

Management Discussion and Analysis

For quarter 2/2010 and first half ended June 30, 2010

The Siam Commercial Bank Public Company Limited



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Management Discussion and Analysis

For the second quarter and first half ended June 30, 2010

Siam Commercial Bank PCL announced audited operating results for the second quarter of 2010, with a consolidated net profit of Baht 5,316 million, a 1.6% yoy increase of Baht 81 million from Baht 5,234 million recorded in 2Q09. The year-on-year increase in net profit was mainly attributed to: (1) robust fee and service income growth; (2) higher net interest and dividend income as interest expenses fell by a larger magnitude than interest income; and (3) lower provisions as the Bank's asset quality improved.

Operating profit (excluding allowance for doubtful accounts, income tax and minority interest) declined slightly by 0.7% yoy to Baht 8,558 million in 2Q10 from Baht 8,619 million in 2Q09, principally due to lower gain on exchange, which was driven down by lower returns from treasury activities.

Alongside net profit, earnings per share (EPS) rose to Baht 1.56 in 2Q10 from Baht 1.54 in 2Q09. Return on average equity (ROAE) decreased to 14.4% in 2Q10 from 16.0% in 2Q09 and return on average assets (ROAA) remained flat at 1.6% in 2Q10.

On a quarter-on-quarter basis, net profit fell 16.6% qoq to Baht 5,316 million in 2Q10 from Baht 6,375 million in 1Q10, primarily attributable to (1) lower net interest and dividend income in the absence of dividend income from the Vayupak Fund recorded in 1Q10; (2) higher operating expenses from higher promotion expenses to revive business growth following the political turmoil in April and May; and (3) lower gain on exchange, particularly from treasury operations. As a result operating profit (excluding allowance for doubtful accounts, income tax and minority interest) decreased 11.3% qoq to Baht 8,558 million in 2Q10 from Baht 9,648 million in 1Q10.

For the first half of 2010, net profit was Baht 11,690 million, an 8.4% rise yoy from Baht 10,781 million recorded in 1H09, primarily owing to (1) higher non-interest income as a result of strong fee and service income growth and improved performance of associated companies; (2) higher net interest and dividend income as interest expenses fell by a larger magnitude than interest income; and (3) lower provisions as asset quality improved. Operating profit (excluding allowance for doubtful accounts, income tax and minority interest) rose 4.9% yoy to Baht 18,206 million in 1H10 from Baht 17,349 million in 1H09.

Unit: Million Baht

(Consolidated)	2Q10	% qoq	% yoy	1H10	% yoy
Net interest and dividend income	10,752	-1.5%	3.0%	21,668	3.8%
Non-interest income	6,927	-9.0%	-3.6%	14,537	6.8%
Non-interest expenses	9,121	2.7%	1.3%	17,999	5.1%
Operating profit	8,558	-11.3%	-0.7%	18,206	4.9%
Allowance for doubtful accounts	1,114	-2.5%	-20.1%	2,257	-21.0%
Income tax	2,105	0.5%	5.0%	4,198	13.8%
Minority interest in subsidiaries	23	-36.7%	-293.1%	61	175.0%
Net profit	5,316	-16.6%	1.6%	11,690	8.4%
EPS (Baht)	1.56	-16.6%	1.6%	3.44	8.4%
ROE	14.4%			16.3%	
ROA	1.6%			1.8%	

2Q10 Income Statement (Consolidated basis)

1. Net interest and dividend income

Net interest and dividend income rose 3.0% yoy to Baht 10,752 million in 2Q10 as interest expenses fell by a larger magnitude than interest income. A sharp decline in interest expenses was primarily a result of (1) the reduction in interest rates during 2008-2009, the effect of which continued to feed through to interest expenses on deposits in 2Q10; (2) the decline in the Bank's deposit base; and (3) the maturing of floating rate notes (FRNs) and some Bills of Exchange (B/Es) of the Bank and the maturing of promissory notes of the Bank's subsidiary, Siam Commercial Leasing (SCBL), all of which trimmed down the Bank's interest expenses on short-term borrowing.

Compared to the previous quarter, net interest income dropped slightly by 1.5% qoq in 2Q10 mainly due to the absence of dividend income from the Vayupak Fund, which was recorded in 1Q10, although interest income on loans improved slightly as a result of a 3.5% qoq loan growth in 2Q10.

In the first half of 2010, net interest and dividend income rose 3.8% yoy to Baht 21,668 million from Baht 20,866 million in 1H09 as (1) the lag effect of deposit rate cuts in the preceding periods continued to feed through to the funding costs, causing interest expenses on deposits to fall by a larger magnitude than interest income on earning assets; (2) the Bank's deposit base fell; and (3) the maturing of FRNs and some B/Es of the Bank and the maturing of promissory notes of the Bank's subsidiary, SCBL, reduced interest expenses on short-term borrowing.

Unit: Million Baht

(Consolidated)	2Q10	% qoq	% yoy	1H10	% yoy
Interest and dividend income	12,736	-2.2%	-6.7%	25,764	-8.9%
- Loans	10,424	0.7%	-3.7%	20,773	-7.2%
- Interbank and money markets	283	-23.3%	-51.8%	651	-44.6%
- Hire purchase and financial lease income	987	-0.4%	-8.3%	1,977	-11.6%
- Investments	1,042	-21.0%	-9.4%	2,362	-4.9%
Interest expenses	1,984	-6.1%	-38.1%	4,095	-44.8%
- Deposits	1,418	-5.2%	-41.4%	2,914	-48.6%
- Interbank and money markets	165	1.9%	24.1%	327	15.0%
- Short-term borrowings	151	-30.1%	-62.7%	368	-58.3%
- Long-term borrowings	249	5.1%	1.2%	486	-17.6%
Net Interest and dividend income	10,752	-1.5%	3.0%	21,668	3.8%
Net Interest margin	3.62%	-0.03%	0.32%	3.64%	0.17%
Yield on earning assets	4.29%	-0.07%	-0.03%	4.33%	-0.37%
Yield on loans	4.87%	-0.12%	-0.46%	4.93%	-0.58%
Yield on interbank	1.04%	-0.06%	-0.15%	1.08%	-0.40%
Yield on investment	2.73%	-0.55%	-0.11%	3.01%	-0.25%
Cost of funds*	0.78%	-0.04%	-0.38%	0.79%	-0.56%
Cost of deposit	0.60%	-0.04%	-0.38%	0.62%	-0.56%
Spread (yield on earning assets–cost of funds)	3.51%	-0.04%	0.35%	3.53%	0.18%

Note Profitability ratios are calculated based on daily average calculations of the denominators

* Cost of funds = Interest expenses / Interest bearing liability

Interest and dividend income in 2Q10 was Baht 12,736 million, a 6.7% yoy decrease of Baht 908 million from Baht 13,644 million in 2Q09. Details include:

- **Interest income from loans** fell 3.7% yoy to Baht 10,424 million, due mainly to the reduction in the Bank's interest rates (MLR was cut by 40 bps during 2Q09-2Q10), although loans grew 7.1% yoy;
- **Interest income from interbank and money markets** declined significantly by 51.8% yoy to Baht 283 million because of (1) a sharp decline in the Bank's interbank and money market lending; and (2) a reduction in interbank interest rates (the policy rate was cut by 25 bps during 2Q09-2Q10). The reduction in the interbank and money markets reflected the Bank's ability to channel its liquidity into investing in more productive earning assets, mainly lending;
- **Hire purchase and financial lease** income declined 8.3% yoy to Baht 987 million, owing largely to the reduction in interest rates, which resulted in a decline in the average yield of the Bank's hire purchase portfolio, although hire purchase loans grew by 6.7% yoy in 2Q10. The new hire purchase loans, which were extended in recent quarters, carry lower yields than the old hire purchase loans, which have been paid down over time;

- **Interest and dividend income from investments** decreased by 9.4% yoy to Baht 1,042 million, primarily the result of lower interest income from investments in debt securities, the return of which fell alongside overall interest rates.

