Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2011

The Siam Commercial Bank Public Company Limited

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On January 19, 2012, Siam Commercial Bank PCL announced audited operating results 2011, with a record consolidated **net profit** of Baht 36,273 million, a 49.9% yoy increase of Baht 12,067 million from Baht 24,206 million recorded in 2010. The year-on-year increase in net profit was mainly attributable to: higher non-interest income which was driven by higher underwriting income, a large one-time investment gain and higher net trading income; and higher net interest income from robust loan growth. The record high net profit in 2011 was achieved despite both additional provision set aside in 2H11 on a prudential basis and the impact from the floods in the fourth quarter.

Operating profit (excluding impairment loss on loans and debt securities, income tax and non-controlling interest) increased by 40.3% yoy to Baht 54,152 million in 2011 from Baht 38,591 million in 2010, due to the substantial increases in both net interest income and non-interest income explained above. Stripping out one-time items, operating profit (excluding allowance for doubtful accounts, income tax and minority interest) increased by 29.4% yoy

In 2011, **total comprehensive income** increased 60.2% yoy to Baht 41,758 million from Baht 26,073 million in 2010 mainly attributable to the higher operating profit as explained above, and higher revaluation surplus on land and premises. Alongside net profit, earnings per share (EPS) rose to Baht 10.67 in 2011 from Baht 7.12 in 2010. Return on average equity (ROAE) and return on average assets (ROAA) increased to 21.3% and 2.2% in 2011 from 16.4% and 1.7% in 2010, respectively.

On a quarterly basis, net profit rose by Baht 702 million (11.6% yoy) to Baht 6,738 million in 4Q11 from Baht 6,036 million in 4Q10, primarily due to: higher net interest income from robust loan growth and lower income tax expenses due to the Bank setting aside additional specific provisions which were tax deductible. Operating profit (excluding allowance for doubtful accounts, income tax and minority interest) increased by 12.0% yoy to Baht 11,118 million in 4Q11 from Baht 9,927 million in 4Q10.

On a **quarter-on-quarter** basis, net profit decreased by Baht 1,613 million (19.3% qoq) to Baht 6,738 million in 4Q11 from Baht 8,351 million in 3Q11, largely due to: higher additional specific provision that the Bank set aside on a prudential basis; higher other expenses driven by seasonally higher marketing and promotional expenses; higher expenses arising from the impact of flooding; and lower net fee and insurance premium, also due to the floods, particularly the flood related insurance claims at the Bank's non-life subsidiary. These adverse variations were partially offset by lower income tax expenses. Operating profit (excluding impairment loss on loans and debt securities, income tax and non-controlling interest) decreased by 21.3% qoq to Baht 11,118 million in 4Q11 from Baht 14,133 million in 3Q11 due to the reasons explained above.

In 2011, the Bank has two acquisition deals as follow:

1. Acquisition of Siam Commercial New York Life PLC

On March 17, 2011, the Bank acquired an additional 47.33% stake in Siam Commercial New York Life Plc (SCNYL), since renamed to SCB Life Assurance (SCBLIF), from New York Life International, LLC. (NYL) and its Thai affiliate company at the total agreed purchase price of Baht 8.4 billion or Baht 266.89 per share. After the acquisition, the Bank doubled its shareholding in SCB Life from 47.33% to 94.66% of the issued and paid up capital. As a result of the acquisition, the Bank now includes SCB Life in the consolidated financial statements rather than recording it as an investment in an associated company on an equity accounting basis.

2. Acquisition of the Siam Industrial Credit PCL

On September 22, 2011, the Bank acquired an additional 60.90% stake in Siam Industrial Credit Public Company Limited (SICCO) from other shareholders at a total purchase price of Baht 2.5 billion or Baht 6.89 per share. After the acquisition, the Bank increased its shareholding from 38.65% to 99.55% of the issued and paid up capital. Following this acquisition, the Bank includes SICCO in the consolidated financial statements commencing this quarter, instead of the previous practice of recording it as an investment in an associated company.

Financial Ratios Calculation

In this quarter, the Bank adjusted its calculation of financial ratios from using daily average calculations of the denominators to using the average beginning and ending balance for the period. All comparative financial ratios have been restated for comparative purpose. The primary reason for this shift is to bring the ratios in line with those published by third parties, none of whom have access to the daily average balance used as the denominator.

Net Profit and Total Comprehensive Income

Unit: Million Baht

(Consolidated)	2011	2010	% yoy	4Q11	% qoq	% yoy
Net interest income	50,526	39,754	27.1%	13,458	-0.6%	29.4%
Non-interest income	40,509	29,372	37.9%	8,213	-17.4%	0.4%
Non-interest expenses	36,883	30,535	20.8%	10,554	12.9%	22.0%
Operating profit	**54,152**	**38,591**	**40.3%**	**11,118**	**-21.3%**	**12.0%**
Operating profit excluding non-recurring items*	48,933	37,821	29.4%	11,118	-20.4%	12.0%
Impairment loss on loans and debt securities	6,630	4,699	41.1%	3,075	64.3%	127.8%
Income tax	11,213	9,563	17.2%	1,453	-62.2%	-42.6%
Non-controlling interest	36	122	-70.5%	-147	NM	NM
Net profit	**36,273**	**24,206**	**49.9%**	**6,738**	**-19.3%**	**11.6%**
Other comprehensive income	5,499	1,874	193.4%	1,316	NM	NM
Total comprehensive income	**41,758**	**26,073**	**60.2%**	**8,045**	**14.6%**	**50.6%**
EPS (Baht)	10.67	7.12	49.9%	1.98	-19.3%	11.6%
ROE	21.3%	16.4%		14.8%		
ROA	2.2%	1.7%		1.5%		

* In 2011, non-recurring items include a one-time investment gain from the acquisition of SCB Life and one-time gain from an impairment reversal. In 2010 non recurring items include a one-time gain on the sale of an equity investment.

Income Statement for 2011 (Consolidated basis)

Under the new format financial statements effective from January 1, 2011, 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). In addition, gain on investment is categorized under trading and foreign exchange income (net trading income) or, if applicable, non trading income (gain on investment). All corresponding period items have been presented below using this new format to facilitate comparative analysis. The new format of financial statements is consistent with the generally accepted accounting practice in other parts of the world.

1. Net interest income

Net interest income rose 27.1% **yoy** to Baht 50,526 million in 2011 from Baht 39,754 million in 2010, as interest income increased by a larger magnitude than the increase in interest expenses. The sharp increase in interest income was primarily due to: the robust loan growth of 22.1% yoy, the impact of the rising interest rate environment, and the inclusion of the 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, the higher volume of deposits, the higher interest expenses from borrowings due to a sharp increase in Bill of Exchange (B/E), and the issuance of the Euro Medium Term Notes (EMTN) of USD 400 million in 2Q11.

On a quarterly basis, net interest income increased by 29.4% yoy to 13,458 million in 4Q11 from Baht 10,399 million in 4Q10 mainly due to the higher interest income from loans which was driven by robust loan growth of 22.1% yoy.

On a quarter-on-quarter basis, net interest income slightly declined 0.6% qoq to Baht 13,458 million in 4Q11 from Baht 13,533 million in 3Q11. The decrease in qoq net interest income was from the higher interest expense from deposits (deposit grew markedly at 6.1% qoq) and the one-time relief provided to some of the borrowers who were affected by the floods in the quarter.

