" 2003 will best be remembered as a *watershed* year in our history. At the end of the year, the Bank had finally recovered from the aftermath of the Asian financial crisis of the late 1990's and reached a new plateau - in terms of its position, profitability, and growth prospects. The year marks the highest ever profit, asset level, and shareholders' equity in the Bank's history. "

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ธนาคารไทยพาณิชย์
SIAM COMMERCIAL BANK

HIGHLIGHTS

		CONSOLIDATED *		BANK		
		DECEMBER 31, 2003 (MILLION BAHT)	DECEMBER 31, 2002 (MILLION BAHT)	DECEMBER 31, 2003 (MILLION BAHT)	DECEMBER 31, 2002 (MILLION BAHT)	CHANGE (PERCENT)
OPERATION RESULTS						
ASSETS		746,838	675,722	736,257	667,222	10.3
LOANS (net of allowance for doubtful accounts)		437,596	406,539	434,332	405,303	7.2
LIABILITIES		670,180	622,657	660,733	615,104	7.4
DEPOSITS		612,871	574,504	607,132	568,602	6.8
SHAREHOLDERS' EQUITY		76,658	53,065	75,524	52,118	44.9
NUMBER OF SHARES	(SHARES)	3,163,053,693	3,131,861,381	3,163,053,693	3,131,861,381	1.0
- PREFERRED SHARES	(SHARES)	1,777,626,432	2,105,291,399	1,777,626,432	2,105,291,399	(15.6)
- ORDINARY SHARES	(SHARES)	1,385,427,261	1,026,569,982	1,385,427,261	1,026,569,982	35.0
NET PROFIT (LOSS)						
BEFORE BAD DEBT AND DOUBTFUL ACCOUNTS		14,915	12,596	14,860	12,338	20.4
BAD DEBT AND DOUBTFUL ACCOUNTS		2,455	25,084	2,400	24,826	(90.3)
NET PROFIT (LOSS)		12,460	(12,488)	12,460	(12,488)	n.a.
BASIC EARNINGS (LOSS) PER SHARE	(BAHT)	9.68	(12.89)	9.68	(12.89)	n.a.
DILUTED EARNINGS (LOSS) PER SHARE	(BAHT)	3.69	-	3.69	-	n.a.
BOOK VALUE PER SHARE	(BAHT)	24.24	16.94	23.88	16.64	43.5
FINANCIAL RATIO						(AMOUNT)
RATE OF RETURN ON AVERAGE ASSETS (ROA)	(%)	1.8	(1.8)	1.8	(1.8)	3.6
RATE OF RETURN ON AVERAGE EQUITY (ROE)	(%)	19.2	(21.5)	19.5	(21.9)	41.1
TOTAL CAPITAL/TOTAL RISK ASSETS	(%)	-	-	12.9	14.0	(1.1)
ASSET QUALITY						(AMOUNT)
NON-PERFORMING LOANS (NPLs)		-	-	89,769	118,257	(28,488)
PROPORTION OF TOTAL LOANS						
(including loans to financial institutions)	(%)	-	-	17.5	24.2	(6.7)
LOAN LOSS PROVISIONS / NPLs	(%)	-	-	80.2	67.5	12.7

		2003	2002	CHANGE
NUMBER OF BRANCHES				
- NATIONWIDE BRANCHES	(BRANCHES)	501	483	18
- OVERSEAS BRANCHES	(BRANCHES)	3	3	0
NUMBER OF EMPLOYEES	(PERSONS)	10,865	10,710	155

Remark : * Consolidated Financial Statements including Subsidiaries.

MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders,

2003 will best be remembered as a *watershed year* in our history. At the end of the year the Bank had finally recovered from the aftermath of the Asian financial crisis of the late 1990's and reached a new plateau - in terms of its position, profitability and growth prospects. These developments are attested to through the following landmarks:

- The year marks the highest ever profit, asset level, and shareholders' equity in the Bank's history, even exceeding the pre-financial crisis peak;
- Early successes of the well-entrenched Change Program during the year is resulting in a revitalized banking franchise and solid positioning for future growth to market share and profitability; and
- A well developed corporate governance framework, implemented at all levels within the Bank, together with appropriate policies and practices will enable the Bank to meet the many competitive challenges that lie ahead.

These record achievements were accomplished against a backdrop of a remarkable recovery for the Thai economy during the year, despite the threats posed by the SARS epidemic earlier in the year and the fall-out from the global 'war on terror'. Apart from leveraging from the economic growth the Bank benefited from the strong internal realignment of structures and processes and its clear focus on quality growth. Also, it has started to harvest the results from its on-going efforts to develop the quality, skills and collaboration of its employees.