At the same time, **interest expenses** declined 38.1% yoy to Baht 1,984 million in 2Q10. Interest expenses on deposits dropped 41.4% yoy as the effect of deposit rate cuts in the preceding quarters continued to feed through to funding costs while the Bank's deposit base diminished, particularly term deposits. Interest expenses from borrowings also fell by 38.5% yoy on the back of (1) the maturing of FRNs and some B/Es of the Bank; (2) the maturing of some promissory notes of the Bank's subsidiary, SCBL; and (3) the reduction in interest rates.

SCB Interest Rates	Jan 21, 09	Feb 27, 09	Mar 24, 09	Apr 20, 09	May 25, 09	Jun 18, 09	Sep 22, 09	Mar 31, 10	Jun 30, 10
Lending Rate									
MLR	6.50%	6.25%	6.25%	6.15%	5.85%	5.85%	5.85%	5.85%	5.85%
Savings Rate	0.75%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Fixed Deposit Rate									
3-month deposits	1.00-1.25%	0.75-1.00%	0.75%	0.75%	0.75%	0.65-0.85%	0.65%	0.65%	0.65%
6-month deposits	1.25%	1.00%	0.75%	0.75%	0.75%	0.65-0.85%	0.65%	0.65%	0.65%
12-month deposits	1.50%	1.25%	1.00%	1.00%	0.75%	0.65-1.00%	0.65%	0.65%	0.65%
	Jan 14, 09	Feb 25, 09	Mar 31, 09	Apr 8, 09	May 20, 09	Sep 30, 09	Jan 13, 10	Mar 10, 10	Jun 2, 10
Policy Rate	2.00%	1.50%	1.50%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%

On a quarter-on-quarter basis, interest and dividend income declined 2.2% to Baht 12,736 million in 2Q10 from Baht 13,028 million in 1Q10. Details are as follow:

- Interest income from loans rose 0.7% qoq as loan portfolio expanded 3.5% qoq in 2Q10. However, interest income from loans increased only slightly when compared with loan growth, primarily because the majority of loan growth came in in the closing month of the quarter;
- Interest income from interbank and money markets dropped significantly by 23.3% qoq alongside the reduction in interbank and money markets, reflecting the Bank's ability to channel excess liquidity into higher-yielding assets;
- Hire purchase and financial lease income dropped slightly by 0.4% qoq mainly due to the reduction in average interest rates as the proportion of older loans declined, although the hire purchase loans portfolio grew 7.2% qoq;
- Interest and dividend income from investments decreased 21.0% qoq in the absence of dividend income from the Vayupak Fund of Baht 374 million booked in 1Q10.

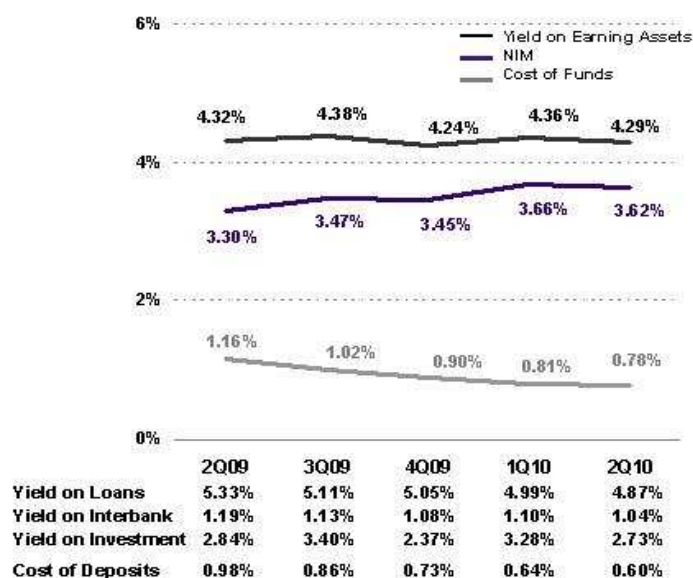
Interest expenses fell 6.1% qoq to Baht 1,984 million in 2Q10 from Baht 2,112 million in 1Q10 as a result of a drop in interest expenses on deposits following a decline in deposit base, particularly term deposits, and a slight decline in cost of deposits qoq as the remaining lag effect of deposit repricing continued to feed through. Interest expenses on borrowings also fell 11.7% qoq owing largely to the maturing of some B/Es of the Bank and the maturing of promissory notes of the Bank's subsidiary, SCBL, during 2Q10.

With interest expenses declining by a smaller amount than interest and dividend income qoq, net interest and dividend income dropped 1.5% qoq to Baht 10,752 million in 2Q10.

In the first half of 2010, interest and dividend income dropped 8.9% yoy to Baht 25,764 million in 1H10 from Baht 28,288 million in 1H09. Details are as follow:

- Interest income from loans fell 7.2% yoy to Baht 20,773 million, due primarily to the reduction in the Bank's interest rates (MLR was cut by 90 bps during 1H09-1H10), although loans grew 7.1% yoy in 1H10;
- Interest income from interbank and money markets declined significantly by 44.6% yoy to Baht 651 million because of the reduction in interbank interest rates (policy rate was cut by 150 bps during 1H09-1H10) and a sharp decline in the volume of the Bank's interbank and money market lending;
- Hire purchase and financial lease income declined 11.6% yoy to Baht 1,977 million, owing largely to the reduction in interest rates, although hire purchase loans grew 6.7% yoy;
- Interest and dividend income from investments decreased by 4.9% yoy to Baht 2,362 million, mainly due to lower interest income from investments in debt securities, following the decline in interest rates. However, the dividend income of Baht 374 million from the Vayupak Fund in 1H10 was higher than Baht 160 million received in 1H09.

Interest expenses fell 44.8% yoy to Baht 4,095 million in 1H10 from Baht 7,422 million in 1H09 due to a 48.6% yoy decline in interest expenses on deposits, which was mainly a result of the reduction in deposit rates and a decline in deposit base, particularly term deposits, during 2H09-1H10. Interest expenses from borrowings also fell by 42.0% yoy on the back of the maturing of FRNs and some B/Es of the Bank, the maturing of some promissory notes of the Bank's subsidiary, SCBL, and the reduction in interest rates.



Annualized net interest margin (NIM) widened to 3.62% in 2Q10 from 3.30% in 2Q09, as the Bank managed to channel excess liquidity, the influx of which was apparent in 1Q09, from lower-yielding interbank and money market lending into higher-yielding lending, as reflected in stronger loan growth momentum seen in 4Q09-2Q10. NIM slid qoq to 3.62% in 2Q10 from 3.66% in 1Q10 in the absence of dividend income from the Vayupak Fund received in 1Q10. Excluding dividend income from the Vayupak Fund, NIM were up by 9 bps qoq in 2Q10. Annualized NIM for 1H10 was 3.64%, a 17 bps rise from 3.47% recorded in 1H09. Again, this improvement was mainly a result of the Bank's ability to move liquidity from low-yielding interbank and money markets into higher-yielding lending to corporates, SMEs and retail customers.

The Bank expects the economic recovery and the rising interest rate environment to be conducive to the recovery of its NIM as demand for loans will likely rise alongside economic activities and loans will be repriced faster than deposits. Such effect will become even more pronounced, considering the Bank's advantage of having a relatively high proportion of low-cost deposits (63.9% of total deposits at the end of 2Q10).