Unit: Million Baht

(Consolidated)	2011	2010	% yoy	4Q11	% qoq	% yoy
Interest income	77,947	52,704	47.9%	22,605	5.4%	57.8%
- Loans	60,174	43,511	38.3%	17,222	6.5%	45.8%
- Interbank and money markets	5,418	1,518	256.9%	1,232	-42.7%	107.3%
- Hire purchase and financial lease income	5,464	4,071	34.2%	1,648	19.5%	55.3%
- Investments	6,891	3,603	91.3%	2,502	43.1%	192.4%
Interest expenses	27,421	12,950	111.7%	9,146	15.5%	133.0%
- Deposits	14,840	6,691	121.8%	4,745	18.6%	111.7%
- Interbank and money markets	1,546	724	113.4%	477	22.3%	118.8%
- Borrowings	6,633	1,758	277.3%	2,786	14.5%	498.9%
- Contribution to the Deposit Protection Agency	4,402	3,777	16.6%	1,139	3.8%	13.7%
Net Interest income	**50,526**	**39,754**	**27.1%**	**13,458**	**-0.6%**	**29.4%**
Net interest margin	**3.26%**	**3.11%**	**0.15%**	**3.14%**	**-0.19%**	**-0.03%**
Yield on earning assets	5.02%	4.12%	0.90%	5.27%	0.00%	0.90%
Yield on loans	5.58%	4.76%	0.82%	5.96%	0.15%	0.93%
Yield on interbank	3.95%	1.22%	2.74%	3.40%	-1.28%	1.73%
Yield on investment	2.88%	2.33%	0.55%	3.29%	0.32%	0.92%
Cost of funds*	2.03%	1.14%	0.89%	2.49%	0.21%	1.14%
Cost of deposit	1.69%	1.02%	0.67%	2.05%	0.20%	0.81%
Spread (yield on earning assets – cost of funds)	2.99%	2.98%	0.01%	2.78%	-0.21%	-0.24%

Note Profitability ratios are calculated based on using average beginning and ending balance for the period of the denominators. (See explanatory note on Page 2)

* Cost of funds = interest expenses / interest bearing liabilities

Interest income in 2011 was Baht 77,947 million, a 47.9% **yoy** increase of Baht 25,243 million from Baht 52,704 million in 2010. Details are as follows:

- **Interest income from loans** increased 38.3% yoy to Baht 60,174 million primarily due to the increase in the Bank's interest rates (MLR was raised by 140 bps during 2010-2011) and robust loan growth of 22.1% yoy;
- **Interest income from interbank and money markets** rose 256.9% yoy to Baht 5,418 million because of the increase in interbank interest rates (policy rate rose by 225 bps during 2010-3Q11 and fell by 25 bps in 4Q11) and the higher volume of these loans or placements;

- **Hire purchase and financial lease** income increased 34.2% yoy to Baht 5,464 million, mainly from the growth in hire purchase loans of 41.6% yoy;
- **Interest income from investments** increased by 91.3% yoy to Baht 6,891 million, mainly due to the larger investment portfolio as a result of the SCB Life acquisition in 1Q11 (refer to explanatory note on page 2) and the higher interest income from investments in debt securities, following the rise in interest rates.

At the same time, **interest expenses** increased 111.7% yoy to Baht 27,421 million in 2011, mainly due to a 121.8% yoy increase in deposits cost as a result of the increase in deposit rates during 2010-2011, the growth of the deposit base by 8.4% yoy, and the launch of deposit campaigns to lock-in longer term deposits earlier this year. Interest expenses from borrowings increased 277.3% mainly due to the substantial increase in the volume of B/E (although akin to term deposits, B/E are borrowing instruments), 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 113.4% yoy following the increase in interbank interest rates. Contribution to the Deposit Protection Agency increased 16.6% yoy alongside the expansion of the Bank's deposit base.

SCB Interest Rates	Jul 27, 10	Sep 3, 10	Dec 7, 10	Jan 14, 11	Mar 11, 11	Apr 22, 11	Jun 8, 11	Jul 19, 11	Aug 31, 11
Lending Rate									
MLR	6.00%	6.00%	6.12%	6.375%	6.625%	6.75%	6.875%	7.13%	7.25%
Deposit Rate*									
Savings Rate	0.50%	0.50%	0.50%	0.62%	0.75%	0.75%	0.75%	0.87%	0.87%
3-month deposits	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%	1.75%-2.20%	1.90%-2.20%
6-month deposits	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%	2.10%-2.30%	2.35%-2.50%
12-month deposits	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%	2.50%-2.75%	2.75%-3.00%
	Aug 25, 10	**Dec 1, 10**	**Jan 12, 11**	**Mar 9, 11**	**Apr 20, 11**	**Jun 1, 11**	**Jul 13, 11**	**Aug 24, 11**	**Nov 30, 11**
Policy Rate	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.25%

* Excludes special campaigns which provide higher rates but with different terms and other conditions.

On a quarterly basis, interest income increased 57.8% yoy to Baht 22,605 million in 4Q11 from Baht 14,326 million in 4Q10. This is explained as follows:

- **Interest income from loans** rose 45.8% yoy as a result of robust loan growth of 22.1% yoy and the increase in lending rates by 125 bps during 4Q10-4Q11;
- **Interest income from interbank and money markets** increased 107.3% yoy mainly due to the higher average balance of interbank and money market volumes in 2011 and the increase in the interbank interest rate by 125 bps during 4Q10-4Q11;
- **Hire purchase and financial lease** income rose 55.3% yoy mainly due to robust growth of the hire purchase loans portfolio of 41.6% yoy;

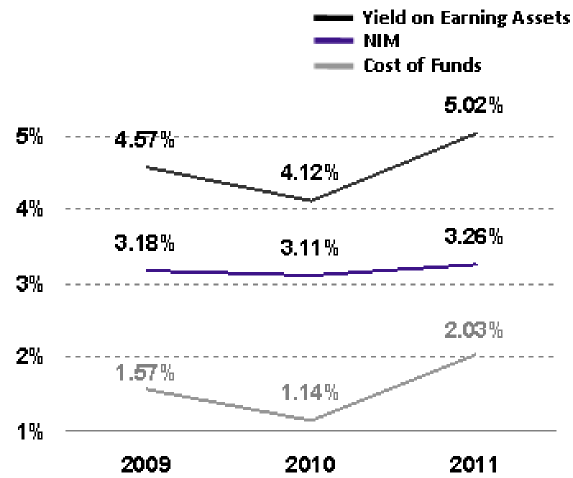
- **Interest income from investments** rose 192.4% yoy largely due to the larger investment portfolio as a result of the SCB Life acquisition in 1Q11 (see explanatory note on page 2) and the higher interest income from investments in debt securities, following the rise in interest rates.

Interest expenses rose 133.0% yoy to Baht 9,146 million in 4Q11 from Baht 3,926 million in 4Q10 largely due to: higher interest expenses on deposit (111.7% yoy) as a result of the increase in deposit rates during 4Q10-4Q11 and the growth of the deposit base by 8.4% yoy. Interest expenses from borrowings increased (498.9% yoy) mainly due to the substantial increase in the volume of B/E (although akin to term deposits, B/E are borrowing instruments), the effect from the rising interest rates environment and the issuance of the Euro Medium Term Note in 2Q11.

On a **quarter-on-quarter** basis, interest income increased 5.4% qoq to Baht 22,605 million in 4Q11 from Baht 21,455 million in 3Q11. The explanation is as follows:

- **Interest income from loans** rose 6.5% qoq as a result of strong loan growth of 4.3% qoq in 4Q11;
- **Interest income from interbank and money markets** decreased 42.7% qoq mainly due to the lower average balance of interbank and money market volumes in 4Q11 partly from shifting some level of the excess liquidity to debt securities (in anticipation of a higher return) and the decrease in interbank interest rate by 25 bps in 4Q11;
- **Hire purchase and financial lease** income rose 19.5% qoq mainly due to the growth of the hire purchase loans portfolio of 2.4% qoq;
- **Interest income from investments** rose 43.1% qoq largely due to the larger investment portfolio in debt securities, as a result of a shift from the interbank market.

Interest expenses rose 15.5% qoq to Baht 9,146 million in 4Q11 from Baht 7,921 million in 3Q11 largely due to: higher interest expenses on deposits (18.6% qoq), which was the result of robust growth of the deposit base by 6.1% qoq and higher interest expense from borrowings (14.5% qoq) mainly the higher cost from B/E product.



