

Management Discussion and Analysis

For quarter 2/2011 and first half ended June 30, 2011

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For the second quarter and first half ended June 30, 2011

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Siam Commercial Bank PCL announced audited operating results for the second quarter of 2011, with a record consolidated **net profit** of Baht 8,132 million, a 53.0% yoy increase of Baht 2,817 million from Baht 5,316 million recorded in 2Q10. The year-on-year increase in net profit was mainly attributable to: (1) higher net interest income from robust loan growth; (2) higher non-interest income which was driven by higher underwriting income; and (3) lower impairment loss on loans and debt securities as the Bank's asset quality continues to improve.

Operating profit (excluding impairment loss on loans and debt securities, income tax and non-controlling interest) increased by 41.3% yoy to Baht 12,088 million in 2Q11 from Baht 8,558 million in 2Q10, due to increases in both net interest income and non-interest income. The increase in net interest income was mainly the result of robust loan growth while the increase in non-interest income was driven by underwriting income.

In 2Q11, **total comprehensive income** was Baht 7,910 million, an increase of 30.0% mainly attributable to the higher operating profit as explained above.

Alongside net profit, earnings per share (EPS) rose to Baht 2.39 in 2Q11 from Baht 1.56 in 2Q10. Return on average equity (ROAE) and return on average assets (ROAA) increased to 18.8% and 2.0% in 2Q11 from 14.5% and 1.6% in 2Q10, respectively.

On a **quarter-on-quarter** basis, net profit decreased by Baht 4,919 million (37.7% qoq) to Baht 8,132 million in 2Q11 from Baht 13,051 million in 1Q11, largely due to the substantial one-time investment gain following the acquisition of additional shares in SCB Life booked in 1Q11. Excluding one-time investment gains, the qoq net profit was relatively flat. Operating profit (excluding impairment loss on loans and debt securities, income tax and non-controlling interest) decreased by 28.1% qoq to Baht 12,088 million in 2Q11 from Baht 16,812 million in 1Q11 due to the same reason explained above. Excluding the substantial one-time gain, the operating profit was marginally higher (0.7%).

For the **first half of 2011**, net profit was Baht 21,184 million, an 81.2% rise yoy from Baht 11,690 million recorded in 1H10, primarily owing to (1) higher non-interest income which was driven by higher underwriting income, higher net trading income, robust fee and service income growth, and a substantial one-time investment gain; (2) higher net interest income from robust loan growth; and (3) lower impairment loss on loans and debt securities as the Bank's asset quality improved. Operating profit (excluding impairment loss on loans and debt securities, income tax and non-controlling interest) rose 58.7% yoy to Baht 28,901 million

in 1H11 from Baht 18,206 million in 1H10. Stripping out one-time investment gains, operating profit increased by 29.5% yoy

Net Profit and Total Comprehensive Income

Unit: Million Baht					
(Consolidated)	2Q11	% qoq	% yoy	1H11	% yoy
Net interest income	12,553	14.3%	29.7%	23,534	22.1%
Non-interest income	8,283	-41.1%	36.4%	22,348	72.8%
Non-interest expenses	8,747	6.2%	21.6%	16,982	21.3%
Operating profit	12,088	-28.1%	41.3%	28,901	58.7%
Operating profit excluding non-recurring items*	11,829	0.7%	38.2%	23,582	29.5%
Impairment loss on loans and debt securities	834	-2.0%	-25.2%	1,684	-25.4%
Income tax	3,059	7.1%	45.3%	5,916	40.9%
Non-controlling interest	63	18.7%	170.7%	117	93.3%
Net profit	8,132	-37.7%	53.0%	21,184	81.2%
Other comprehensive income	-225	NM	NM	5,505	216.2%
Total comprehensive income	7,910	-57.9%	30.0%	26,691	98.8%
EPS (Baht)	2.39	-37.7%	53.0%	6.23	81.2%
ROE	18.8%			26.0%	
ROA	2.0%			2.7%	

* In 2Q11, non-recurring items include a one-time investment gain from an impairment reversal.

2Q11 Statement of Comprehensive Income (Consolidated basis)

Under the new format financial statements, dividend income is presented under non-interest income and contribution to the Deposit Protection Agency is presented under interest expenses. Fee income is presented on a net basis (net of fee expenses directly related to fee income). Moreover, gain on investment is separated into trading and foreign exchange income (net trading income) and non trading income (gain on investment). All corresponding period items have been presented using this new format below to facilitate comparative analysis.

1. Net interest income

Net interest income rose 29.7% **yoy** to Baht 12,553 million in 2Q11 from Baht 9,680 million in 2Q10, as the interest income increase was by a larger magnitude than the increase in interest expenses. The sharp increase in interest income was primarily due to (1) a robust loan growth of 21.1% yoy; (2) the consequence of the rising interest rates environment; and (3) interest income from SCB Life investments following the consolidation of SCB Life. Interest expenses increased mainly from the increase in deposit costs on the back of the rising interest rates, higher volume of deposits and longer average tenor of the recent deposits.

On a quarter-on-quarter basis, net interest income rose 14.3% to Baht 12,553 million in 2Q11 from Baht 10,982 million in 1Q11. The increase in qoq net interest income was due to (1) higher interest income from

loans (loan grew markedly at 4.3% qoq), (2) higher interest income from interbank and money markets from rising interest rates and higher volume, and (3) higher interest income from investments following the consolidation of SCB Life. These increases were partly offset by (1) the higher cost of deposits both from rising interest rates and growing deposit volumes, and (2) higher interest expenses from borrowings due to an increase in B/Es and the issuance of the Euro Medium Term Notes (EMTN) of USD 400 million in 2Q11.

In the **first half of 2011**, net interest income rose 22.1% yoy to Baht 23,534 million from Baht 19,277 million in 1H10 primarily due to (1) higher interest income from loans following robust loan growth of 21.1% yoy; (2) the effect of the rising interest rates environment; (3) higher interest income from interbank and money markets from the rising interest rates and higher volume; and (4) higher interest income from investments. Interest expenses increased 73.6% yoy mainly from the increase in deposit costs on the back of the rising interest rates, higher volume of deposits, and higher interest expenses from borrowings due to an increase in B/Es and the issuance of the Euro Medium Term Notes.

	Unit: Million Baht				
(Consolidated)	2Q11	% qoq	% yoy	1H11	% yoy
Interest income	18,259	16.8%	44.9%	33,888	34.3%
- Loans	14,239	12.6%	36.6%	26,882	29.4%
- Interbank and money markets	1,260	62.7%	345.7%	2,035	212.4%
- Hire purchase and financial lease income	1,207	7.4%	22.3%	2,331	17.9%
- Investments	1,554	43.0%	71.6%	2,640	43.6%
Interest expenses	5,707	22.8%	95.5%	10,353	73.6%
- Deposits	3,331	20.5%	134.9%	6,094	109.1%
- Interbank and money markets	371	20.5%	124.7%	679	107.5%
- Borrowings	904	77.2%	125.8%	1,414	65.6%
- Contribution to the Deposit Protection Agency	1,101	3.4%	17.8%	2,165	15.9%
Net Interest income	12,553	14.3%	29.7%	23,534	22.1%
Net interest margin	3.24%	0.10%	-0.02%	3.19%	-0.05%
Yield on earning assets	4.71%	0.25%	0.47%	4.60%	0.36%
Yield on loans	5.44%	0.31%	0.57%	5.29%	0.36%
Yield on interbank	2.62%	0.60%	1.58%	2.36%	1.29%
Yield on investment	2.91%	0.31%	0.54%	2.78%	0.43%
Cost of funds*	1.77%	0.26%	0.64%	1.66%	0.50%
Cost of deposit**	1.60%	0.18%	0.60%	1.51%	0.49%
Spread (yield on earning assets – cost of funds)	2.94%	-0.01%	-0.17%	2.94%	-0.15%

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

* Cost of funds = interest expenses / interest bearing liabilities

** Cost of deposit includes the contribution to the Deposit Protection Agency, as required under the new format financial statements

Interest income in 2Q11 was Baht 18,259 million, a 44.9% **yoy** increase of Baht 5,661 million from Baht 12,599 million in 2Q10. Details are as follows:

- **Interest income from loans** increased 36.6% yoy to Baht 14,239 million primarily due to the increase in the Bank's interest rates (MLR was raised by 102.5 bps during 2010-2Q11) and robust loan growth of 21.1% yoy;
- **Interest income from interbank and money markets** rose 345.7% yoy to Baht 1,260 million because of the increase in interbank interest rates (policy rate rose by 175 bps during 2010-2Q11) and higher volume;
- **Hire purchase and financial lease** income increased 22.3% yoy to Baht 1,207 million, mainly from growth in hire purchase loans of 36.6% yoy in 2Q11;
- **Interest income from investments** increased by 71.6% yoy to Baht 1,554 million, mainly due to (1) larger investment portfolio as a result of SCB Life acquisition and (2) higher interest income from investments in debt securities, following the rise in interest rates.