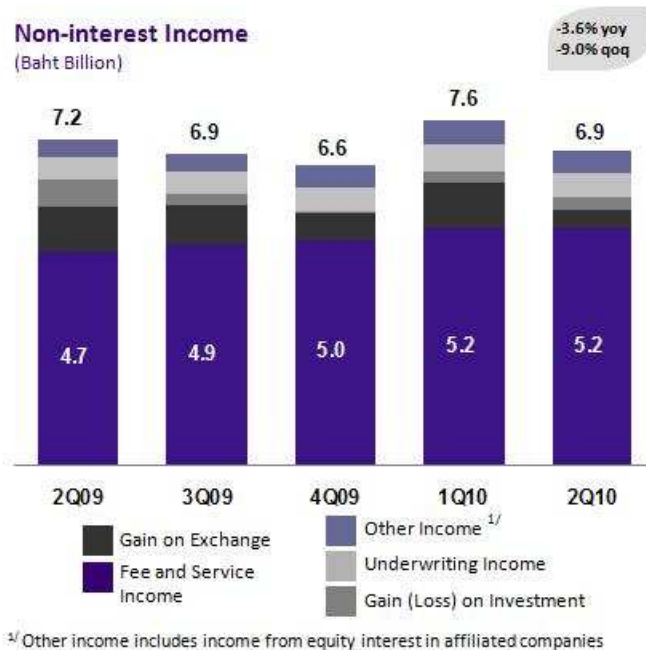
2. Non-interest income

Non-interest income fell 3.6% yoy to Baht 6,927 million in 2Q10 from Baht 7,183 million in 2Q09, principally the result of (1) lower gain on investments as the Bank booked a non-recurring gain on the sale of an equity investment in 2Q09; and (2) lower gain on exchange primarily from treasury activities. Additional details of non-interest income yoy are provided below:

- **Fee & service** income rose 10.7% yoy, mainly owing to higher fee income from bancassurance, card business and loan-related activities;
- **Gain on exchange** declined 57.2% yoy mainly as a result of lower returns from treasury activities;
- **Income from equity interests** in associated companies rose 36.5% yoy, in line with improved performance of associated companies, particularly the life insurance affiliate;
- **Gross underwriting income** increased 11.5% yoy, in line with business volume of the Bank's non-life insurance subsidiary;
- **Other income** declined 6.3% yoy due mainly to smaller rental income of a Bank's subsidiary;
- **Gain on investments** was Baht 277 million in 2Q10, a marked decline from Baht 595 million booked in 2Q09, due largely to a one-time gain on the sale of an equity investment booked in 2Q09.

Unit: Million Baht

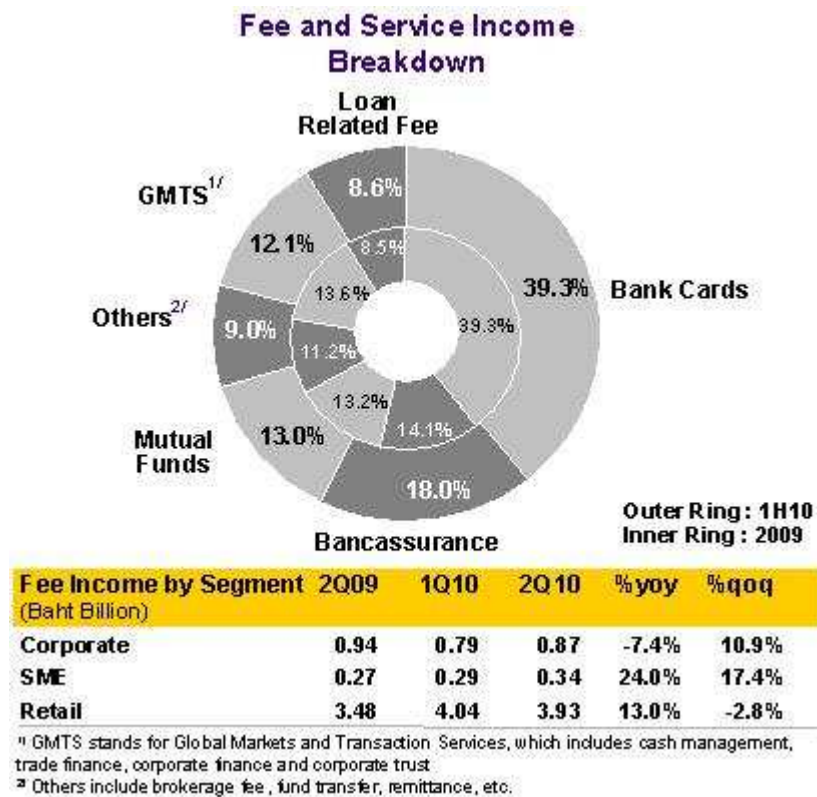
(Consolidated)	2Q10	% qoq	% yoy	1H10	% yoy
Fee and service income	5,218	-0.2%	10.7%	10,445	14.8%
- Acceptances, aval, and guarantees	214	-6.6%	-23.6%	443	-17.1%
- Others	5,004	0.1%	12.9%	10,003	16.8%
Gain on exchange	417	-58.3%	-57.2%	1,418	-28.3%
Income from equity interest in affiliated companies	261	3.5%	36.5%	514	79.2%
Underwritings income	545	-8.9%	11.5%	1,143	15.8%
Other income	208	-29.4%	-6.3%	503	-12.1%
Non-interest income excluding gain on investments	6,650	-9.8%	0.9%	14,023	8.5%
Gain on investments	277	17.0%	-53.5%	514	-25.0%
Total non-interest income	6,927	-9.0%	-3.6%	14,537	6.8%



On a quarter-on-quarter basis, non-interest income dropped 9.0% qoq to Baht 6,927 million in 2Q10 from Baht 7,610 million in 1Q10. Details include:

- Fee and service income remained flat qoq, with loan-related fee recording the highest growth qoq;
- Gain on exchange dropped significantly by 58.3% qoq as a result of lower return from treasury activities;
- Income from equity interests in associated companies rose 3.5% qoq in line with the performance of associated companies;
- Gross underwriting income decreased 8.9% qoq in line with business volume of the Bank's non-life insurance subsidiary;
- Other income dropped 29.4% qoq due to lower gain on the sale of foreclosed properties;

- Gain on investments rose to Baht 277 million in 2Q10 from Baht 237 million in 1Q10 largely due to gains on the sale of debt securities.



In the first half of 2010, non-interest income rose 6.8% yoy to Baht 14,537 million in 1H10 from Baht 13,608 million in 1H09, due to robust fee and service income growth.

- In 1H10, fee and service income rose 14.8% yoy, driven by higher fee income from card business, bancassurance and fund management business;
- Gain on exchange fell 28.3% yoy mainly as a result of lower return from treasury activities;
- Income from equity interests in associated companies rose 79.2% yoy, in line with the improved performance of associated companies;
- Gross underwriting income increased 15.8% yoy in line with the business volume of the Bank's non-life insurance subsidiary;
- Other income fell 12.1% yoy due to smaller rental income of a Bank's subsidiary;
- Gain on investments fell 25.0% yoy due largely to a large one-time gain on the sale of an equity investment booked in 2Q09.

In the first half of 2010, non-interest income accounted for 40% of total income (39% in 2009), while fee income made up 29% of total income (27% in 2009). The Bank has established a medium-to-long-term objective of having non-interest income account for more than 40% of total income. It also expects fee income contribution from Corporate Banking and Business Banking (SME) combined to increase from the

current level of below 30% of total fee income through a stronger focus on fee based activities in these business segments.