	2009	2010	2011
Yield on Loans	5.15%	4.76%	5.58%
Yield on Interbank	2.20%	1.22%	3.95%
Yield on Investment	2.57%	2.33%	2.88%
Cost of Deposits*	1.41%	1.02%	1.69%

* Includes the contribution to the Deposit Protection Agency, as required under the new format financial statements

See explanatory note on page 3.

As a result of higher yield on earning asset following the rising interest rate environment for most of 2011, the annualized net interest margin (NIM) widened to 3.26% in 2011 from 3.11% in 2010 which is better than the Bank's full year target of 3.2% (using the new accounting format). Annualized NIM for 4Q11 was 3.14%, a 19 bps drop from 3.33% in 3Q11 due to the full impact from the repricing of deposits on the back of interest rate increases in preceding quarters as the older term deposits mature. (Please refer to the note on page 2 regarding the change in the approach in calculating this ratio)

2. Non-interest income

Non-interest income rose 37.9% yoy to Baht 40,509 million in 2011 from Baht 29,372 million in 2010, principally the result of higher underwriting income, a large one-time investment gain and higher net trading income. Additional details of non-interest income yoy are provided below:

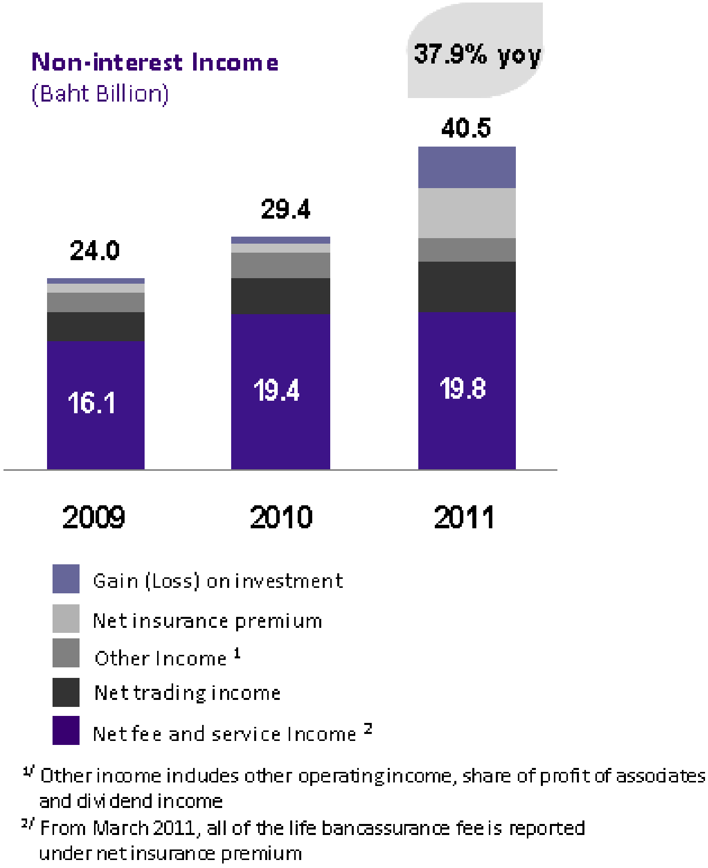
- **Net fee & service** income rose 2.0% yoy (see note 1 to the table below), driven by higher fee income from corporate finance, loan-related activities and the card business, offset by the higher fee and service expenses which rose alongside the higher volume of fee-based activities. Please note that the comparison is distorted because the bancassurance fee from SCB Life is now reflected under net insurance premiums below;
- **Net trading income** increased 58.3% yoy mainly as the result of substantially higher returns from higher transaction flows and positions in the financial markets;
- The share of profit of **associated companies** dropped by 60.9% yoy, mainly as a result of the consolidation of SCB Life results from 1Q11 which were previously booked under the equity method;
- **Dividend income** rose 5.5% yoy primarily from higher dividend income from equity investments;

- **Other income** rose 18.8% yoy partly from the acquisition of SICCO that led to the recognition of negative goodwill which has been booked as other income in 3Q11;
- **Net insurance premiums (net of claims)** increased 446.5% yoy mainly the impact of the consolidation of SCB Life results, including the bancassurance revenue that was previously reflected under 'net fee and service', as noted above; and
- **Gain on investments** was at Baht 5,330 million in 2011 compared to investment gain of Baht 1,658 million in 2010 mainly arising from a substantial one-time investment gain following the acquisition of SCB Life in 1Q11.

Unit: Million Baht

(Consolidated)	**2011**	**2010**	**% yoy**	**4Q11**	**% qoq**	**% yoy**
Fee and service income	23,663	22,585	4.8%	5,452	-14.5%	-16.6%
Less fee and service expenses	3,857	3,167	21.8%	967	-0.2%	13.9%
Net fee and service income (note 1)	19,806	19,418	2.0%	4,484	-17.1%	-21.1%
Net trading income	6,287	3,970	58.3%	1,766	11.4%	27.1%
Share of profit of associates	402	1,028	-60.9%	1	-97.6%	-99.4%
Dividend income	1,028	975	5.5%	38	-91.8%	206.0%
Net earned insurance premiums	28,696	2,274	1,162.1%	8,765	6.0%	1,483.4%
Other income	1,398	1,177	18.8%	495	1.8%	92.5%
Less net insurance claims	22,438	1,128	1,888.3%	7,302	16.7%	2,372.2%
Non-interest income excluding total gain on investments	**35,180**	**27,714**	**26.9%**	**8,248**	**-17.6%**	**5.0%**
Gain on investments	5,330	1,658	221.5%	-34	NM	NM
Total non-interest income	**40,509**	**29,372**	**37.9%**	**8,213**	**-17.4%**	**0.4%**

Note 1. If the life bancassurance volume is eliminated in 2010 and Jan-Feb 2011 financial data, the net fee and service income would increase by 21.8% yoy and for 4Q11 would decrease by 17.1% qoq and 5.4% yoy.



On a quarterly basis, non-interest income was Baht 8,213 million in 4Q11, relatively flat yoy, largely due to higher underwriting income and higher net trading income. Additional details are provided below:

- **Net fee and service** income declined by 21.1% yoy, in part due to the reduction in fee income growth as a result of the floods and in part due to the elimination of bancassurance fee for life products following the consolidation of SCB Life and lower corporate finance fee. (The bancassurance fee from SCB Life is now reflected under net insurance premiums below). If the life bancassurance fee was stripped out for 4Q10, the net fee and service income declined by 5.4%;
- **Net trading income** increased 27.1% yoy mainly as the result of substantially higher returns from the transaction flow and positions in the financial markets;
- The share of profit of **associated companies** dropped by 99.4% yoy, mainly as a result of the consolidation of SCB Life in 1Q11 and SICCO in 4Q11 which were previously booked under the equity method;
- **Dividend income** rose 206.0% yoy primarily as the result of higher dividend income from equity investments;
- **Other income** rose 92.5% yoy from a closing adjustment on the winding up of a special purpose vehicle at a subsidiary;

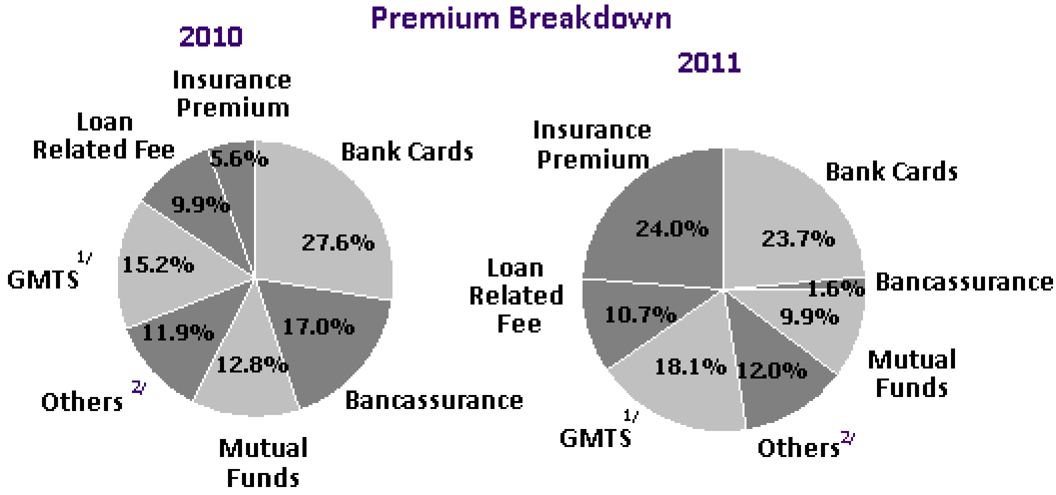
- **Net insurance premiums (net of claims)** increased 466.7% yoy mainly from the impact of the consolidation of SCB Life results and despite the flood-related claims from the Bank's non-life subsidiary; and
- **Loss on investments** was at Baht 34 million in 4Q11 compared to investment gain of Baht 325 million in 4Q10.