At the same time, **interest expenses** increased 95.5% yoy to Baht 5,707 million in 2Q11, mainly due to a 134.9% yoy increase in deposits cost as a result of the increase in deposit rates during 2010-2Q11, the growth of the deposit base by 18.4% yoy, and the launch of deposit campaigns to lock-in longer term deposits. Although the longer term deposits incur a relatively higher cost, in a rising interest rate environment they are deemed to be more attractive. Interest expenses from borrowings increased 125.8% mainly due to the substantial increase in the volume of B/E, the effect from the rising interest rates environment and the issuance of the Euro Medium Term Note. Interest expenses from interbank and money markets increased 124.7% yoy following the increase in interbank interest rates and higher volumes. Contribution to the Deposit Protection Agency increased 17.8% yoy alongside the expansion of the Bank's deposit base.

SCB Interest Rates	Jun 18, 09	Sep 22, 09	Jul 27, 10	Sep 3, 10	Dec 7, 10	Jan 14, 11	Mar 11, 11	Apr 22, 11	Jun 8, 11
Lending Rate									
MLR	5.85%	5.85%	6.00%	6.00%	6.12%	6.375%	6.625%	6.75%	6.875%
Deposit Rate									
Savings Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.62%	0.75%	0.75%	0.75%
3-month deposits	0.65-0.85%	0.65%	0.75%	0.85%-1.00%	1.00%-1.25%	1.15%-1.40%	1.25%-1.50%	1.50%-1.70%	1.60%-2.20%
6-month deposits	0.65-0.85%	0.65%	0.90%	1.10%-1.20%	1.25%-1.45%	1.50%-1.625%	1.60%-1.80%	1.80%-2.00%	1.95%-2.15%
12-month deposits	0.65-1.00%	0.65%	1.00%-1.20%	1.15%-1.40%	1.40%-1.65%	1.60%-1.75%	1.85%-2.00%	2.00%-2.20%	2.20%-2.40%
	Sep 30, 09	Jun 2, 10	Jul 14, 10	Aug 25, 10	Dec 1, 10	Jan 12, 11	Mar 9, 11	Apr 20, 11	Jun 1, 11
Policy Rate	1.25%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%

On a **quarter-on-quarter** basis, interest income increased 16.8% qoq to Baht 18,259 million in 2Q11 from Baht 15,628 million in 1Q11. Details are as follows:

- **Interest income from loans** rose 12.6% qoq as a result of robust loan growth of 4.3% qoq in 2Q11 and the increase in lending rates by 25 bps in 2Q11;
- **Interest income from interbank and money markets** increased 62.7% qoq mainly due to the increase in interbank interest rate by 50 bps in 2Q11 and higher volume;

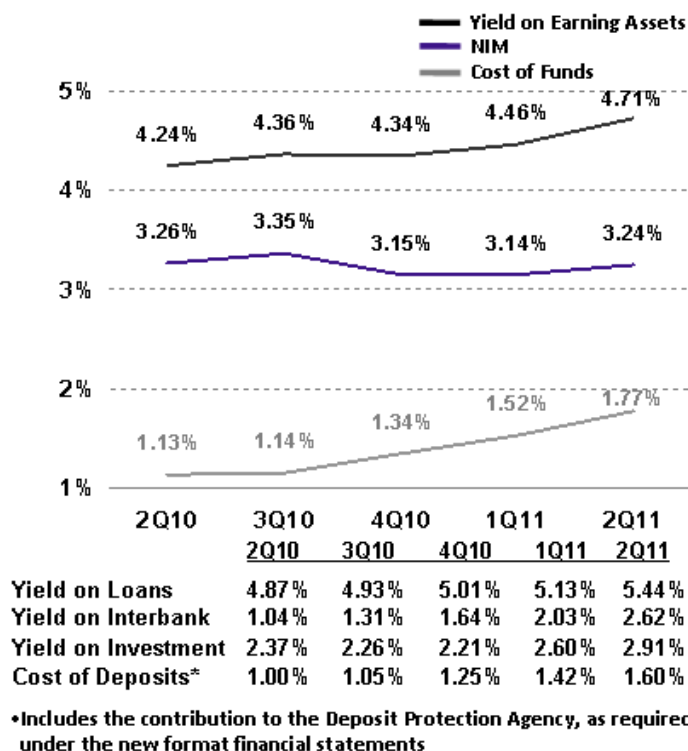
- **Hire purchase and financial lease** income rose 7.4% qoq mainly due to robust growth of the hire purchase loans portfolio of 6.6% qoq;
- **Interest income from investments** rose 43.0% qoq largely due to (1) larger investment portfolio as a result of the consolidation of SCB Life and (2) higher interest income from investments in debt securities, following the rise in interest rates.

Interest expenses rose 22.8% qoq to Baht 5,707 million in 2Q11 from Baht 4,646 million in 1Q11 largely to a 20.5% qoq increase in interest expenses on deposits, which was mainly a combined effect of (1) the increase in deposit rates in 2Q11; and (2) the higher cost of the Bank's deposit campaigns which were designed to attract longer term fixed deposits. Interest expenses from borrowings increased 77.2% qoq mainly due to the substantial increase of B/E and the issuance of Euro Medium Term Notes.

In the **first half of 2011**, interest income increased 34.3% yoy to Baht 33,888 million in 1H11 from Baht 25,241 million in 1H10. Details are as follows:

- **Interest income from loans** rose 29.4% yoy to Baht 26,882 million, due to the increase in the Bank's interest rates (MLR was raised by 102.5 bps during 2010-2Q11) and the robust loan growth of 21.1% yoy;
- **Interest income from interbank and money markets** rose 212.4% yoy to Baht 2,035 million due to the increase in interbank interest rates (policy rate rose by 175 bps during 2010-2Q11) and higher volume;
- **Hire purchase and financial lease** income increased 17.9% yoy to Baht 2,331 million, mainly from the growth in hire purchase loans of 36.6% yoy;
- **Interest income from investments** increased by 43.6% yoy to Baht 2,640 million, mainly due to (1) larger investment portfolio as a result of the consolidation of SCB Life and (2) higher interest income from investments in debt securities, following the rise in interest rates.

Interest expenses rose 73.6% yoy to Baht 10,353 million in 1H11 from Baht 5,964 million in 1H10 largely due to a 109.1% yoy increase in deposits cost as a result of the increase in deposit rates during 2010-2Q11, the growth of the deposit base by 18.4% yoy, and the launch of deposit campaigns to lock-in longer term deposits. Interest expenses from borrowings increased 65.6% yoy mainly due to the substantial increase in the volume of B/E, the effect from the rising interest rates environment and the issuance of the Euro Medium Term Notes. Interest expenses from interbank and money markets increased 107.5% yoy following the increase in interbank interest rates and higher volume. Contribution to the Deposit Protection Agency increased 15.9% yoy alongside the expansion of the Bank's deposit base.