3. Non-interest expenses

Non-interest expenses slightly increased 1.3% yoy to Baht 9,121 million in 2Q10 from Baht 9,004 million in 2Q09. Key items are explained as follows:

- **Personnel expenses** increased 1.4% yoy mainly as a result of annual salary adjustments, higher headcounts, and higher accrued performance bonus. In part, this comparison also reflects the early retirement benefits paid to employees in 2Q09;
- **Premises and equipment expenses** increased 4.7% yoy as a consequence of continued network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** fell 29.4% yoy due mainly to a retroactive adjustment for special business tax expenses booked in 2Q09;
- **Fee and service** expenses rose 5.9% yoy alongside fee-based activities;
- **Contribution to the Deposit Protection Agency** increased 3.0% yoy as the average deposit balance during 2Q10 was higher than the average balance during 2Q09, although the ending balance of 2Q10 was lower than the ending balance of 2Q09;
- **Underwriting expenses** rose 5.5% yoy in line with business volume of the Bank's non-life insurance subsidiary;
- **Other expenses** rose 6.0% yoy due mainly to higher promotion expenses relating to the Bank's efforts to rapidly revive consumer demand in selected retail markets following the political unrest in April and May, 2010.

	Unit: Million Baht				
(Consolidated)	2Q10	% qoq	% yoy	1H10	% yoy
Personnel expenses	3,293	-0.5%	1.4%	6,601	9.9%
Premises and equipment expenses	2,034	6.5%	4.7%	3,944	1.4%
Tax and duties	465	-3.9%	-29.4%	949	-18.1%
Fee and service expenses	836	-16.3%	5.9%	1,835	11.8%
Director remuneration	24	208.3%	162.2%	32	83.8%
Contribution to the Deposit Protection Agency	935	0.1%	3.0%	1,869	3.6%
Underwriting expenses	281	-0.5%	5.5%	564	10.3%
Other expenses	1,254	31.6%	6.0%	2,206	5.1%
Total non-interest expenses	9,121	2.7%	1.3%	17,999	5.1%
Cost to income ratio	51.6%			49.7%	
Cost to income ratio excluding SCB Samaggi Insurance	50.2%			48.4%	

On a quarter-on-quarter basis, non-interest expenses rose 2.7% qoq to Baht 9,121 million in 2Q10 from Baht 8,878 million in 1Q10. Key items are explained as follows:

- Personnel expenses dropped slightly by 0.5% qoq;

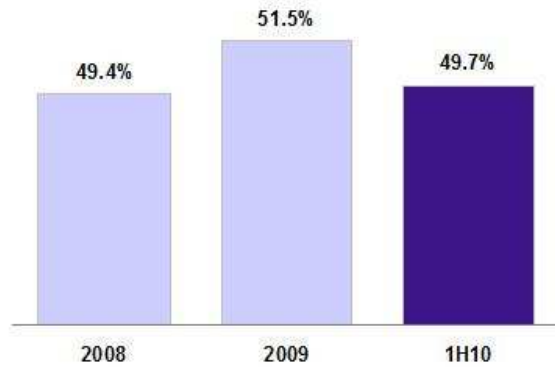
- Premises and equipment expenses rose 6.5% qoq mainly as a result of continued network expansion and on-going systems enhancement initiatives;
- Taxes and duties decreased 3.9% qoq alongside the lower volume of fee-based activities;
- Fee and service expenses dropped 16.3% qoq alongside fee-based activities;
- Contribution to the Deposit Protection Agency was flat qoq in light of similar average deposit balance of 2Q10 and 1Q10;
- Underwriting expenses decreased 0.5% qoq in line with business volume of the Bank's non-life insurance subsidiary;
- Other expenses rose significantly by 31.6% qoq due largely to higher promotion expenses to rapidly revive consumer demand in selected retail markets following the political unrest in April and May, 2010.

In the first half of 2010, non-interest expenses rose 5.1% yoy to Baht 17,999 million in 1H10 from Baht 17,125 million in 1H09, mainly due to (1) higher personnel expenses as a result of annual salary adjustment, higher headcounts and higher accrued performance bonus; (2) higher fee and service expenses, which rose alongside fee-related activities; and (3) higher promotion expenses relating to the special promotions explained earlier.

In the first half of 2010, cost to income ratio was 49.7%, declining from 51.5% recorded in 2009. This was below the Bank's full-year cost to income ratio target of 51%. It should be noted that the consolidated cost to income ratio is distorted by the consolidation of the Bank's non-life insurance subsidiary, SCB Samaggi Insurance. If the non-life insurance subsidiary is excluded, the ratio would further decline to 48.4% in 1H10.

In subsequent quarters, the Bank expects to maintain its cost to income ratio within its full-year target as loan growth is expected to gain stronger momentum and its fee-income generating capability continues to be strengthened. The Bank's capital expenditure is in line with its past pattern, undertaken to support the ongoing investment in network expansion and on-going systems enhancement initiatives to keep up with the rapidly changing competitive landscape. The outlay on these investments is unlikely to have much additional impact to its cost to income ratio level over the next few quarters.

Cost-to-Income Ratio (%)



4. Loan loss provision

The Bank's current provisioning policy is to set aside provisions of approximately Baht 1,200 million per quarter, down from Baht 1,500 million implemented during 4Q08-3Q09 given improved economic conditions and asset quality becoming less of a concern.

On a **bank only** basis, the Bank set aside Baht 1,200 million of loan loss provisions in 2Q10. On a **consolidated** basis, the provision was Baht 1,114 million in 2Q10, which was lower than provisions on a bank only basis, mainly due to the reversal in Siam Commercial Leasing's (SCBL) allowance for doubtful accounts. The Bank's total allowance for doubtful accounts at the end of June 2010 stood at Baht 44,348 million, an increase from Baht 42,894 million at the end of December 2009, reflecting the Bank's conservative provisioning stance, while NPLs declined slightly from Baht 44,958 million at the end of 2009 to Baht 44,837 million at the end of June 2010.

Balance sheet as of June 30, 2010 (Consolidated basis)

As of June 30, 2010, the Bank reported total assets of Baht 1,266,281 million, a decrease of Baht 53,275 million (4.0%) yoy from Baht 1,319,557 million at the end of June 2009, and a decrease of Baht 27,765 million (2.1%) year to date from Baht 1,294,047 million at the end of 2009. Details of the consolidated balance sheet are as follows:

1. Loans and Deposits

As of June 30, 2010, total outstanding loans stood at Baht 971,467 million, an increase of Baht 64,678 million (7.1%) yoy from Baht 906,789 million at the end of June 2009, and an increase of Baht 32,428 million (3.5%) qoq from Baht 939,039 million at the end of March 2010. On a year-to-date basis, loans grew 3.3% from Baht 940,238 million at the end of 2009. A strong pick up in loan growth during 2Q10, particularly in June 2010, was recorded by all business units of the Bank. While the Corporate Banking Group experienced rising financing demand from the blue-chip corporates, which were expanding their business projects overseas, the Business Banking Group and Retail Banking Group also gained traction through new growth strategies aimed at expanding market share in the SME and automobile hire purchase segments. Furthermore, Retail Banking also saw its housing loans boosted strongly by government tax incentives during 1H10. Loans written-off amounted to Baht 2,009 million during 1H10.