On a **quarter-on-quarter** basis, non-interest income dropped 17.4% qoq to Baht 8,213 million in 4Q10 from Baht 9,948 million in 3Q11 largely due to lower net fee and service income and lower underwriting income which arose, in part, as a result of the impact of flooding in the last quarter and, in part, from lower dividend income given the absence of dividend income from Vayupak Fund in the last quarter. Additional details are provided below:

- **Net fee and service** income dropped 17.1% qoq, partly due to the impact from the severe floods in 4Q11and partly due to lower corporate finance fee given the smaller volume of deals during the current quarter;
- **Net trading income** increased by 11.4% qoq as a result of higher returns from treasury activities;
- The share of profit of **associated companies** decreased 97.6% qoq, due to the consolidation of SICCO in 4Q11 which were booked under equity method in previous quarter;
- **Dividend income** decreased by 91.8% qoq largely due to the absence of dividend income from Vayupak Fund in the last quarter;
- **Other income** increased 1.8% qoq;
- **Net insurance premiums** (net of claims) decreased 27.2% qoq mainly from the higher non-life insurance expenses which arose as a result of claims related to the floods; and
- **Loss on investments** was at Baht 34 million in 4Q11 compared to loss on investment of Baht 61 million in 3Q11.

In 2011, **non-interest income** accounted for 44% of total income, up from 42% in 2010 as a result of consolidation of SCB Life, while net fee income made up 22% of total income down from 28% in 2010 due to the elimination of bancassurance fee following such consolidation. If fee and service income is adjusted to include net premium income, the net fee income would rise to 29% of total income. Excluding the one-time investment gain from SCB Life acquisition, non-interest income accounts for 41% 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 and, in turn, this will drive a higher proportion of fee based income.

Net Fee Income and Net Insurance Premium Breakdown



Net Fee Income and Net Insurance Premium by Segment
(Baht Billion)

	2010	2011	%yoy
Wholesale	4.22	5.69	34.8%
SME	1.42	2.34	65.0%
Retail	14.85	17.95	20.9%

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 20.8% **yoy** to Baht 36,883 million in 2011 from Baht 30,535 million in 2010. Key items are as follows:

- **Staff costs** increased 27.9% yoy mainly as a result of annual salary adjustments, the higher level of accrued performance bonus for 2011, the higher number of employees, staff allowances relating to the floods in 4Q11 and the consolidation of expenses relating to SCB Life and SICCO. Stripping out the expenses of SCB Life and SICCO the increase would be about 20.6% yoy;
- **Premises and equipment expenses** increased 5.1% yoy as a consequence of continued investments in network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** increased 35.0% yoy mainly as a result of the business tax related to the higher interest income from loans;
- **Other expenses** rose 21.3% yoy mainly due to higher marketing and promotion expenses and flood related expenses.

Unit: Million Baht

(Consolidated)	2011	2010	% yoy	4Q11	% qoq	% yoy
Staff costs	17,509	13,685	27.9%	4,778	9.5%	38.7%
Premises and equipment expenses	8,645	8,226	5.1%	2,376	5.6%	6.2%
Tax and duties	2,776	2,056	35.0%	763	0.2%	41.5%
Director remuneration	97	88	9.8%	42	61.1%	27.0%
Other expenses	7,857	6,480	21.3%	2,594	33.2%	8.2%
Total non-interest expenses	36,883	30,535	20.8%	10,554	12.9%	22.0%
Cost to income ratio	**40.5%**	**44.2%**		**48.7%**		
Cost to income ratio excluding non-recurring items	**43.0%**			**48.7%**		

On a quarterly basis, non-interest expenses rose 22.0% yoy to Baht 10,554 million in 4Q11 from Baht 8,652 million in 4Q10. Key items are explained as follows:

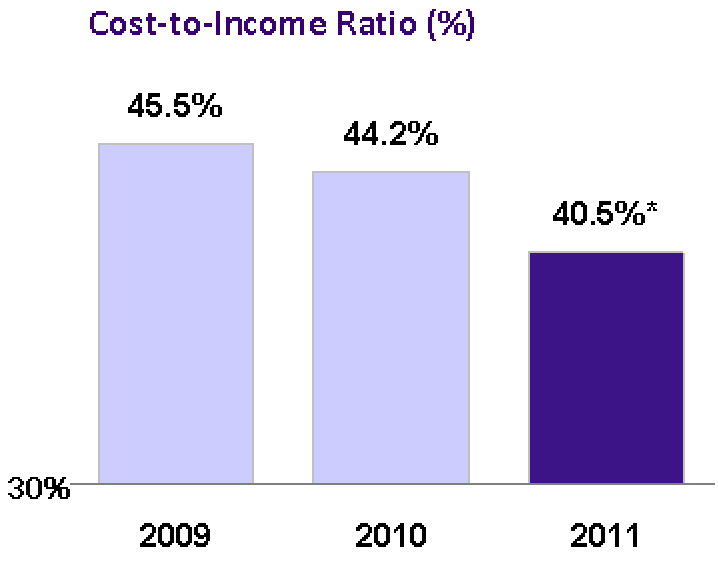
- **Staff costs** increased 38.7% yoy mainly as a result of annual salary adjustments, the higher level of accrued performance bonus for 2011, the higher number of employees, the consolidation of expenses relating to SCB Life and SICCO, and one-time staff allowances related to the severe flooding in 4Q11. Stripping out the impact of consolidating the SCB Life and SICCO expense the increase would be 26.6%;
- **Premises and equipment expenses** increased 6.2% yoy as a consequence of continued investments in network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** increased 41.5% yoy mainly as a result of the business tax arising on the higher interest income from loans;
- **Other expenses** rose 8.2% yoy mainly due to higher marketing and promotion expenses and flood related expenses.

On a **quarter-on-quarter** basis, non-interest expenses rose 12.9% qoq to Baht 10,554 million in 4Q11 from Baht 9,348 million in 3Q11. Key items are explained as follows:

- **Staff costs** increased 9.5% qoq mainly due to the flood related one-time staff allowances and the higher number of employees in the quarter;
- **Premises and equipment** expenses increased 5.6% qoq as a consequence of continued investments in network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** were flat at Baht 763 million; and
- **Other expenses** increased 33.2% qoq due to seasonally higher marketing and promotional expenses and one-time expenses related to the severe floods.

In 2011, cost to income ratio was 40.5%, reducing from 44.2% in 2010. If non-recurring items are excluded, cost to income ratio was 43.0% in 2011, declining from 44.7% in 2010, significantly better than the revised full year target of 43-44%.

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.



* Eliminating one-time items, the cost to income ratio would stand at 43.0% in 2011.

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 both the improved economic conditions and diminished concerns on the impact to asset quality.