As a result of the changes in net interest income, annualized net interest margin (NIM) declined slightly to 3.24% in 2Q11 from 3.26% in 2Q10 but widened from 3.14% in 1Q11. Annualized NIM for 1H11 was 3.19%, a 5 bps drop from 3.24% recorded in 1H10. Given the rising interest rate environment, the Bank expects to achieve its full year target of 3.2% for NIM (using the new accounting format).

2. Non-interest income

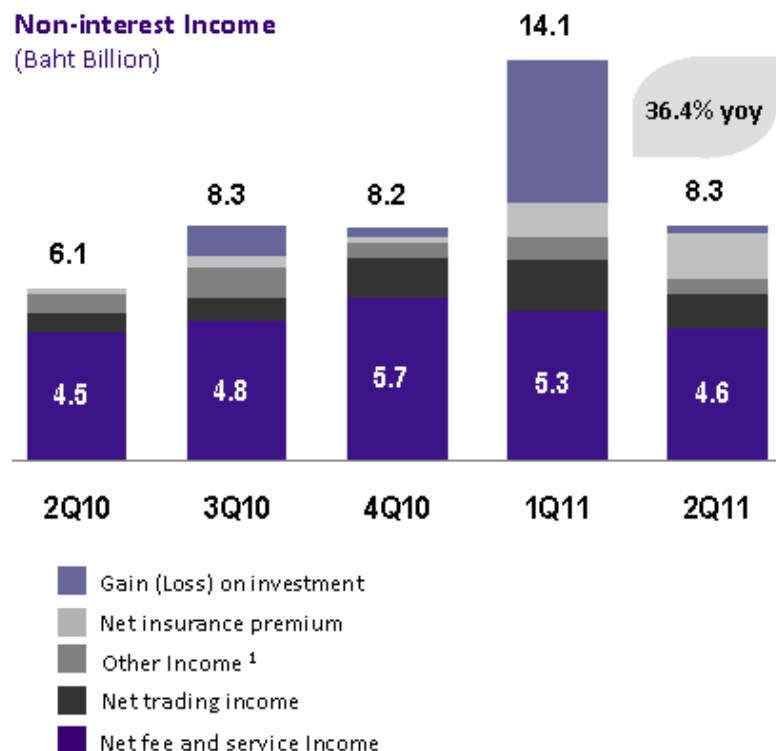
Non-interest income rose 36.4% yoy to Baht 8,283 million in 2Q11 from Baht 6,073 million in 2Q10, principally the result of (1) higher underwriting income; and (2) higher net trading income.. Additional details of non-interest income yoy are provided below:

- **Net fee & service** income rose 2.7% yoy, driven by higher fee income from corporate finance, the card business and loan-related activities, offset by fee and service expenses which rose 33.3% yoy alongside the higher volume of fee-based activities;
- **Net trading income** increased 75.2% yoy mainly as the result of higher returns from treasury transactions and positions;
- Share of profit of **associated companies** dropped by 31.1% yoy, mainly as a result of the consolidation of SCB Life results from 1Q11 which was previously booked under the equity method;
- **Dividend income** rose 12.6% yoy or Baht 17 million;;
- **Other income** dropped 21.3% yoy primarily from lower gains from the sale of foreclosed properties;
- **Net insurance premiums (net of claims)** increased 511.2% yoy mainly the impact of the consolidation of SCB Life results; and

- **Gain on investments** was at Baht 338 million in 2Q11 primarily from an impairment reversal that is no longer required.

Unit: Million Baht

(Consolidated)	2Q11	% qoq	% yoy	1H11	% yoy
Fee and service income	5,576	-10.9%	6.9%	11,833	13.3%
<u>Less</u> fee and service expenses	946	-2.9%	33.3%	1,920	22.9%
Net fee and service income	4,630	-12.4%	2.7%	9,913	11.6%
Net trading income	1,204	-30.5%	75.2%	2,935	69.8%
Share of profit of associates	180	11.3%	-31.1%	342	-33.5%
Dividend income	154	-59.1%	12.6%	532	1.7%
Net earned insurance premiums	7,639	89.7%	1,301.1%	11,665	920.2%
Other income	164	-35.4%	-21.3%	417	-17.1%
<u>Less</u> net insurance claims	6,025	111.1%	2,042.5%	8,880	1,474.9%
Non-interest income excluding total gain on investments	7,945	-11.5%	31.0%	16,923	32.9%
Gain on investments	338	-93.4%	4,899.1%	5,425	2,580.9%
Total non-interest income	8,283	-41.1%	36.4%	22,348	72.8%



On a **quarter-on-quarter** basis, non-interest income dropped 41.1% qoq to Baht 8,283 million in 2Q11 from Baht 14,065 million in 1Q11, largely due to the one-time investment gain following the acquisition of SCB

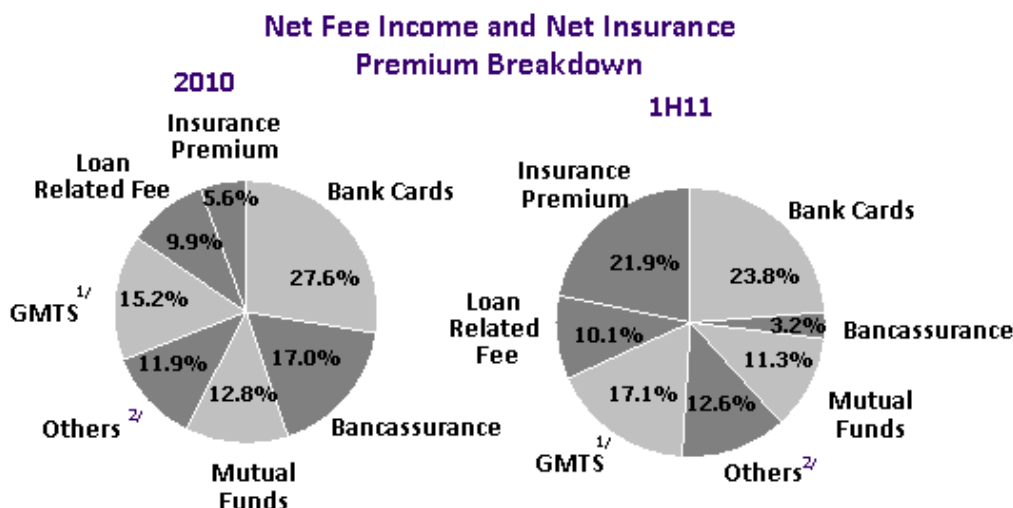
Life booked in 1Q11. Stripping out the one-time items, non-interest income dropped 10.9% qoq mainly as a result of the seasonality of some items such as dividend. Additional details are provided below:

- **Net fee and service** income dropped 12.4% qoq, due mainly to the elimination of bancassurance fee for life products following the consolidation of SCB Life, although fee from mutual fund business and business cash management products grew strongly. The income from bancassurance for life products is presented under net earned insurance premiums, which includes premium income from SCB Samaggi – a non-life subsidiary of the Bank;
- **Net trading income** decreased by 30.5% qoq as a result of lower returns from treasury activities in 2Q11;
- Share of profit of **associated companies** increased 11.3% qoq, mainly from the recognition of net profit for an associate company in this quarter;
- **Dividend income** decreased by 59.1% qoq due to the absence of dividend income from the Vayupak Fund as compared to the Baht 374 million booked in 1Q11;
- **Other income** decreased 35.4% qoq mainly due to lower gains from the sale of foreclosed properties;
- **Net insurance premiums** (net of claims) increased 37.8% qoq mainly due to the full consolidation of net insurance premium of SCB Life in 2Q11 which was only partially booked in 1Q11; and
- **Gain on investments** dropped substantially by 93.4% qoq largely due to the one-time investment gain following the acquisition of shares in SCB Life booked in 1Q11.