Additional details of loan breakdown by business units are as follows:

- **Corporate Banking** loans rose 7.9% yoy and 3.0% qoq. The increase in corporate loans was in line with the Bank's pro-active strategy to re-capture market share in the blue-chip corporates & public sector segments. Particularly, the Bank saw rising loan demand from some of its blue-chip customers, who were expanding their business projects overseas. On a year-to-date basis, Corporate Banking loans grew 1.5%;
- **Business Banking** loans, or loans to SMEs, rose 3.5% yoy and 4.7% qoq, following the launch of the Bank's new business model and specific strategies to better penetrate the SME segments at the beginning of the year, particular at the smaller end of this segment. On a year-to-date basis, Business Banking loans grew 1.8%;
- **Retail Banking** loans increased 11.4% yoy, 4.2% qoq and 6.9% year-to-date.
 - **Housing loans** rose 10.8% yoy and 3.2% qoq, partly driven by the low interest rate environment and partly by the Government's tax incentives for the purchase of new homes. The latter were extended twice, originally from the end of March 2010 to the end of May 2010 and then again to the end of June 2010. On a year-to-date basis, housing loans grew 7.4%;
 - **Hire purchase loans** increased 6.7% yoy and 7.2% qoq as the Bank's new growth-oriented strategy to enhance business volumes and market share in this segment began to yield results.

Strong hire purchase loan growth was also aided by Thailand's robust vehicle sales growth. On a year-to-date basis, hire purchase loans grew 10.4%;

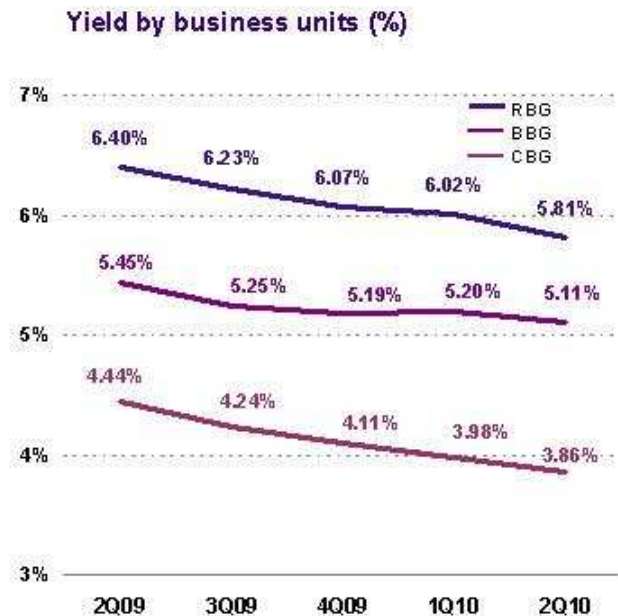
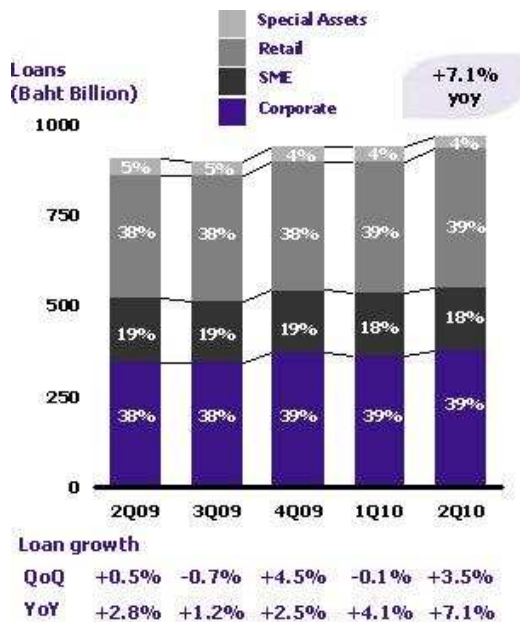
- **Other loans** (largely personal and credit card loans) increased 18.2% yoy, 4.8% qoq and 2.4% year-to-date.

Unit: Million Baht

Loans	Jun 30, 10	Mar 31, 10	% qoq	Jun 30, 09 (restated)*	% yoy	Dec 31, 09 (restated)*	% ytd
Good Bank	934,297	900,004	3.8%	861,718	8.4%	901,110	3.7%
Corporate	376,292	365,389	3.0%	348,625	7.9%	370,832	1.5%
SME	177,879	169,949	4.7%	171,922	3.5%	174,700	1.8%
Retail	380,126	364,666	4.2%	341,171	11.4%	355,579	6.9%
- Housing Loans**	234,594	227,235	3.2%	211,725	10.8%	218,418	7.4%
- Hire Purchase	69,852	65,189	7.2%	65,435	6.7%	63,254	10.4%
- Others Loans	75,681	72,242	4.8%	64,011	18.2%	73,907	2.4%
Special Assets Group	37,170	39,035	-4.8%	45,071	-17.5%	39,127	-5.0%
Total Loans	971,467	939,039	3.5%	906,789	7.1%	940,238	3.3%

* New loan classification threshold following the Bank's implementation of a new business model for SMEs. Some of the SME loans were reclassified to Corporate and Retail Banking Group under this threshold.

** Classified by business units. Covers only housing loans booked under the Retail Banking unit. If classified as a product the total housing loans portfolio at June 30, 2010 stood at Baht 271,900 million.



Loans to manufacturing and commercial sectors continued to account for the largest portion of the total loan portfolio while housing loans made up the second largest portion. Loans to agricultural and mining recorded the highest growth of 14.3% yoy due to its relatively small base, followed by housing loans of 12.6% yoy. Note that other loans comprised mainly hire purchase, credit card and personal loans. On a year-to-date

basis, agricultural and mining recorded the highest growth of 11.5%. On a qoq basis, loans to manufacturing and commercial recorded the highest growth of 7.0%.

The Bank expects loan growth to gain stronger momentum in 2H10 on the back of continued improvement in the domestic economic environment. Furthermore, the Bank's key growth strategies for 2010 to expand market shares in the blue-chip corporate, SMEs, and automobile hire purchase segments should yield stronger results going forward.

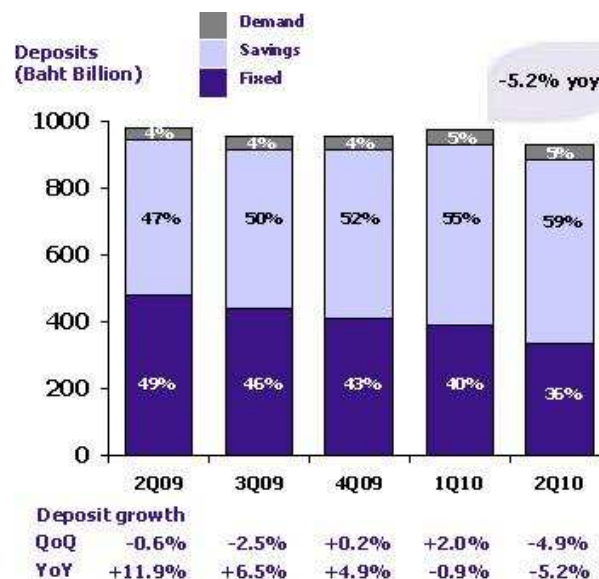
Unit: Million Baht

(Consolidated)	Jun 30, 10	Mar 31, 10	% qoq	Jun 30, 09	% yoy	Dec 31, 09	% ytd
Agricultural and mining	15,079	15,536	-2.9%	13,188	14.3%	13,524	11.5%
Manufacturing and commercial	355,570	332,309	7.0%	332,287	7.0%	343,741	3.4%
Real estate and construction	74,872	71,854	4.2%	75,966	-1.4%	74,769	0.1%
Utilities and services	119,368	128,423	-7.1%	116,782	2.2%	126,760	-5.8%
Housing loans*	271,900	262,448	3.6%	241,494	12.6%	251,869	8.0%
Others	134,678	128,469	4.8%	127,072	6.0%	129,575	3.9%
Total loans	971,467	939,039	3.5%	906,789	7.1%	940,238	3.3%

* Classified by sector/product.