On the back of the record high net profit registered in 2011, the Bank, using prudential norms, has set aside an additional provision of Baht 3,250 million (Baht 1,000 million in 3Q11 and Baht 2,250 million in 4Q11) as a cushion for any future deterioration to loan quality. These additional provisions, in two consecutive quarters, despite an overall improvement in asset quality were made for two reasons. First, the continued dislocation in the global capital markets may eventually have some impact on the Thai economy and impair the ability to repay for some borrowers, particularly those classified as 'special mention'. Second, the flooding has affected large pockets of borrowers and, given regulatory forbearance, such deterioration is not fully reflected in the current estimates of loan quality. However, later in 2012 there may be a further rise in NPLs (not anticipated to exceed 50 bps) and this additional provisioning will provide a buffer for such deterioration.

As a consequence of these additional provisions, on a **bank only** basis, the Bank set aside Baht 6,856 million of impairment loss on loans and debt securities. On a **consolidated** basis, the provision was Baht

6,630 million in 2011, which was lower than provisions on a bank only basis, mainly due to a clawback of provisions at Siam Commercial Leasing (SCBL) given tangible improvements to its portfolio quality. The Bank's total allowance for doubtful accounts at the end of December 2011 stood at Baht 45,995 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 36,200 million (2.61%) at the end of December 2011, despite the inclusion of Baht 1,804 million in new NPLs as a result of the acquisition of SICCO in 3Q11. At the same time, the coverage level for NPLs has increased from 107.5% at the end of 2010 to 127.1% at the end of December 2011.

Balance sheet as of December 31, 2011 (Consolidated basis)

As of December 31, 2011, the Bank reported total assets of Baht 1,877,836 million, an increase of Baht 401,102 million (27.2%) yoy from Baht 1,476,735 million at the end of 2010, in part due to the acquisition of SCB Life and SICCO and in part, due to robust business growth. Details of the consolidated balance sheet are as follows:

1. Loans and Deposits

As of December 31, 2011, total outstanding loans stood at Baht 1,292,683 million, an increase of Baht 234,109 million (22.1%) yoy from Baht 1,058,574 million at the end of December 2010, and an increase of Baht 53,268 million (4.3%) qoq from Baht 1,239,415 million at the end September 2011. The impressive loan growth arises from all business segments and was the direct result of the Bank's market-share growth strategies adopted since early 2010 and to a limited extent as a result of the consolidation of SICCO. (Loans written-off amounted to Baht 6,076 million in 2011).

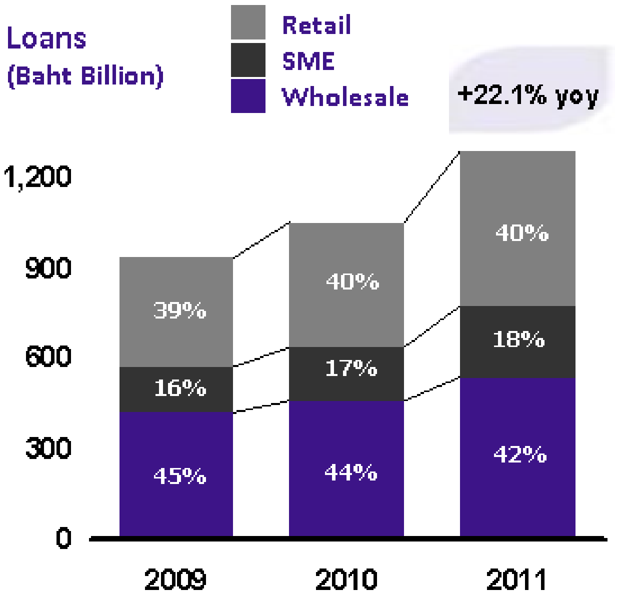
Additional details of loan breakdown by customer segments are as follows:

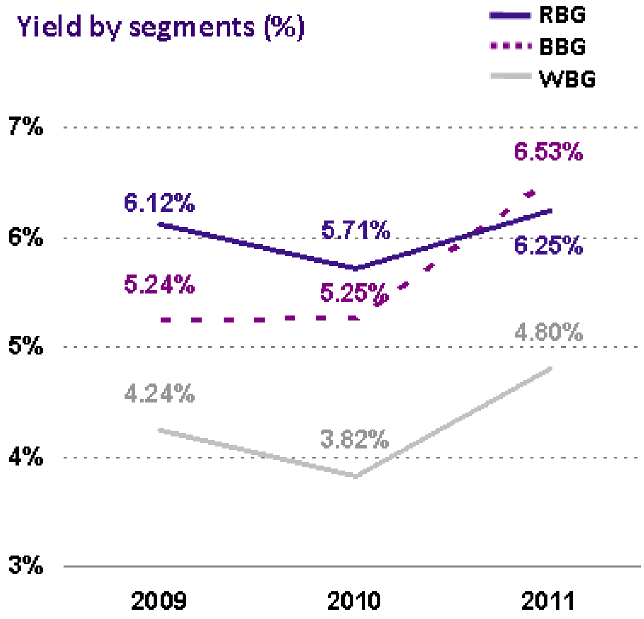
- **Wholesale** loans rose 17.2% yoy and 4.4% qoq in line with the Bank's pro-active strategy to capture market share, particularly with selected major corporate customers;
- **SME** loans rose 34.7% yoy and 5.8% qoq. This strong growth was the result of the successful implementation of the Bank's new SME business model with specific strategies to penetrate the SME market place, particularly at the smaller end of this segment. Also, the Bank has introduced new products and expanded its nationwide footprint to better reach the SME market and improve its competitive positioning;
- **Retail** loans increased 22.3% yoy and 3.4% qoq.
    - **Housing loans** increased 16.5% yoy and 2.5% qoq, alongside the continuing growth in the residential homes market;
    - **Hire purchase loans** grew 41.6% yoy and 2.4% qoq as a result of the Bank's growth oriented strategy to enhance business volumes and market share in this segment and to an extent as a result of the consolidation of SICCO;
    - **Other loans** (largely personal and credit card loans) increased 16.5% yoy but fell 5.2% qoq due to less business originations as a result of the disruptive impact of the floods during the last quarter.

Unit: Million Baht

Loans by segments	Dec 31, 11	Dec 31, 10	% yoy	Sep 30, 11	% qoq
Wholesale	542,070	462,672	17.2%	519,004	4.4%
SME	238,036	176,698	34.7%	224,883	5.8%
Retail	512,577	419,205	22.3%	495,528	3.4%
- Housing loans*	336,122	288,577	16.5%	327,784	2.5%
- Hire purchase	118,391	83,598	41.6%	115,652	2.4%
- Others loans	58,064	47,029	23.5%	52,092	11.5%
Total loans	1,292,683	1,058,574	22.1%	1,239,415	4.3%

* Includes all home mortgage loans, some of which may be from segments other than Retail





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 38.8% yoy, followed by utilities and services loans of 35.4% yoy. On a quarter-on-quarter basis, utilities and services loans recorded the highest growth of 13.8%.

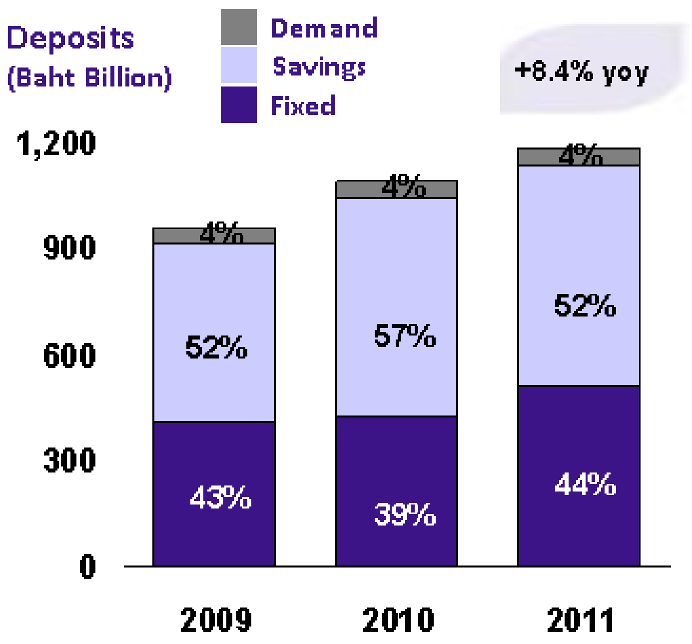
The Bank's key growth strategies for 2011 to expand market shares in blue chip and other major corporates, SMEs, and automobile hire purchase segments yielded strong results as evidenced by strong overall loan growth of 22.1% yoy in 2011, better than the revised full year target of 15-18% despite the severe floods in 4Q11.