In the **first half** of 2011, non-interest income rose 72.8% yoy to Baht 22,348 million in 1H11 from Baht 12,934 million in 1H10, principally the result of (1) higher underwriting income; (2) higher net trading income; and (3) higher gain on investments following a substantial one-time investment gain from the acquisition of SCB Life in 1Q11. Stripping out the one-time investment gain, non-interest income rose 31.7% yoy. Additional details of non-interest income yoy are provided below:

- **Net fee & service** income rose 11.6% yoy, driven by higher fee income from corporate finance, loan-related activities, and from the card business, offset by fee and service expenses which rose 22.9% yoy alongside the higher volume of fee-based activities and the elimination of bancassurance fee from SCB Life – which is now reflected under net insurance premiums below;
- **Net trading** income increased 69.8% yoy mainly as the result of higher returns from treasury transactions and positions;
- Share of profit of **associated companies** dropped by 33.5% yoy, mainly as a result of the acquisition of SCB Life in 1Q11 which was previously booked under the equity method;
- **Dividend income** rose 1.7% yoy;
- **Other income** dropped 17.1% yoy primarily from lower gains on the sale of foreclosed properties;
- **Net insurance premiums** (net of claims) increased 380.5% yoy mainly due to the consolidation of SCB Life and the higher share of profit obtained from this subsidiary; and
- **Gain on investments** was at Baht 5,425 million in 1H11 mainly from a substantial one-time investment gain following the acquisition of SCB Life in 1Q11.

In the first half of 2011, **non-interest income** accounted for 49% of total income (42% in 2010) as a result of SCB Life acquisition, while net fee income made up 22% of total income (28% in 2010) due to the elimination of bancassurance fee following the consolidation of SCB Life. Excluding one-time investment gain from SCB Life acquisition, non-interest income would account for 42% of total income. The Bank expects the aggregate fee income contribution from Wholesale and SME to increase through a stronger focus on fee based activities in these business segments.



Net Fee Income and Net Insurance Premium by Segment (Baht Billion)					
	2Q10	1Q11	2Q11	%yoy	%qoq
Wholesale	0.91	1.50	1.21	33.6%	-19.6%
SME	0.29	0.58	0.67	133.9%	14.6%
Retail	3.56	4.34	4.34	21.8%	-0.1%

^{1/} GMTS stands for Global Markets and Transaction Services, which includes cash management, trade finance, corporate finance and corporate trust

^{2/} Others include brokerage fee, fund transfer, remittance, etc.

3. Non-interest expenses

Non-interest expenses increased 21.6% **yoy** to Baht 8,747 million in 2Q11 from Baht 7,195 million in 2Q10.

Key items are explained as follows:

- **Staff costs** increased 28.0% yoy mainly as a result of annual salary adjustments, the higher level of accrued performance bonus for 2011, the higher number of employees and the consolidation of SCB Life;
- **Premises and equipment expenses** decreased slightly by 1.8% yoy partly due to the reversal of impairment of land and premises which was no longer required;
- **Taxes and duties** increased 41.5% yoy mainly as a result of higher interest income from loans;
- **Other expenses** rose 34.7% yoy mainly due to higher marketing and promotion expenses for several new product launches and campaigns.

Unit: Million Baht

(Consolidated)	2Q11	% qoq	% yoy	1H11	% yoy
Staff costs	4,213	1.4%	28.0%	8,368	26.8%
Premises and equipment expenses	1,996	-1.3%	-1.8%	4,019	1.9%
Tax and duties	658	10.9%	41.5%	1,251	31.8%
Director remuneration	21	160.7%	-13.2%	29	-9.3%
Other expenses	1,859	27.7%	34.7%	3,315	33.7%
Total non-interest expenses	8,747	6.2%	21.6%	16,982	21.3%
Cost to income ratio	42.0%			37.0%	
Cost to income ratio excluding non-recurring items	42.5%			41.9%	

On a **quarter-on-quarter** basis, non-interest expenses rose 6.2% qoq to Baht 8,747 million in 2Q11 from Baht 8,235 million in 1Q11. Key items are explained as follows:

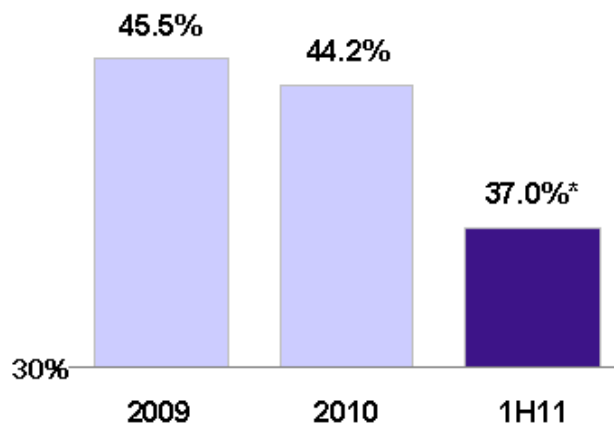
- **Staff costs** increased 1.4% qoq as a result of the higher number of employees and the full consolidation of SCB Life in this quarter;
- **Premises and equipment** expenses slightly dropped 1.3% qoq;
- **Taxes and duties** increased 10.9% qoq mainly as a result of higher interest income from loans; and
- **Other expenses** increased 27.7% qoq due to higher marketing and promotion expenses in 2Q11 for new product launches and campaigns.

In the **first half** of 2011, non-interest expenses rose 21.3% yoy to Baht 16,982 million in 1H11 from Baht 14,005 million in 1H10, mainly due to (1) higher personnel expenses as a result of annual salary adjustments, higher level of accrued performance bonus for 2011, the higher number of employees and the consolidation of SCB Life; (2) higher marketing and promotion expenses relating to the special promotions explained earlier; (3) higher taxes and duties following the higher interest income from loans.

In 2Q11, cost to income ratio was 42.0%, rising from 32.9% in 1Q11 and reducing from 45.7% in 2Q10. Excluding non-recurring items, cost to income ratio was 42.5% compared with 41.2% in 1Q11 and 45.7% in 2Q10. For 1H11, cost to income ratio stood at 37.0%. If non-recurring items are excluded, cost to income ratio was 41.9% in 1H11, well within the full year target of 45%.

The Bank expects cost to income ratio (excluding the one time investment gain) for 2011 to remain relatively stable, at about 45% or lower supported by strong loan and fee income growth. The Bank's capital expenditure continues to be in line with the levels established in prior periods, and is undertaken to support the ongoing investment in network expansion and planned systems enhancement initiatives required in the rapidly changing competitive landscape. The outlay on these investments is unlikely to have significant impact to the cost to income ratio level over the next few quarters.

Cost-to-Income Ratio (%)



* Eliminating one-time investment gains, the cost to income ratio would stand at 41.9%.

4. Loan loss provisions

The Bank's current provisioning policy is to set aside impairment loss on loans and debt securities of approximately Baht 900 million per quarter on a bank basis, down from the Baht 1,500 million used during 4Q08-3Q09 and from the Baht 1,200 million used during 4Q09-4Q10 given the improved economic conditions and as asset quality concerns recede.

On a **bank only** basis, the Bank set aside Baht 900 million of impairment loss on loans and debt securities in 2Q11. On a **consolidated** basis, the impairment loss on loans and debt securities was Baht 834 million in 2Q11, which was lower than impairment loss on loans and debt securities on a bank only basis, mainly due to a clawback of impairment loss on loans and debt securities at Siam Commercial Leasing (SCBL) following improvements in its portfolio quality. The Bank's total allowance for doubtful accounts at the end of June 2011 stood at Baht 41,852 million, an increase from Baht 41,595 million at the end of December 2010, while NPLs declined from Baht 38,684 million (3.25%) at the end of 2010 to Baht 36,553 million (2.69%) at the end of June 2011, even as the coverage level for these NPLs increased from 107.5% at the end of the last quarter to 114.5% at the end of June 2011.