As of June 30, 2010, **deposits** stood at Baht 927,374 million, down 5.2% yoy from Baht 978,415 million at the end of June 2009, and down 4.9% qoq from Baht 975,351 million at the end of March 2010. On a year-to-date basis, deposits declined 3.0%. The decline in deposit base during 2Q10 was, in part, attributable to the one-time sequestering of specific deposit accounts and, in part, to the seasonal withdrawal by a few wholesale customers. However, the Bank consciously elected to replace these deposits gradually, and at a lower cost, given the abundant liquidity in the market at this time.

Demand deposits and savings deposits increased (year to date) by 7.4% and 9.4% respectively, while fixed deposits decreased 19.1% year-to-date. The proportion of savings and demand deposits as a percentage of total deposit base rose significantly to 63.9% at the end of 2Q10 from 56.7% at the end of 2009.



Unit: Million Baht

Deposits	Jun 30, 10	Mar 31, 10	% qoq	Jun 30, 09	% yoy	Dec 31, 09	% ytd
Demand	43,787	47,348	-7.5%	36,197	21.0%	40,760	7.4%
Savings	548,852	539,382	1.8%	464,625	18.1%	501,640	9.4%
Fixed	334,735	388,621	-13.9%	477,594	-29.9%	413,576	-19.1%
- Less than 6 months	161,352	201,185	-19.8%	209,718	-23.1%	199,023	-18.9%
- 6 months and up to 1 year	29,146	32,076	-9.1%	53,607	-45.6%	27,953	4.3%
- Over 1 year	144,237	155,359	-7.2%	214,269	-32.7%	186,600	-22.7%
Total Deposits	927,374	975,351	-4.9%	978,415	-5.2%	955,976	-3.0%
Bill of Exchange (B/E) (Bank only)	10,679	15,559	-31.4%	43,005	-75.2%	18,802	-43.2%

The Bank decided to only gradually replenish these deposits given the abundant liquidity in the markets at this time. Given its strong retail franchise, the Bank expects to better provide this replenishment to its deposit base together with the stronger loan growth momentum anticipated in 2H10. Also, such process is likely to be aided by a special deposit campaigns to be launched in the following quarter.

2. Investments

Investments rose 2.9% yoy to Baht 161,093 million at the end of June 2010 from Baht 156,560 million at the end of June 2009, mainly due to an increase in investment in bonds issued by the Bank of Thailand (BOT). Investments also rose 1.8% qoq due to the same reason. On a year-to-date basis, investments declined 2.6% on the back of the reduction in investments in government and BOT bonds during 1Q10.

Unit: Million Baht

	Jun 30, 10	Mar 31, 10	% qoq	Jun 30, 09	% yoy	Dec 31, 09	% ytd
- Short-term investment-net	61,935	52,601	17.7%	29,866	107.4%	57,052	8.6%
- Long-term investment-net	94,121	100,603	-6.4%	122,315	-23.0%	103,643	-9.2%
- Investment in associated companies-net	5,037	4,976	1.2%	4,379	15.0%	4,723	6.6%
Total Investments-net	161,093	158,179	1.8%	156,560	2.9%	165,419	-2.6%

3. Borrowings

Borrowings declined 59.5% yoy to Baht 34,094 million at the end of 2Q10, primarily due to the maturing of some B/Es of the Bank and promissory notes of the Bank's subsidiary, SCBL. Borrowings also dropped 35.6% qoq largely due to the same reasons. (The B/Es or Bill of Exchange are essentially akin to an uninsured deposit which have gained in popularity in recent years due to a higher yield when compared to fixed deposits.)

4. Shareholders' equity

As of June 30, 2010, shareholders' equity stood at Baht 145,945 million, a 12.3% yoy increase of Baht 15,947 million from Baht 129,997 million at the end of June 2009, mainly attributable to net profit for the

period. This was reduced by dividend payment of Baht 8,498 million (Baht 2.50 per share or dividend payout ratio of 40.9%) in accordance with the resolution of the Shareholder's Annual General Meeting in April 2010. Shareholders' equity decreased 1.7% qoq or by Baht 2,454 million from the end of March 2010, largely attributable to dividend payment of Baht 8,498 million which was partly offset by 2Q10 net profit and an increase of Baht 725 million in the revaluation surplus on available-for-sale investments.

Book value per share as of June 30, 2010 was Baht 42.94 (3,399 million ordinary and preferred shares at the end of June 2010), up from Baht 41.49 at the end of 2009.

Off Balance Sheet: Contingencies

As at June 30, 2010, the Bank and subsidiaries had combined contingencies of Baht 2,266,623 million, up by Baht 369,240 million (19.5% yoy) from Baht 1,897,383 million at the end of June 2009. The increase in contingencies was mainly from the increase in interest rate contracts, which is part of the risk management products and services offered to customers, and make up the majority of the Bank's total contingencies.

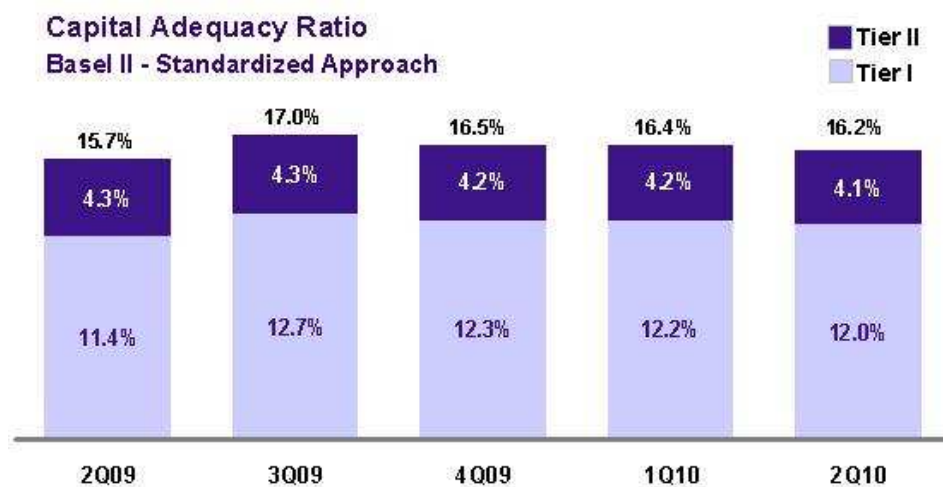
(Consolidated)	Jun 30, 10	Mar 31, 10	% qoq	Jun 30, 09	% yoy	Dec 31, 09	% ytd
Aval to bills and loan guarantees	3,120	3,231	-3.4%	3,805	-18.0%	2,391	30.5%
Liability under unmatured import bills	5,350	5,046	6.0%	4,213	27.0%	5,264	1.6%
Letters of credit	11,563	10,837	6.7%	12,915	-10.5%	11,743	-1.5%
Other contingencies	2,246,590	2,169,395	3.6%	1,876,450	19.7%	2,128,042	5.6%
Other guarantees	109,610	96,742	13.3%	95,047	15.3%	100,915	8.6%
Exchange rate contracts	741,046	798,950	-7.2%	746,273	-0.7%	879,318	-15.7%
Bought	357,351	389,443	-8.2%	358,456	-0.3%	428,063	-16.5%
Sold	383,695	409,507	-6.3%	387,817	-1.1%	451,255	-15.0%
Interest rate contracts	1,309,020	1,173,420	11.6%	949,144	37.9%	1,049,998	24.7%
Bought	654,360	586,560	11.6%	474,272	38.0%	524,849	24.7%
Sold	654,660	586,860	11.6%	474,872	37.9%	525,149	24.7%
Equity derivatives	1,712	1,665	2.8%	837	104.5%	833	105.5%
Bought	856	1,043	-17.9%	682	25.5%	679	26.1%
Sold	856	622	37.6%	155	452.3%	154	455.8%
Credit derivatives	808	806	0.2%	1,757	-54.0%	831	-2.8%
Bought	-	-	-	-	-	-	-
Sold	808	806	0.2%	1,757	-54.0%	831	-2.8%
Commodity derivatives	1,912	16,116	-88.1%	1,940	-1.4%	14,842	-87.1%
Bought	956	8,058	-88.1%	970	-1.4%	7,421	-87.1%
Sold	956	8,058	-88.1%	970	-1.4%	7,421	-87.1%
Amount of unused bank overdraft	82,255	81,458	1.0%	81,163	1.3%	81,061	1.5%
Others	227	238	-4.6%	289	-21.5%	244	-7.0%
Total contingencies	2,266,623	2,188,509	3.6%	1,897,383	19.5%	2,147,440	5.6%