					Unit: Million Baht
(Consolidated)	**Dec 31, 11**	**Dec 31, 10**	**% yoy**	**Sep 30, 11**	**% qoq**
Agricultural and mining	14,592	11,462	27.3%	13,666	6.8%
Manufacturing and commercial	469,598	404,962	16.0%	464,742	1.0%
Real estate and construction	94,838	76,193	24.5%	88,462	7.2%
Utilities and services	172,507	127,371	35.4%	151,637	13.8%
Housing loans*	321,784	280,557	14.7%	315,931	1.9%
Others	219,364	158,029	38.8%	204,977	7.0%
Total loans	1,292,683	1,058,574	22.1%	1,239,415	4.3%

* Classified by sector/product (excludes consumer loans which use the home as collateral but are for another purpose)

As of December 31, 2011, **deposits** stood at Baht 1,184,388 million, up 8.4% yoy from Baht 1,092,109 million at the end of December 2010. On a quarter-on-quarter basis, deposits rose 6.1%. The strong growth in deposit was the result of the deposit campaigns launched over the period. As of December 31, 2011, deposits plus B/E grew 23.5% yoy and 2.6% qoq.

Fixed deposits, demand deposits and savings deposits increased (year-on-year) by 20.8%, 1.6% and 0.4% respectively. The proportion of savings and demand deposits as a percentage of total deposit base dropped to 56.5% in 2011 from 60.9% at the end of 2010. Following the acquisition of SICCO, its certificates of deposits of Baht 75 million were recorded as part of the Bank's deposits. Most of these certificate of deposits will mature over the next 12 months. Also, as a result of the special deposit campaigns, and in anticipation of more upward movement in interest rates in the early part of 2011, the Bank significantly shifted its portfolio mix of term deposits towards medium term fixed deposits. Concurrently, Bills of Exchange (B/E), akin to uninsured deposits, were used to attract a growing volume of both corporate and High Net Worth customer deposits.



Unit: Million Baht

Deposits (Consolidated)	Dec 31,11	Dec 31,10	% yoy	Sep 30,11	% qoq
Demand	47,046	46,284	1.6%	45,060	4.4%
Savings	621,733	619,038	0.4%	601,199	3.4%
Fixed	515,534	426,787	20.8%	470,033	9.7%
- Less than 6 months	172,550	155,806	10.7%	108,433	59.1%
- 6 months and up to 1 year	137,439	65,590	109.5%	146,871	-6.4%
- Over 1 year	205,545	205,391	0.1%	214,729	-4.3%
Certificate of deposits	75	-	NM	78	-4.1%
Total Deposits	1,184,388	1,092,109	8.4%	1,116,370	6.1%
Bill of Exchange (B/E)*	216,668	41,902	417.1%	248,715	-12.9%

* The B/E is akin to a fixed term deposit except that since as a borrowing instrument it does not attract the 40 bps fee from the Deposit Protection Agency. Instead, all or part of this fee is passed on to the B/E holder, thereby providing a much higher yielding alternative to term deposits. Typically, the holders of B/E are corporates with excess liquidity or high net worth individuals.

2. Investments

Total net investments rose 115.1% **yoy** to Baht 330,774 million at the end of 2011 from Baht 153,746 million at the end of 2010, mainly due to the inclusion of the portfolio investments of SCB Life and SICCO following acquisition as well as the larger investment in Thai government bonds. On a **quarter-on-quarter** basis, total net investments rose 18.6% qoq on the back of the larger investment in government bonds, as a result of an intentional shift away from the interbank market where the rates are in a downward trend.

Unit: Million Baht

	Dec 31, 11	Dec 31, 10	% yoy	Sep 30, 11	% qoq
- Investment-net	330,074	148,495	122.3%	278,121	18.7%
- Investment in associated companies-net	700	5,251	-86.7%	698	0.3%
Total Investments-net	330,774	153,746	115.1%	278,819	18.6%

3. Borrowings

Debt securities in issue and borrowings increased Baht 193,234 million or 308.6% yoy to Baht 255,843 million at the end of 2011, largely due to the issuance of Bills of Exchange (B/E) (+417.1% yoy) and the issuance of Euro Medium Term Notes of USD 400 million. Debt securities in issue and borrowings decreased 9.7% qoq, largely due to the maturing of B/E. (The B/E are akin to an uninsured deposit which have gained in popularity among the business and high net worth 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

	Dec 31, 11	Dec 31, 10	% yoy	Sep 30, 11	% qoq
- Short term debt securities in issue and borrowings	197,417	39,931	394.4%	224,996	-12.3%
- Long term debt securities in issue and borrowings	58,426	22,678	157.6%	58,375	0.1%
Total debt securities in issue and borrowings	255,843	62,609	308.6%	283,371	9.7%

4. Net goodwill and other intangible assets

Net goodwill and other intangible assets stood at Baht 11,256 million at end of 2011, a sharp increase from Baht 2,172 million at end of 2010 and more or less flat at Baht 11,198 million at end of September 2011. 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 December 31, 2011, shareholders' equity stood at Baht 185,871 million, a 20.4% yoy increase of Baht 31,555 million from Baht 154,316 million at the end of 2010, mainly from the net profit for the period. The net profit appropriations were reduced by the 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 and an interim dividend payment of Baht 3,399 million (Baht 1.00 per share) in August 2011. Shareholders' equity increased 4.5% qoq or by Baht 8,043 million from the end of September 2011, largely attributable to 4Q11 net profit.

Book value per share as of December 31, 2011 was Baht 54.68 (3,399 million ordinary and preferred shares at the end of December 2011), up from Baht 45.40 at the end of 2010.

Off Balance Sheet: Contingent Liabilities

As at December 31, 2011, the Bank and its subsidiaries had combined contingencies of Baht 253,123 million, up by Baht 38,456 million (17.9% yoy) from Baht 214,667 million at the end of 2010. The increase in contingencies was mainly from unused bank overdraft facilities, letters of credit and other guarantees.

Unit: Million Baht

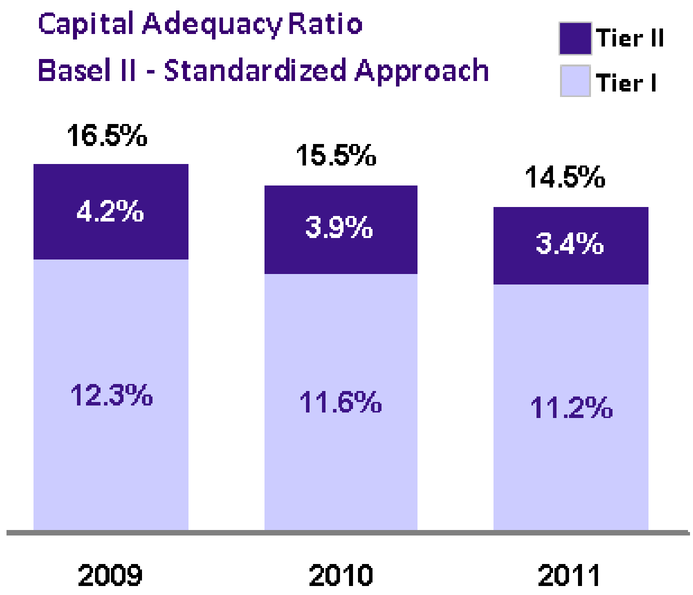
(Consolidated)	Dec 31, 11	Dec 31, 10	% yoy	Sep 30, 11	% qoq
Aval to bills	1,532	3,030	-49.4%	2,107	-27.3%
Guarantees of loans	548	414	32.6%	497	10.3%
Liability under unmatured import bills	6,370	5,778	10.2%	8,802	-27.6%
Letters of credit	25,770	13,878	85.7%	20,112	28.1%
Other contingencies					
Other guarantees	113,884	102,749	10.8%	100,585	13.2%
Amount of unused bank overdraft	104,514	88,617	17.9%	98,334	6.3%
Others	504	202	150.1%	644	-21.7%
Total contingent liabilities	253,123	214,667	17.9%	231,081	9.5%