Statement of Financial Position as of June 30, 2011 (Consolidated basis)

As of June 30, 2011, the Bank reported total assets of Baht 1,686,270 million, an increase of Baht 420,024 million (33.2%) yoy from Baht 1,266,246 million at the end of June 2010, in part due to the acquisition of SCB Life and in part, due to robust business growth. Details of the consolidated balance sheet are as follows:

1. Loans and Deposits

As of June 30, 2011, total outstanding loans stood at Baht 1,176,527 million, an increase of Baht 205,061 million (21.1%) yoy from Baht 971,467 million at the end of June 2010, and an increase of Baht 117,954 million (11.1%) year to date from Baht 1,058,574 million at the end of 2010. The impressive loan growth was attributable to robust growth across all business segments and was the direct result of the Bank's market-share growth strategies adopted since early 2010 as well as favorable loan growth trends. (Loans written-off amounted to Baht 1,490 million during 1H11).

In 2Q11, the Bank reclassified small SME loans which were previously shown under Retail to be shown under SME customers. This is appropriate as these small SME segment (typically under Baht 5 million or so) is poised to grow in the period ahead.

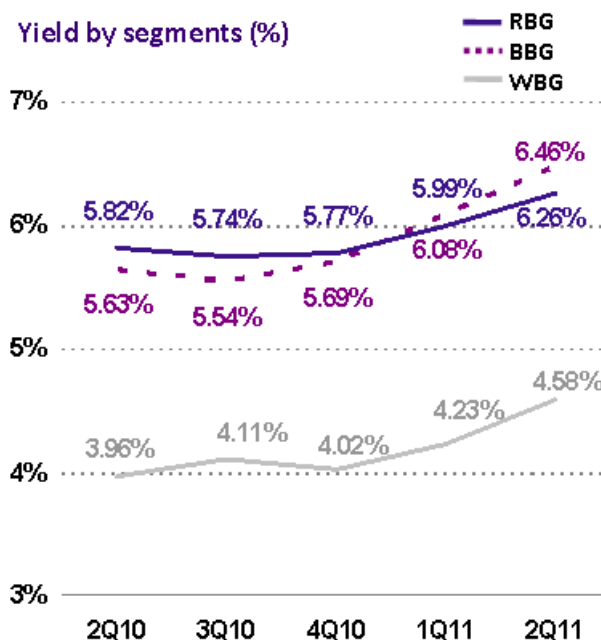
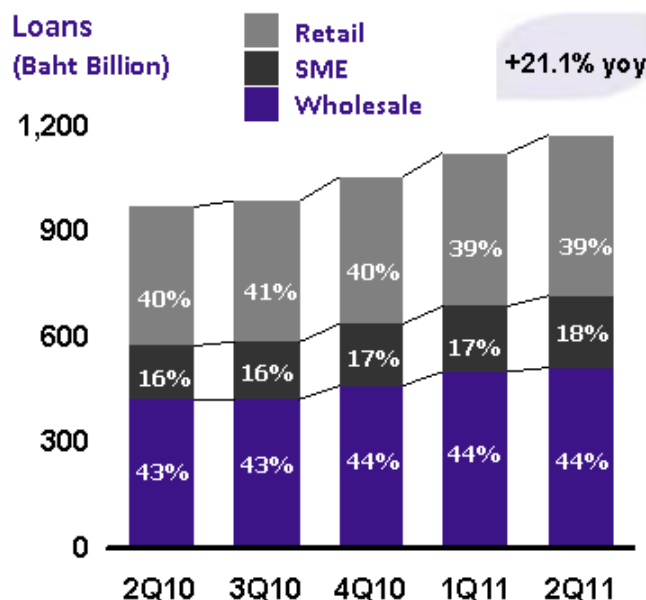
Additional details of loan breakdown by customer segments are as follows:

- **Wholesale** loans rose 21.6% yoy and 2.3% qoq in line with the Bank's pro-active strategy to re-capture market share, particularly with major corporate customers. On a year-to-date basis, Wholesale loans grew 10.9%;
- **SME** loans rose 31.4% yoy, 8.8% qoq and 17.0% year to date. The strong growth was the result of the implementation of the Bank's new SME business model with specific strategies to better penetrate the SME segment, particularly at the smaller end of this segment. Also, the Bank has introduced new products and expanded its nationwide footprint to better penetrate the SME segment;
- **Retail** loans increased 16.4% yoy, 4.7% qoq and 9.0% year to date.
 - **Housing loans** increased 11.5% yoy, 3.9% qoq and 7.9% year to date, alongside the continuing growth in the residential homes market;
 - **Hire purchase loans** grew 36.6% yoy, 6.6% qoq and 17.0% year to date as a result of the Bank's growth oriented strategy to enhance business volumes and market share in this segment;
 - **Other loans** (largely personal and credit card loans) increased 14.5% yoy, 5.9% qoq and 1.3% year to date.

Unit: Million Baht

Loans by segments	Jun 30, 11	Mar 31, 11 (restated)*	% qoq	Jun 30, 10 (restated)*	% yoy	Dec 31, 10 (restated)*	% ytd
Wholesale	513,133	501,628	2.3%	421,884	21.6%	462,672	10.9%
SME	206,655	190,026	8.8%	157,314	31.4%	176,698	17.0%
Retail	456,740	436,322	4.7%	392,268	16.4%	419,205	9.0%
Housing	311,318	299,619	3.9%	279,086	11.5%	288,577	7.9%
Hire purchase	97,798	91,733	6.6%	71,571	36.6%	83,598	17.0%
Others loans	47,624	44,969	5.9%	41,611	14.5%	47,029	1.3%
Total loans	1,176,527	1,127,975	4.3%	971,467	21.1%	1,058,574	11.1%

* The Bank reclassified small SME loans which used to be shown under the Retail to under the SME segment in 2Q11



As noted in the table below, 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. Other loans, comprising mostly hire purchase, credit card, personal and consuming loans recorded the highest growth of 32.2% yoy, followed by manufacturing and commercial loans of 27.3% yoy. On a year to date basis, loans to agricultural and mining recorded the highest growth of 17.4%. On quarter-on-quarter basis, loans to agricultural and mining loans recorded the highest growth of 15.3%.

The Bank's key growth strategies for 2011 to expand market shares in blue chip and other major corporates, SMEs, and automobile hire purchase segments yielded strong results as evidenced by strong overall loan growth of 21.1% yoy in 2Q11. The Bank's key 'delta growth' drivers for 2011 continue to be these three key areas which will enable the Bank to gain market share over and above 'business as usual' and to exceed its 2011 loan growth target of 10-12% set at the end of 2010.