Statutory Capital (Bank only)

Total capital funds (Tier 1 and Tier 2) as of June 30, 2010 were at a high of 16.16% of total risk-weighted assets, representing Tier-1-capital of 12.03% and Tier-2-capital of 4.13%. The aforementioned ratios have not yet taken into account the 1H10 net profit. Note that the Bank's Tier 1 capital comprises, substantially, tangible capital only. Should the 1H10 net profit be taken into consideration, total capital ratio and Tier 1 capital ratio would be 17.39% and 13.26%, respectively.

The Bank believes its strong capital position, together with its sound loan loss reserve coverage, are sufficient to withstand the impact of any potential shocks, which may arise if the economic recovery is stymied by unexpected events. Its solid capital position would also provide the Bank flexibility to grow its business in a timely manner as and when more growth opportunities arise in the quarters to come. The Bank also believes that such strong capital position will also put it in an advantageous position compared with less capitalized banks, should the regulatory regime becomes more stringent in the future. The Bank expects to maintain its aggregate capital adequacy ratio in excess of the regulatory minimum throughout 2010.

(Bank only)		Statutory Capital				
		Jun 30, 10 (Basel II)	Dec 31, 09 (Basel II)	% ytd	Jun 30, 09 (Basel II)	% yoy
Tier-1 Capital	Bt, million	114,931	114,252	0.6%	103,836	10.7%
	% of RWA	12.03%	12.27%		11.37%	
Tier-2 Capital	Bt, million	39,431	39,118	0.8%	39,055	1.0%
	% of RWA	4.13%	4.20%		4.28%	
Total Capital	Bt, million	154,362	153,370	0.6%	142,891	8.0%
	% of RWA	16.16%	16.47%		15.65%	
Risk weighted assets	Bt, million	955,144	931,337	2.6%	912,946	4.6%



Non Performing Assets

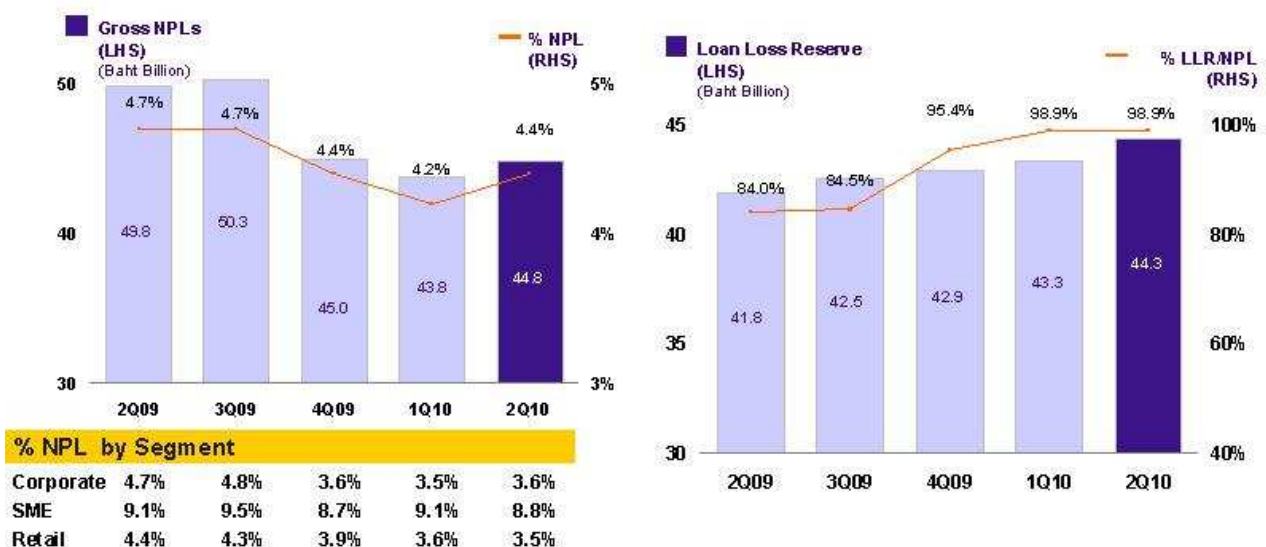
Gross NPLs on a consolidated basis rose slightly to Baht 44,837 million (4.4% of total loans) at the end of June 2010 from Baht 43,811 million (4.2% of total loans) at the end of March 2010. Net NPLs declined to Baht 21,498 million (2.2%) at the end of June 2010 from Baht 21,936 million (2.1%) at the end of March 2010. The increase in gross NPLs during 2Q10 was primarily due to a single corporate borrower who encountered cash flow problems when its business performance was severely affected by the global financial crisis in 2008. This borrower is now under the Bank's debt restructuring process.

Allowance for doubtful accounts as of June 30, 2010 stood at Baht 44,348 million, an increase of Baht 1,024 million from the end of March 2010. The coverage ratio (total allowance to non-performing loans) was flat at 98.9% at the end of June 2010.

(Consolidated)		Jun 30, 10	Dec 31, 09	Jun 30, 09
Non-performing loans (Gross NPLs)	Bt, million	44,837	44,958	49,832
	% of total loans	4.4%	4.4%	4.7%
Allowance for doubtful accounts*	Bt, million	43,717	42,142	41,068
Allowance for revaluation of debt restructuring	Bt, million	632	752	779
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	44,348	42,894	41,847
Total allowance to NPLs		98.9%	95.4%	84.0%

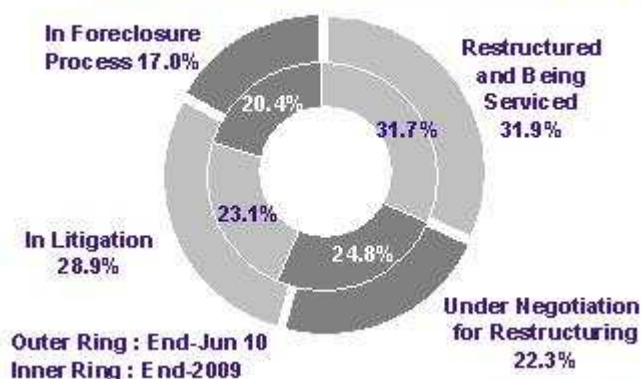
* Excluding Interbank

Gross NPLs on a bank only basis rose to Baht 41,027 million (4.1%) at the end of June 2010 from Baht 39,793 million (3.9%) at the end of March 2010. Net non-performing loans (net NPLs) declined to Baht 19,217 million (2.0%) at the end of June 2010 from Baht 19,598 million (2.0%) at the end of March 2010.