Statutory Capital (Bank only)

Total capital funds (Tier 1 and Tier 2) as of December 31, 2011 stood at 14.54% of total risk-weighted assets, representing Tier-1-capital of 11.15% and Tier-2-capital of 3.39%. Should the 2H11 net profit be taken into consideration, total capital ratio and Tier 1 capital ratio would be 15.74% and 12.35%, 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 growth is hampered by unexpected events. This solid capital position also provides the Bank with 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 2012.

(Bank only)		Statutory Capital				
		Dec 31, 11 (Basel II)	Dec 31, 10 (Basel II)	% yoy	Sep 30, 11 (Basel II)	% qoq
Tier-1 Capital	Bt, million	140,159	122,662	14.3%	140,167	0.0%
	% of RWA	11.15%	11.63%		11.35%	
Tier-2 Capital	Bt, million	42,637	41,018	3.9%	44,938	-5.1%
	% of RWA	3.39%	3.89%		3.64%	
Total Capital	Bt, million	182,796	163,680	11.7%	185,105	-1.2%
	% of RWA	14.54%	15.52%		14.98%	
Risk weighted assets	Bt, million	1,257,473	1,054,458	19.3%	1,235,451	1.8%



Non Performing Assets

Gross NPLs on a consolidated basis fell to Baht 36,200 million (2.61% of total loans) at the end of December 2011 from Baht 38,684 million (3.25% of total loans) at the end of 2010 and decreased from Baht 37,250 million (2.69% of total loans) at the end of September 2011. Net NPLs declined to Baht 14,352 million (1.05%) at the end of December 2011 from Baht 18,827 million (1.61%) at the end of 2010. The group's asset quality improved in 2011, in part due to the Bank's pre-emptive strategies to prevent new NPL formation, improved collection workout practice for existing NPLs, NPL sales to third parties, and, to some extent, the improved economic environment.

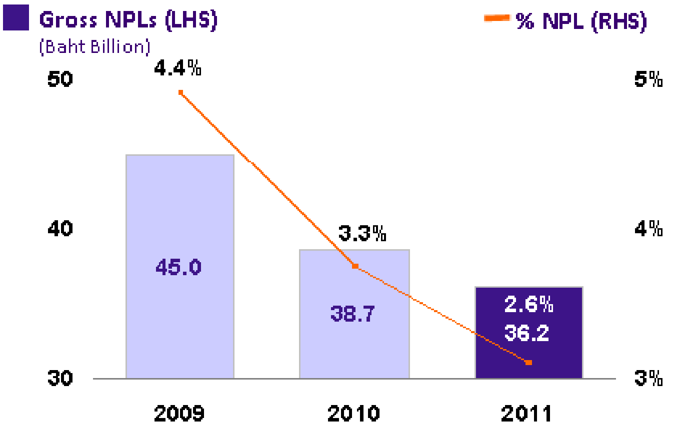
Allowance for doubtful accounts as of December 31, 2011 stood at Baht 45,995 million, an increase of Baht 4,400 million from the end of 2010. The Bank set aside an additional provision in 2H11 as a cushion for future deterioration in asset quality, resulting in the increase to the coverage ratio (total allowance to non-performing loans) to 127.1% at the end of 2011 from 118.7% at the end of September 2011 and from 107.5% at the end of 2010.

(Consolidated)		**Dec 31, 11**	**Sep 30, 11**	**Dec 31, 10**
Non-performing loans (Gross NPLs)	Bt, million	36,200	37,250	38,684
	% of total loans	2.61%	2.69%	3.25%
Allowance for doubtful accounts*	Bt, million	45,406	43,610	41,000
Allowance for revaluation of debt restructuring	Bt, million	590	592	595
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	45,995	44,202	41,595
Total allowance to NPLs		127.1%	118.7%	107.5%

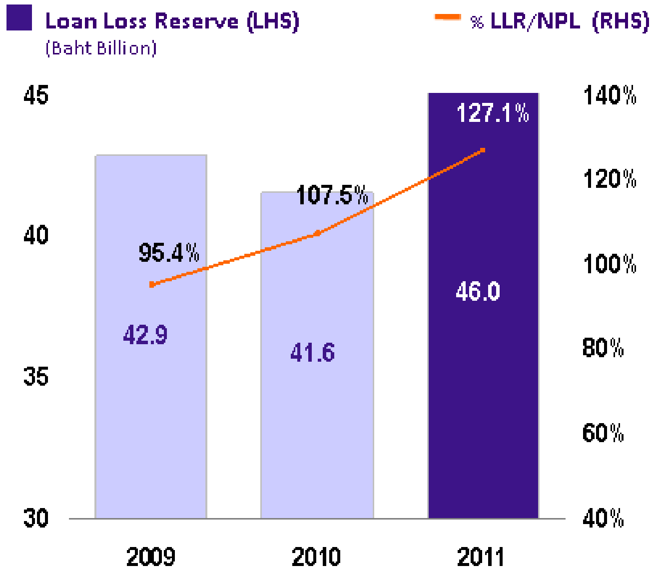
* Excluding Interbank

Gross NPLs on a bank only basis fell to Baht 31,544 million (2.32%) at the end of 2011 from Baht 35,688 million (3.04%) at the end of 2010. Net non-performing loans (net NPLs) declined to Baht 12,674 million (0.94%) at the end of 2011 from Baht 17,066 million (1.48%) at the end of 2010. Given the regulatory forbearance, the impact of the recent floods to loan quality is not fully reflected in the NPL level. The Bank is closely monitoring the underlying asset quality for flood affected customers and estimates that when the normal rules are activated the NPL increase would be within 40-50 bps and the expected loss would be further cushioned by the value of the underlying collateral.

Special mention loans increased by Baht2,888 million in 4Q11 but were still Baht 12,170 million below the level in 4Q10. The qoq increase was due to the Bank's prudential stance to prematurely flag two customer accounts which although normal may, in future, encounter strong headwinds. The yoy reduction was mainly due to substantive improvement in the financial position and longer term outlook for a few large customers which had earlier been affected by unexpected events. These customers have now been reclassified as normal.