Unit: Million Baht

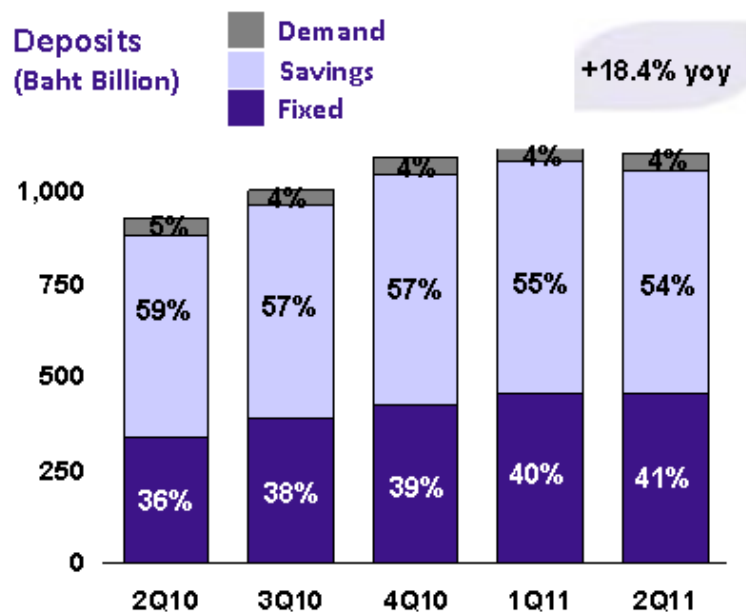
(Consolidated)	Jun 30, 11	Mar 31, 11	% qoq	Jun 30, 10	% yoy	Dec 31, 10	% ytd
Agricultural and mining	13,453	11,663	15.3%	15,079	-10.8%	11,462	17.4%
Manufacturing and commercial	452,749	441,089	2.6%	355,570	27.3%	404,962	11.8%
Real estate and construction	82,571	75,977	8.7%	74,872	10.3%	76,193	8.4%
Utilities and services	148,632	142,702	4.2%	119,368	24.5%	127,371	16.7%
Housing loans*	301,112	290,713	3.6%	271,900	10.7%	280,557	7.3%
Others	178,010	165,831	7.3%	134,678	32.2%	158,029	12.6%
Total loans	1,176,527	1,127,975	4.3%	971,467	21.1%	1,058,574	11.1%

* Classified by sector/product (excluding home improvement and similar loans which use the home as collateral)

As of June 30, 2011, **deposits** stood at Baht 1,097,943 million, up 18.4% yoy from Baht 927,338 million at the end of June 2010. On a year to date basis, deposits rose 0.5%. The modest growth in deposit was the result of the highly competition for deposit campaigns launched over the period and the shift to sourcing funds from the B/E market. As of June 30, 2011, deposits plus B/E grew 35.4% yoy and 12.0% year to date.

Fixed deposits, savings deposits and demand deposits increased (year-on-year) by 36.0%, 9.0% and 2.2% respectively. On a year-to-date basis, savings deposits and demand deposits decreased by 3.4% and 3.3%, respectively while fixed deposits increased by 6.7% ytd. The proportion of savings and demand deposits as a percentage of total deposit base dropped to 58.5% in 2Q11 from 60.9% at the end of 2010. Also, as a result of the special deposit campaigns, and in anticipation of more upward movement in interest rates, the Bank has progressively shifted its portfolio mix of term deposits towards more medium and longer term fixed deposits.

Concurrently, Bills of Exchange (B/E), akin to uninsured deposits, were used to attract a growing volume of funds, Baht 172 billion at the end of the quarter compared to about Baht 11 billion at the end of 2Q10.



Unit: Million Baht

Deposits (Consolidated)	Jun 30, 11	Mar 31, 11	%qoq	Jun 30, 10	% yoy	Dec 31, 10	% ytd
Demand	44,742	47,043	-4.9%	43,787	2.2%	46,284	-3.3%
Savings	598,013	625,005	-4.3%	548,852	9.0%	619,038	-3.4%
Fixed	455,188	454,491	0.2%	334,699	36.0%	426,787	6.7%
- Less than 6 months	116,664	124,878	-6.6%	161,351	-27.7%	155,806	-25.1%
- 6 months and up to 1 year	99,179	72,914	36.0%	29,143	240.3%	65,590	51.2%
- Over 1 year	239,345	256,698	-6.8%	144,205	66.0%	205,391	16.5%
Total Deposits	1,097,943	1,126,538	-2.5%	927,338	18.4%	1,092,109	0.5%
Bill of Exchange (B/E)	172,341	58,784	193.2%	10,679	1,513.9%	41,902	311.3%

2. Investments

Total net investments rose 20.9% **yoy** to Baht 194,786 million at the end of 2Q11 from Baht 161,093 million at the end of June 2010, mainly due to the inclusion of the portfolio investments of SCB Life after its inclusion in the consolidated accounts. On a **year to date** basis, total net investments rose 26.7% mainly due to the inclusion of the portfolio investments of SCB Life. Total net investment fell 10.1% qoq on the back of the reduction in investments in BOT bonds during 2Q11.

Unit: Million Baht

	Jun 30, 11	Mar 31, 11	%qoq	Jun 30, 10	% yoy	Dec 31, 10	% ytd
- Investment-net	192,428	214,675	-10.4%	156,056	23.3%	148,495	29.6%
- Investment in associated companies-net	2,358	1,966	19.9%	5,037	-53.2%	5,251	-55.1%
Total Investments-net	194,786	216,641	-10.1%	161,093	20.9%	153,746	26.7%

3. Debt securities in issue and borrowings

Debt securities in issue and borrowings increased Baht 167,883 million or 492.4% yoy to Baht 201,977 million at the end of June 2011, largely due to the issuance of Bills of Exchange (B/E) (+1,513.9% yoy) and the issuance of Euro Medium Term Notes of USD 400 million. Debt securities in issue and borrowings increased 154.2% qoq and 222.6% year to date, largely due to the same reasons. (The B/E are akin to an uninsured deposit which have gained in popularity among the affluent customers in recent years due to a higher yield when compared to fixed term deposits. As these instruments are not insured, the Bank does not need to pay the contribution fee to the Deposit Protection Agency and some or all of this benefit is passed on to holders of these instruments).

Unit: Million Baht

	Jun 30, 11	Mar 31, 11	%qoq	Jun 30, 10	% yoy	Dec 31, 10	% ytd
- Short term debt securities in issue and borrowings	144,533	55,790	159.1%	10,889	1,227.3%	39,931	262.0%
- Long term debt securities in issue and borrowings	57,445	23,662	142.8%	23,205	147.6%	22,678	153.3%
Total debt securities in issue and borrowings	201,977	79,451	154.2%	34,094	492.4%	62,609	222.6%

4. Net goodwill and other intangible assets

Net goodwill and other intangible assets stood at Baht 11,158 million at end of June 2011, a sharp increase from Baht 1,343 million at end of June 2010 and Baht 2,172 million at end of 2010. The increase was mainly a result of SCB Life acquisition in 1Q11 which led to the recognition of goodwill amounting to Baht 8.8 billion.

Under TFRS 3, the net acquired assets of SCB Life were determined at fair value. Therefore, a fair value adjustment (Baht 1.7 billion) of Held to Maturity (HTM) investments of SCB Life has been added to the book value of net acquired assets of SCB Life, and will be amortized over the remaining term of these HTM investments (12 years or approximately Baht 0.14 billion per year).

5. Shareholders' equity

As of June 30, 2011, shareholders' equity stood at Baht 174,206 million, a 20.1% yoy increase of Baht 29,139 million from Baht 145,067 million at the end of June 2010, mainly from the net profit for the period. The net profit appropriations were reduced by the dividend payment of Baht 10,197 million (Baht 3.00 per share or dividend payout ratio of 42.1%) in accordance with the resolution of the Shareholder's Annual General Meeting in April 2011 which included an interim dividend payment of Baht 3,399 million (Baht 1.00 per share) in August 2010. Shareholders' equity increased 0.6% qoq or by Baht 1,008 million from the end of March 2011, largely attributable to 2Q11 net profit offset by a dividend payment of Baht 6,798 million (Baht 2.00 per share) in accordance with the resolution of the Shareholder's Annual General Meeting in April 2011.

Book value per share as of June 30, 2011 was Baht 51.25 (3,399 million ordinary and preferred shares at the end of June 2011), up from Baht 45.40 at the end of 2010, an increase of 12.9% ytd.

Off Balance Sheet: Contingent Liabilities

As at June 30, 2011, the Bank and its subsidiaries had combined contingencies of Baht 217,904 million, up by Baht 5,779 million (2.7% yoy) from Baht 212,125 million at the end of June 2010. The increase in contingencies was mainly from unused bank overdraft facilities and letters of credit.