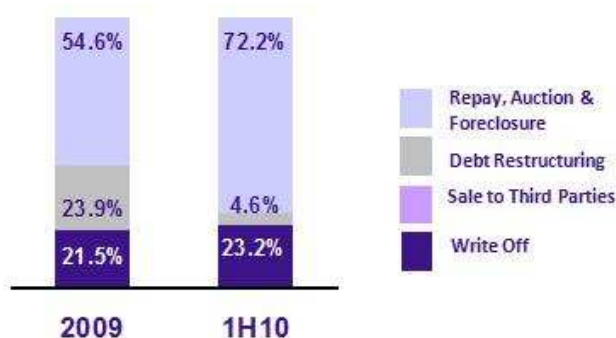


(Consolidated)	Jun 30, 10		Dec 31, 09		Jun 30, 09	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Classified loans and allowance for doubtful accounts						
Normal	895,806	8,602	864,472	8,244	830,015	7,722
Special mention	32,215	614	32,601	623	29,064	570
Substandard	8,079	4,400	6,938	2,503	7,937	3,672
Doubtful	4,909	2,411	5,747	2,884	6,131	2,409
Doubtful loss	31,907	14,886	32,120	14,374	35,311	15,829
Total	972,916	30,913	941,878	28,628	908,458	30,202
Allowance established in excess of BoT regulations		12,803		13,514		10,866
Total allowance		43,716		42,142		41,068

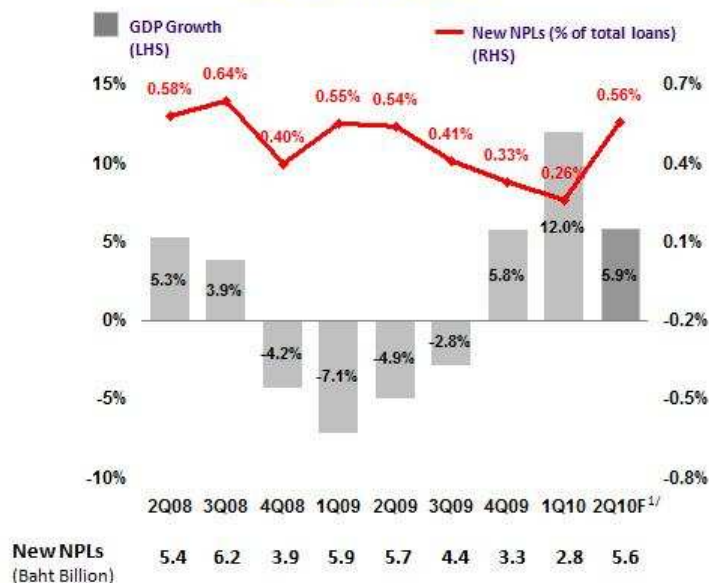
NPL Breakdown by Status (Bank only)



NPL Reduction by Methods



New NPLs Formation



^{1/} GDP forecast by SCB Economic Intelligence Center

The Bank's foreclosed properties as at June 2010 stood at Baht 12,805 million, a decrease of Baht 33 million (0.3% qoq) from Baht 12,839 million at end of March 2010.

Troubled Debt Restructuring

The Bank has implemented various methods for debt restructuring, including transfers of assets and equity securities, changes in repayment conditions, and combinations thereof.

As of June 30, 2010, the Bank and its subsidiaries that are financial institutions have outstanding loans that have been restructured amounting to Baht 38,560 million in the consolidated financial statements and Baht 38,559 million for the Bank only (March 31, 2010: Baht 39,206 million and Baht 39,205 million, respectively). Some of these loans are NPLs and are already included in the NPL level noted above.

In 2Q10, loans amounting to Baht 850 million were restructured. The Bank recognized interest income from debt restructuring in the amount of Baht 540 million.

(Consolidated)		Jun 30, 10	Mar 31, 10	Dec 31, 09	Jun 30, 09
Loans to restructured debtors	Bt, million	38,560	39,206	40,795	44,788
- Restructured loans which are classified as NPL	Bt, million	12,285	12,171	13,116	14,877
- Restructured loans which are not classified as NPL	Bt, million	26,275	27,035	27,679	29,911
Troubled debt restructuring in the quarter	Bt, million	850	2,011	1,296	4,269
Interest income recognized from restructured loans	Bt, million	540	534	710	514

Liquidity

As of June 30, 2010, the **loan to deposit** ratio on a consolidated basis stood at 104.8%, an increase from 98.4% at the end of 2009 as a result of a pick up in loan growth during 2Q10 and the smaller deposit base following the sequestering of specific deposit accounts and seasonal withdrawals of deposits by wholesale customers.

	Jun 30, 10	Mar 31, 10	Dec 31, 09	Jun 30, 09
Gross Loans to Deposits Ratio (Consolidated)	104.8%	96.3%	98.4%	92.7%
Gross Loans to Deposits Ratio (Bank only)	103.2%	93.4%	95.4%	89.8%
Gross Loans to Deposits and B/E (Bank only)	102.0%	91.9%	93.5%	86.0%

The Bank's policy on liquidity management is to source the required level of funding at an acceptable cost. The Bank's Assets and Liabilities Management Committee formulates policies on liquidity management.

According to the Bank of Thailand's requirements on liquid assets, with which the Bank is in compliance, commercial banks must maintain liquid assets equal to at least 6% of total deposits. At least 0.8% must be in deposits with the Bank of Thailand, and 0.2% as cash at the Cash Center. Interbank deposits must not exceed 2.5%, and the rest must be in clean securities.

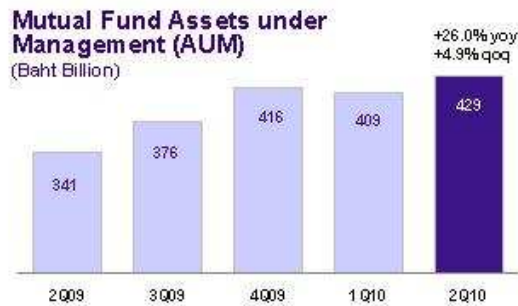
For liquidity management of subsidiaries, the Bank maintains the Group's liquidity at the appropriate level by the adherence to certain policies, rules and regulations, especially for lines of business that are involved with lending and asset management activities.

Sources and Uses of Funds

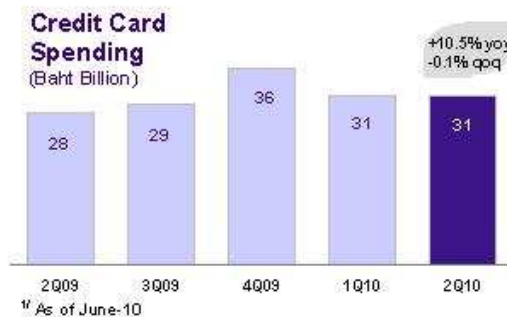
As at June 30, 2010, deposits accounted for 73.2% of SCB funding base. Other sources of funds included 11.5% from shareholders' equity, 2.7% from the issuance of debt instruments, and 4.6% from interbank borrowings. Of that total, 76.7% was used for loans, while another 12.7% was applied to net investments in securities, and 4.0% was lent in the interbank and money markets.

Market Positions

Mutual Funds: #1 with 26% market share



Credit Card: #1 in terms of total card spending with 16.6% market share ^{1/}



Mortgage Lending: Maintained dominance with approximately 30% market share among commercial banks



Bancassurance: #1 with 25% market share^{1/}



^{1/} As of June-10

^{2/} Total life premiums which include individual life & credit life (new premium & renewals)