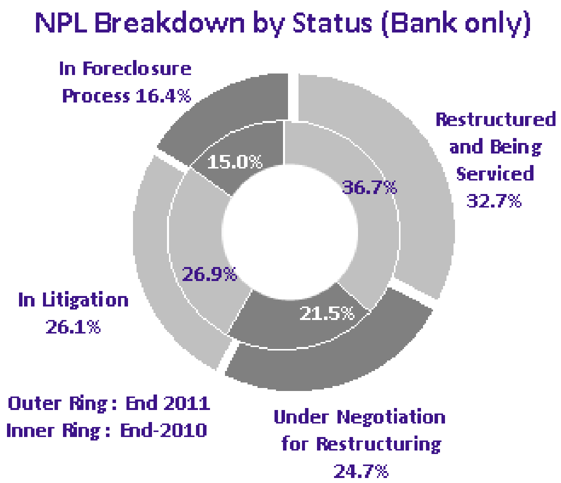
% NPL by Segment	2009	2010	2011
Wholesale	3.3%	2.9%	2.4%
SME	11.7%	8.5%	5.7%
Retail	3.7%	2.5%	1.9%

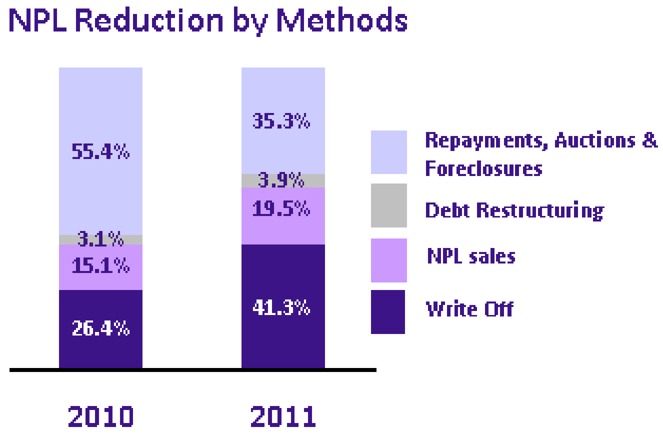


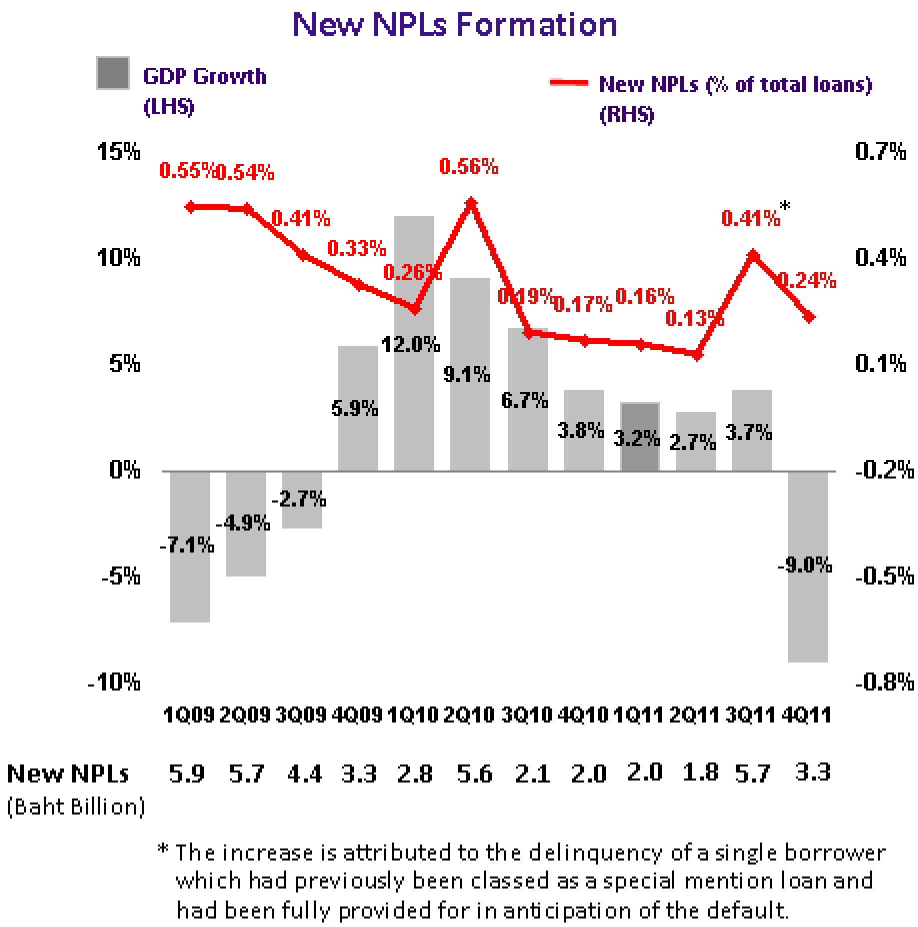
(Consolidated)	Dec 31, 11		Sep 30, 11		Dec 31, 10	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Classified loans and allowance for doubtful accounts						
Normal	1,242,234	11,938	1,190,248	11,701	992,308	9,479
Special mention	17,168	144	14,280	383	29,338	567
Substandard	6,748	3,033	8,885	6,470	8,855	4,233
Doubtful	6,223	4,819	5,473	3,106	4,516	2,335
Doubtful loss	23,310	11,323	23,075	11,083	25,381	11,239
Total	1,295,683	31,257	1,241,961	32,743	1,060,398	27,853
Allowance established in excess of BoT regulations		14,149		10,867		13,147
Total allowance		45,406		43,610		41,000

Unit: Million Baht

As shown in the chart below, at the end of 2011, NPLs that are being restructured and serviced accounted for the largest proportion of the total NPLs, followed by NPLs in the litigation process. For 2011, the Bank reduced its NPLs mainly through write-off followed by repayments auctions and foreclosures, NPL sales, and debt restructuring. In the fourth quarter of 2011, new NPL formation dropped from 41 bps in 3Q11 to 24 bps as one large corporate borrower was marked down as a new NPL in 3Q11.







The Bank's foreclosed properties as at December 2011 stood at Baht 11,765 million, a decrease of Baht 919 million (7.2% yoy) from Baht 12,684 million at end of 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 December 31, 2011, the Bank and its subsidiaries that are financial institutions have outstanding loans that have been restructured amounting to Baht 30,795 million in the consolidated financial statements and Baht 30,466 million for the Bank only (September 30, 2011: Baht 32,627 million and Baht 32,298 million, respectively). Some of these loans are NPLs and are already included in the NPL level noted above.

In 4Q11, loans amounting to Baht 876 million were restructured. Also, during 4Q11 the Bank recognized interest income from debt restructuring in the amount of Baht 797 million

(Consolidated)		Dec 31, 11	Sep 30, 11	Jun 30, 11	Dec 31, 10
Loans to restructured debtors	Bt, million	30,795	32,627	33,183	36,055
- Restructured loans which are classified as NPL	Bt, million	8,349	10,084	10,581	11,817
- Restructured loans which are not classified as NPL	Bt, million	22,446	22,543	22,601	24,238
Troubled debt restructuring in the quarter	Bt, million	876	2,181	2,311	1,327
Interest income recognized from restructured loans	Bt, million	797	45	488	613

Liquidity

In 2011, the Bank was successful in growing its funding base through multiple campaigns that leveraged its strong retail franchise. Given, high loan demand, the **loan to deposit** ratio on a consolidated basis stands at 109.1% as of December 31, 2011, an increase from 96.9% in 2010. However, the 'loan to deposits and B/E' ratio dropped to 92.3%, from 93.3% in 2010 mainly due to the significant increase in the volume of B/E. Given the high level of competition for deposits market at the moment, the Bank is comfortable with maintaining its loan to deposit (including B/E) ratio in the mid 90s%.

	Dec 31, 11	Sep 30, 11	Jun 30, 11	Dec 31, 10
Gross Loans to Deposits Ratio	109.1%	111.0%	107.2%	96.9%
Gross Loans to Deposits and B/E	92.3%	90.8%	92.6%	93.3%

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.

The Bank has a policy to maintain its daily liquidity ratio at 20% or higher – measured as total liquid assets to total deposits and B/E. If the ratio falls below 20%, immediate corrective action is considered. As at December 31, 2011, the liquidity ratio stood at 25.8% of total deposits and B/E and thus the Bank is assured of ample liquidity despite the relatively tight conditions in the deposit market.

Sources and Uses of Funds

As at December 31, 2011, deposits accounted for 63.1% of SCB funding base. Other sources of funds included 13.6% from the issuance of debt instruments (including Bills of Exchange which are akin to an uninsured deposit), 9.9% from shareholders' equity, and 2.8% from interbank borrowings. Of that total, 68.8% was used for loans, while another 17.6% was applied to net investments in securities, and 6.7% was lent in the interbank and money markets.