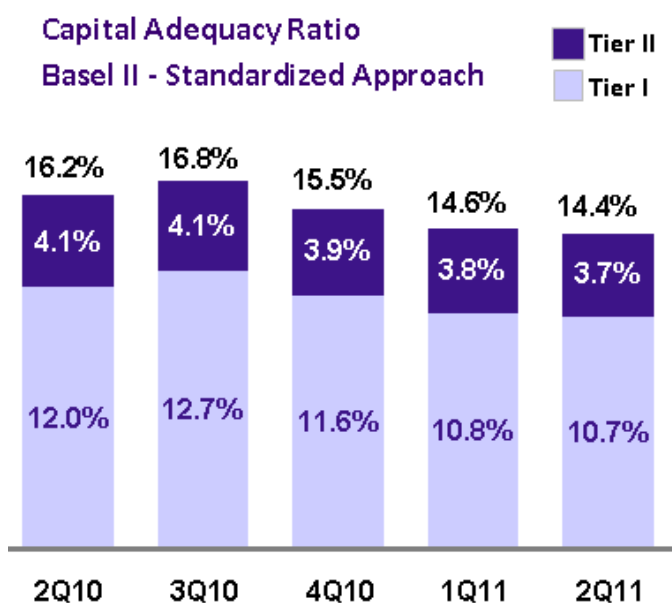
	Unit: Million Baht						
(Consolidated)	Jun 30, 11	Mar 31, 11	%qoq	Jun 30, 10	%yoy	Dec 31, 10	%ytd
Aval to bills	2,458	3,161	-22.2%	2,968	-17.2%	3,030	-18.9%
Guarantees of loans	364	406	-10.3%	152	139.5%	413	-11.9%
Liability under unmatured import bills	8,146	6,226	30.8%	5,350	52.3%	5,778	41.0%
Letters of credit	17,789	16,541	7.5%	11,563	53.8%	13,878	28.2%
Other contingencies							
Other guarantees	93,790	94,238	-0.5%	109,610	-14.4%	102,749	-8.7%
Amount of unused bank overdraft	94,551	92,639	2.1%	82,255	14.9%	88,617	6.7%
Others	806	702	14.8%	227	255.1%	202	299.0%
Total contingent liabilities	217,904	213,913	1.9%	212,125	2.7%	214,667	1.5%

Statutory Capital (Bank only)

Total capital funds (Tier 1 and Tier 2) as of June 30, 2011 stood at 14.37% of total risk-weighted assets, representing Tier-1-capital of 10.65% and Tier-2-capital of 3.72%. Should the 1H11 net profit be taken into consideration, total capital ratio and Tier 1 capital ratio would be 16.14% and 12.42%, respectively. The Bank's Tier 1 capital comprises, substantially, tangible capital only.

The Bank believes this 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 believes that this strong capital position will place it at 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 well in excess of the regulatory minimum throughout 2011.

(Bank only)		Statutory Capital				
		Jun 30, 11 (Basel II)	Dec 31, 10 (Basel II)	% ytd	Jun 30, 10 (Basel II)	% yoy
Tier-1 Capital	Bt, million	127,227	122,662	3.7%	114,931	10.7%
	% of RWA	10.65%	11.63%		12.03%	
Tier-2 Capital	Bt, million	44,464	41,018	8.4%	39,431	12.8%
	% of RWA	3.72%	3.89%		4.13%	
Total Capital	Bt, million	171,692	163,680	4.9%	154,362	11.2%
	% of RWA	14.37%	15.52%		16.16%	
Risk weighted assets	Bt, million	1,195,148	1,054,458	13.3%	955,144	25.1%



Non Performing Assets

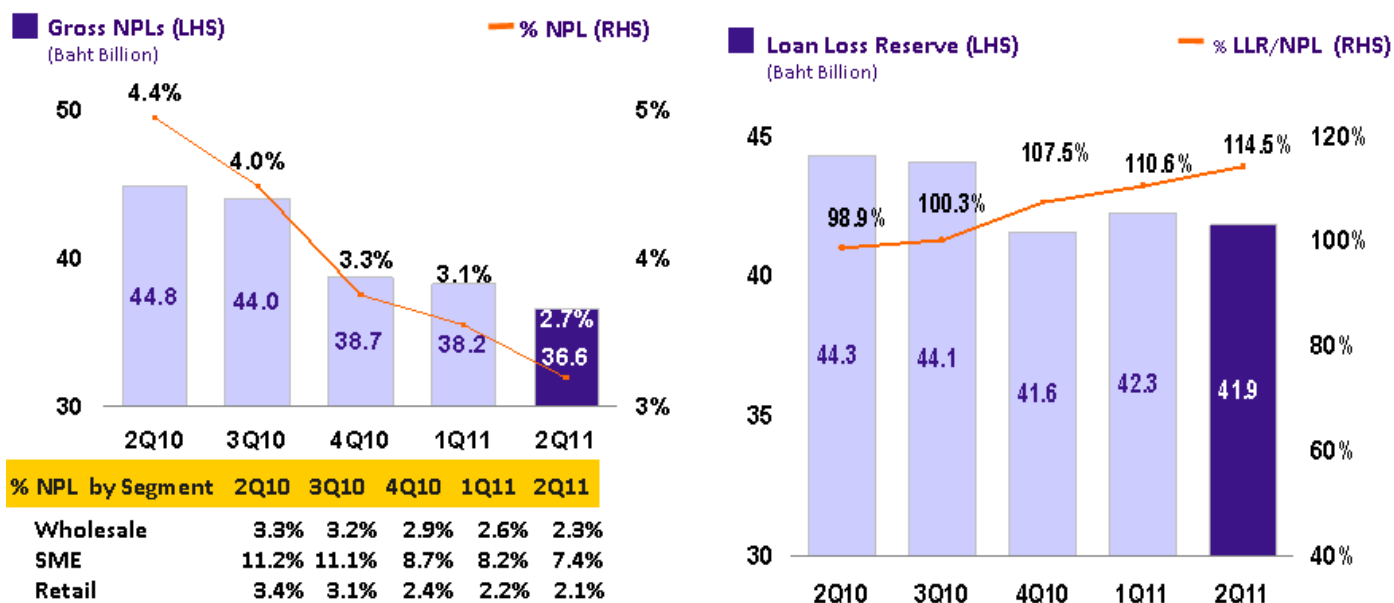
Gross NPLs on a consolidated basis fell to Baht 36,553 million (2.69% of total loans) at the end of June 2011 from Baht 38,684 million (3.25% of total loans) at the end of 2010. Net NPLs declined to Baht 16,852 million (1.26%) at the end of June 2011 from Baht 18,827 million (1.61%) at the end of 2010. The group's asset quality improved in 1H11, in part due to the Bank's pre-emptive strategies to prevent new NPL formation, improved collection workout practice for existing NPLs, and, to some extent, the improved economic environment.

Allowance for doubtful accounts as of June 30, 2011 stood at Baht 41,852 million, an increase of Baht 257 million from the end of 2010. The coverage ratio (total allowance to non-performing loans) increased to 114.5% at the end of June 2011.

