% for interbank and money markets lending, and 1.3% held in cash.

VI. Additional Financial Information

(Baht million, %)

(Consolidated)	Jun 30, 18	Mar 31, 18	% qoq	Jun 30, 17	% yoy
Loans by Sector	2,102,639	2,063,451	1.9%	1,970,408	6.7%
Agricultural and mining	20,990	19,512	7.6%	16,397	28.0%
Manufacturing and commercial	626,535	620,797	0.9%	608,839	2.9%
Real estate and construction	164,065	154,642	6.1%	135,674	20.9%
Utilities and services	363,146	354,802	2.4%	340,895	6.5%
Housing loans*	549,552	545,647	0.7%	526,673	4.3%
Other loans	378,351	368,051	2.8%	341,930	10.7%
Investment**	541,717	545,318	-0.7%	571,933	-5.3%
Trading securities and securities measured at fair value through P/L	22,033	23,549	-6.4%	19,066	15.6%
Available-for-sale securities	398,299	401,175	-0.7%	431,672	-7.7%
Held-to-maturity securities	119,700	119,091	0.5%	119,912	-0.2%
General investments	1,685	1,503	12.1%	1,283	31.3%
Investment in associate	0	0	0.0%	0	-8.9%
Debt securities in issue and borrowings	80,304	75,856	5.9%	98,162	-18.2%
Bonds	56,835	52,915	7.4%	76,659	-25.9%
Subordinated bonds	20,000	20,000	0.0%	20,000	0.0%
Structured notes	3,190	2,726	17.0%	1,365	133.8%
Others	279	215	29.8%	138	101.8%
NPL breakdown by status (Bank-only)					
Restructured and being serviced	66.2%	65.8%	0.4%	61.2%	5.0%
Under negotiation for restructuring	4.0%	5.0%	-1.0%	9.5%	-5.5%
In litigation	15.0%	15.0%	0.0%	11.7%	3.3%
In foreclosure process	14.8%	14.2%	0.6%	17.6%	-2.8%
Troubled debt restructured loans	33,387	34,686	-3.7%	39,169	-14.8%
Restructured loans which are classified as NPL	7,316	7,800	-6.2%	11,124	-34.2%
Restructured loans which are not classified as NPL	26,071	26,886	-3.0%	28,045	-7.0%
	2Q18	1Q18	2Q17	1H18	1H17
Yield on loans by segment					
Yield on loans	5.25%	5.19%	5.40%	5.21%	5.41%
Corporate	4.13%	3.99%	4.17%	4.06%	4.15%
SME	5.92%	5.90%	6.14%	5.89%	6.20%
Retail	6.18%	6.17%	6.42%	6.16%	6.42%
Housing loans	4.98%	5.03%	5.26%	5.00%	5.29%
Auto loans	6.29%	6.26%	6.37%	6.29%	6.35%
NPL reduction methodology					
Repayments, auctions, and foreclosures	41.4%	62.6%	36.5%	52.3%	37.6%
Debt restructuring	14.0%	6.1%	6.7%	9.9%	5.8%
NPL sales***	29.3%	17.0%	40.1%	23.0%	39.8%
Write off	15.3%	14.3%	16.7%	14.8%	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 June 30, 2018, March 31, 2018 and June 30, 2017, was Baht 637 billion, Baht 632 billion, and Baht 612 billion, respectively.

** 84.3% 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 3.0 billion in 2Q18, Baht 1.8 billion in 1Q18, Baht 4.6 billion in 2Q17, Baht 4.9 billion for 1H18 and Baht 8.6 billion in 1H17.

VII. Credit Ratings

Credit Ratings of Siam Commercial Bank PCL	June 30, 2018
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
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)