Financial Results Overview

It is with much pleasure that the Board summarizes the impressive financial results of 2003:

- The 2003 net profit at Baht 12.5 billion was at its highest level in the Bank's history. To a large extent this reflects a steady and continuing improvement in our business growth, the effective containment of expenses, and a sharp reduction in the provisioning requirements. Further, a 20% improvement to the pre-provisioning profit compared to 2002, underscores the sound improvement to the overall health of our banking franchise and the effectiveness of the Bank's strategies and plans. Also, the results attest to our improved ability to manage the net interest margin, generate additional fee income, improve the performance of group companies and maintain a competitive cost-to-income ratio.

- At 19.5% the Bank's return on equity (ROE) is close to our aspiration of 20%. In addition, at Baht 3.94, the earnings per share is best since the onset of the financial crisis. Improvements to both these indicators highlight our commitment to deliver sustainable enhancement to underlying shareholder value.

- During the year we were successful in reducing the amount of Non-Performing Loans (NPLs) by Baht 30 billion and maintaining an 80% coverage ratio for the remaining NPLs at the end of 2003. With effective risk management systems that we now have in place, the Board is confident that any new NPLs will be contained within defined tolerance levels and that legacy NPLs will be resolved in the short-to-medium term. These improvements to the risk management practices will better support future growth and ensure sustainable profitability of the Bank.

- At the end of the year the Bank further improved its capital base. Including 2003 profits, a capital adequacy ratio is 15.3% - well in excess of the 8.5% capital adequacy required by the Bank of Thailand. With 9.5% of this as Tier-1 capital, the Bank is well positioned for further growth in the year ahead.

Change Program

The transformational Change Program, approved by your Board in 2001, continues to gather traction in rebuilding the Bank's competitive foundation through a series of far-reaching projects. The first wave of the Change projects was implemented in 2002, mainly in the Corporate, SMEs, Credit Processes and Credit Workout area. The next wave of projects, completed in mid-2003, were centered on the retail business and included extensive process reengineering, reorganization of the retail bank, redesign and rebranding of all branches (roll-out will be completed by mid 2005), and repositioning of the branch network for further growth. The third wave of projects, completed towards the end of the year, included a state-of-the-art customer contact center and the first phase of a new financial management system. Collectively, successful completion of these projects and the early translation to financial benefits evidences the enhanced execution capability of the Bank and its commitment to radically transform its business vitality and profitability.

Corporate Governance

During the year, your Board adopted a strong focus on enhancing the good governance framework at all level within the Bank. The results attained included:

- a new and enhanced Board Charter;
- a new and enhanced Directors and Employees' Code of Conduct; and
- a corporate Disclosure Policy

These improvements have been recognized by several third parties and your Board was a recipient of a number of awards, including, **Board of the Year** Award, a **Disclosure Report** Award and **Best Corporate Governance Report** Award.

Strategy for 2004

Your Board is confident the Bank will sustain improvements to its growth and profitability in the year ahead and maintain the high ROE that the Bank achieved in 2003. In part, this goal will be achieved through a continued focus on growth, particularly through better leveraging our universal banking franchise, and through opportunities afforded by the Financial Master Plan. In part, the Bank will continue its efforts to implement the remaining projects under the existing Change Program and will develop a blueprint for the next level of transformational improvements that are required to nurture continued competitive growth.

The Board recognizes that while the Bank has made many radical and far-reaching changes to its strategy and operations, a further more complex set of changes is essential in order to enhance its competitive position and attain its vision of becoming the *Bank of Choice* in Thailand.

Changes in the Board

At the last Annual General Meeting, the shareholders approved increasing the number of Board members to sixteen. Also, at the Annual General Meeting, after long and distinguished service to the Board, M.L. Usni Pramoj retired by rotation and decided not to stand for reelection. Finally, the Board was saddened that its director and long standing Audit Committee chairman, the late Khun Viroj Phutrakul, passed away prior to the Annual Meeting.

The new directors that joined the Board as a result were Khun Sumate Tanthuwanit, Khun Pichai Chunhavajira, Khun Tiraphot Vajrabhaya and Khun Maris Samaram. Further, two directors resigned during the year - Khun Aswin Kongsiri and Mr. Mahito Kageyama. Khun Pantip Surathin and Mr. Sohei Sasaki replaced them.

We believe that the composition of the Board of Directors now reflects a healthy amalgam of experience and freshness with the Bank. Collectively, the Board is well placed to guide the Bank in the year ahead.