(Consolidated)		Jun 30, 11	Dec 31, 10	Jun 30, 10
Non-performing loans (Gross NPLs)	Bt, million	36,553	38,684	44,837
	% of total loans	2.69%	3.25%	4.44%
Allowance for doubtful accounts*	Bt, million	41,295	41,000	43,717
Allowance for revaluation of debt restructuring	Bt, million	557	595	632
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	41,852	41,595	44,348
Total allowance to NPLs		114.5%	107.5%	98.9%

* Excluding Interbank

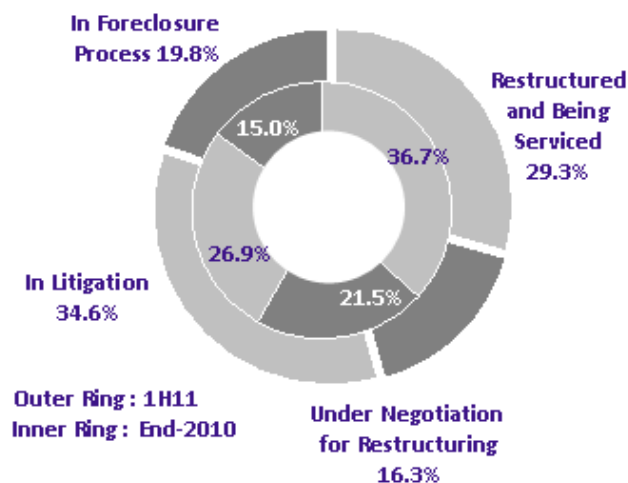
Gross NPLs on a bank only basis fell to Baht 33,884 million (2.53%) at the end of June 2011 from Baht 35,688 million (3.04%) at the end of 2010. Net non-performing loans (net NPLs) declined to Baht 15,359 million (1.16%) at the end of June 2011 from Baht 17,066 million (1.48%) at the end of 2010.



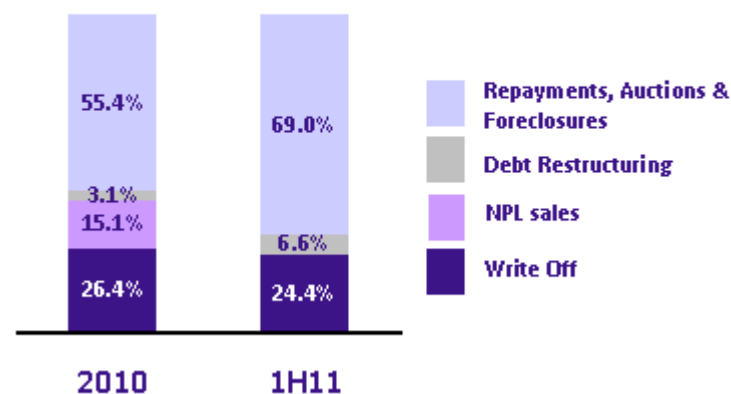
(Consolidated)	Jun 30, 11		Dec 31, 10		Jun 30, 10	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Classified loans and allowance for doubtful accounts						
Normal	1,126,267	10,976	992,308	9,479	895,806	8,602
Special mention	15,814	305	29,338	567	32,215	614
Substandard	4,925	2,188	8,855	4,233	8,079	4,400
Doubtful	6,280	3,384	4,516	2,335	4,909	2,411
Doubtful loss	25,389	11,481	25,381	11,239	31,907	14,886
Total	1,178,674	28,334	1,060,398	27,853	972,916	30,913
Allowance established in excess of BoT regulations		12,961		13,147		12,803
Total allowance		41,295		41,000		43,716

As shown in the chart below, at the end of June 2011, NPLs that are in litigation accounted for the largest proportion of the total NPLs, followed by NPLs being restructured and serviced. For 1H11, the Bank reduced its NPLs mainly through repayments, auctions and foreclosures, followed by write-off and debt restructuring. Other than an increase in NPL formation in 2Q10 caused by one corporate borrower who encountered cashflow problems, the new NPL formation has continued to decrease alongside the economic recovery. In the current quarter new NPL formation fell to low of 0.13%, the lowest level in recent years.

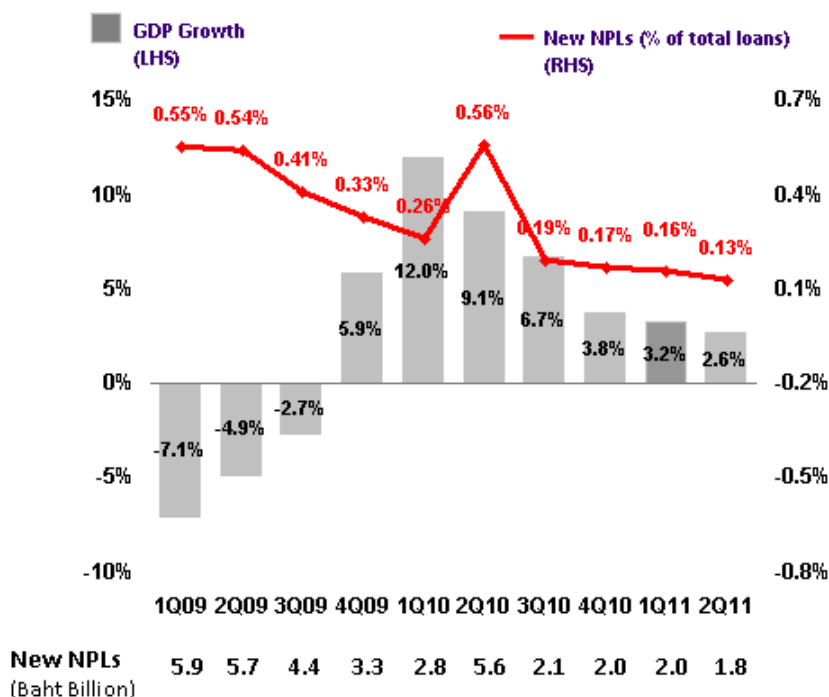
NPL Breakdown by Status (Bank only)



NPL Reduction by Methods



New NPLs Formation



The Bank's properties for sale as at June 2011 stood at Baht 12,480 million, a decrease of Baht 326 million (2.5% yoy) from Baht 12,805 million at end of June 2010.

Troubled Debt Restructuring

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

As of June 30, 2011, the Bank and its subsidiaries that are financial institutions have outstanding loans that have been restructured amounting to Baht 33,183 million in the consolidated financial statements and Baht 33,183 million for the Bank only (March 31, 2011: Baht 35,443 million and Baht 35,443 million, respectively). Some of these loans are NPLs and are already included in the NPL level noted above.

In 2Q11, loans amounting to Baht 2,311 million were restructured. The Bank recognized interest income from debt restructuring in the amount of Baht 488 million

(Consolidated)		Jun 30, 11	Mar 31, 11	Dec 31, 10	Jun 30, 10
Loans to restructured debtors	Bt, million	33,183	35,443	36,055	38,560
- Restructured loans which are classified as NPL	Bt, million	10,581	11,805	11,817	12,285
- Restructured loans which are not classified as NPL	Bt, million	22,601	23,638	24,238	26,275
Troubled debt restructuring in the quarter	Bt, million	2,311	1,349	1,332	850
Interest income recognized from restructured loans	Bt, million	488	465	613	540

Liquidity

In 2Q11, the Bank was successful in growing its funding base through B/E campaigns and leveraging its strong retail franchise. Given, high loan demand, the **loan to deposit** ratio on a consolidated basis stands at 107.2% as of June 30, 2011, an increase from 96.9% in 2010. However, 'loan to deposits and B/E' ratio dropped to 92.6%, from 93.3% in 2010 mainly due to the significant increase in the level of B/E. Given the high level of competition for deposits in the market at the moment, the Bank is comfortable with maintaining its loan to deposit (including B/E) ratio in the mid 90s%.

	Jun 30, 11	Mar 31, 11	Dec 31, 10	Jun 30, 10
Gross Loans to Deposits Ratio	107.2%	100.1%	96.9%	104.8%
Gross Loans to Deposits and B/E	92.6%	95.2%	93.3%	103.6%

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.

The Bank has a policy to maintain a daily liquidity ratio of 20% or higher. If the ratio falls below 20%, immediate corrective action is considered. As at June 30, 2011, the liquidity ratio stood at 26.0%.

For liquidity management of subsidiaries, the Bank maintains the Group's liquidity at an appropriate level by adherence to specific 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, 2011, deposits accounted for 65.1% of SCB funding base. Other sources of funds included 10.3% from shareholders' equity, 12.0% from the issuance of debt instruments, and 2.1% from interbank borrowings. Of that total, 69.8% was used for loans, while another 11.6% was applied to net investments in securities, and 12.0% was lent in the interbank and money markets.