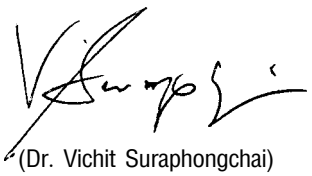
Recognitions

During the year the Bank was fortunate to have been the recipient of a number of prestigious awards including: the *Best Bank in Thailand* from The Asset Magazine (4th year in a row); *Best Domestic Commercial Bank* in Thailand from Asia Money Magazine (2nd year in a row); and *Best Local Bank in Thailand* from Finance Asia Magazine.

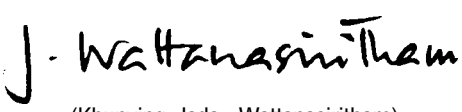
We would be remiss in not expressing our appreciation to the management and staff of the Bank for their loyalty and hard work, as none of the achievements during the year would have been possible without their unstinting effort. Also, we thank our customers and shareholders for their continued loyalty and support. We look forward to serve you all in the year ahead.

Yours sincerely,

(Dr. Chirayu Isarangkun Na Ayuthaya)
Chairman



(Dr. Vichit Suraphongchai)
Chairman of the Executive Committee



(Khunying Jada Wattanasiritham)
President & CEO

Siam Commercial Bank

Let us serve you...

BOARD OF DIRECTORS

DR. CHIRAYU ISARANGKUN NA AYUTHAYA Chairman

Dr. Chirayu holds an Economics (Hons.) degree from the London School of Economics and a Ph.D. in Economics from the Australian National University. Starting his career as an economist he went on to serve as the Dean of the School of Development Economics at the National Institute of Development Administration (NIDA). In the early 1980's, he was appointed to the cabinet of the Royal Thai Government and served as the Deputy Minister of Industry, the Minister of Industry, and as the Minister attached to the Prime Minister's office.

Since 1987, Dr. Chirayu has managed the diverse holdings and investments of the Bureau of Crown Property and, at the same time, served in the prestigious position of Grand Chamberlain to the Royal Household. Also, over the years, Dr. Chirayu has served as Chairman and/or Director for several major companies in Thailand.

Concurrently, with his business and Royal Household responsibilities, Dr. Chirayu has made many contributions to our community, most notably through serving on the council of trustees of the Thailand Development Research Institute (TDRI).

As the Bank's longstanding chairman Dr. Chirayu provides an invaluable corporate direction to the Board and reinforces its strong drive to attain the highest standard of corporate governance.

DR. VICHIT SURAPHONGCHAI Director and Chairman of the Executive Committee

Dr. Vichit holds a Bachelor's degree in Engineering from Chulalongkorn University, a Master's degree in Engineering from the University of California in Berkeley, and an M.B.A. and Ph.D. from UCLA. He started his career in banking at Bangkok Bank PCL. and at the time he left he was serving as its President. He later joined the Royal Thai Government as the Minister of Transport and Communication (1994-1995). He returned to the banking world as the Chairman of Radanasin Bank PCL. Currently, he serves on the Board of Thai Airways International, CapitaLand Financial Limited in Singapore and SembCorp Industries Limited in Singapore. Dr. Vichit also serves as a member of the Supervisory Board of Kempinski AG and an advisor to the Bureau of Crown Property.

Dr. Vichit has contributed to education development in the Kingdom in his previous capacity as a member of the National Education Commission and National Institute of Development Administration Council (NIDA). At present, he serves as a Trustee of the Asian Institute of Technology (AIT).

Since joining the Board of the Bank, Dr. Vichit has provided the vision and leadership to transform the Bank's franchise and dramatically restore its profitability. He has had an active role in both the formulation of policies as well as the on-going review of operations and performance. Attesting to his many accomplishments at the Bank, he was named 'Banker of the Year' in 2003 by the Nation Group of Newspapers.

MR. MARIS SAMARAM Director and Chairman of the Audit Committee

Khun Maris holds a Bachelor's degree majoring in Accounting from the University of the East (Philippines). Subsequently, he attended the Program for Management Development at the Harvard Business School, U.S.A.

Khun Maris commenced his auditing career in 1961 and qualified as a CPA with the SGV Group in the Philippines. In 1967, he was transferred to Bangkok with a mandate to develop a new practice location for the Group. In 1974, he was admitted an SGV Group partner. In Thailand, he has been involved in providing both audit and business advisory services to a diverse range of multinational and Thai institutions. In 1978, he was appointed the Country Managing Partner and in 1992 he assumed the position of Chairman of the Thai practice.

He retired from SGV-Na Thalang in 2001 and has since performed independent advisory assignments. He serves as independent director of Millenium Steel PCL. and Sub Sri Thai Warehouse PCL.

With his 40 years experience in a major regional audit firm and as an independent director and the Chairman of the Audit Committee, he brings to the Bank outstanding credentials in enhancing the effectiveness of its audit policies, practices and procedures.

MR. ANAND PANYARACHUN Director, Chairman of the Compensation Committee
Chairman of the Nomination and Corporate Governance Committee

After completing his B.A. (Hons.) degree from Trinity College, University of Cambridge, Khun Anand commenced his distinguished career in the Thai Foreign Service. Highlights of his career included service as the Thai Ambassador to the U.S.A., the Thai Permanent Representative to the United Nations, and as the Permanent Secretary to the Ministry of Foreign Affairs. On leaving the Foreign Service, Khun Anand has been active in both the world of business and the community at large.

Khun Anand is widely recognized for his pivotal role in the kingdom's political development through his two appointments as Prime Minister of Thailand and for leading the effort in drafting the new constitution of the Kingdom.

He was recently appointed by the U.N. Secretary General, to chair the high-level Panel established to review the role of the United Nations in a rapidly changing global political environment. He has received Honorary Degrees from many national and foreign universities, and is recipient of the prestigious Ramon Magsaysay Award. Also, he has received many prestigious royal decorations in Thailand and Overseas.

As a long standing, independent director Khun Anand brings an unparalleled perspective on the macro-level challenges facing the Bank and the drive to initiate and promote good governance within the Bank.

MR. BODIN ASAVANICH Director and Member of the Executive Committee

Khun Bodin holds a Bachelor of Laws degree from Thammasat University and a Master of Law and Master of Comparative Jurisprudence from New York University, U.S.A. He is a member of the Thai Bar Association.

Khun Bodin has over 30 years of experience as a legal practitioner. In 1976, he joined a law firm in New York, U.S.A. and returned to Thailand as a Managing Partner of the B&N Legal Office. Subsequently, he joined PTT PCL as the Director of its Legal Division before moving to Siam Cement PCL and is now its Group General Counsel. Concurrently, he serves as Managing Director, Cementhai Legal Counsel Limited, as a Board Director of CPB Equity Co., Ltd. and CPB Property Co., Ltd. and as the Secretary General to the Federation of Thai Industries. He also is a member of several public and private committees under various government agencies and non-profit organizations.

He brings a valuable perspective to matters arising at both the Executive Committee and the Board of Directors of the Bank.

MR. PICHAI CHUNHAVAJIRA Director and Member of the Audit Committee

Khun Pichai holds a Bachelor's degree in Accounting from Thammasat University, and an M.B.A. in Finance from Indiana University of Pennsylvania, U.S.A.

He serves as the Senior Executive Vice President, Corporate Finance & Accounting, PTT PCL. and concurrently, acting President, The Bangchak Petroleum PCL. He is recognized for his financial and accounting expertise through his role in the successful initial public offering and listing of the shares in PTT Exploration & Production PCL. in 1983 as well as planning and implementing of PTT's privatization in 2001. He was named 'CFO of the Year in 2001' by the Nation group and more recently as the 'Best CFO of the Year in 2003' by the prestigious Institutional Investor magazine.

He serves on the boards of several companies such as Dhipaya Insurance PCL., PTT Exploration & Production PCL., The Aromatics (Thailand) PCL. and Thai Olefins PCL. He also serves on the economics research committee of the National Research Council of Thailand.

As member of the Audit Committee, Khun Pichai brings to the Board exceptional talent on accounting and finance issues from both an internal and market perspective.

MR. TIRAPHOT VAJRABHAYA Director and Member of the Audit Committee

Khun Tiraphot holds a B.A. in Economics and Commerce from the University of Melbourne, and an M.B.A. from Boston University, U.S.A.

Since 2001, he serves as the Chairman of the Shell group of companies in Thailand and the General Manager of its Retail Operations in South Asia and the Indo-China region - a rare distinction for a Thai national. He has extensive management experience in many areas of the energy business at Shell in both Thailand and the U.K. including finance, shipping and supply management, marketing, and personnel management. Also, he serves on the boards of the Shell affiliates in Thailand.

As an independent director on the Board, he brings with him both his commercial acumen and deep knowledge of best practices in the management of a large and complex institution.

MR. JOHN WILLIAM HANCOCK Director, Member of the Compensation Committee, Member of the Nomination and Corporate Governance Committee

Mr. John Hancock holds an LL.B. degree from the University of Adelaide, South Australia and has been admitted to practice law in South Australia, Victoria and New South Wales and is a permitted legal advisor in Thailand.

Since 1970, he has practiced in New York, Hong Kong, Singapore and Bangkok and is the Honorary Chairman of and Senior Advisor to the Baker & McKenzie law firm in Bangkok. He founded the Bangkok Office of Baker & McKenzie, and has spent a total of 30 years in legal practice in Thailand. He also serves on the Board of Serm Suk PCL.

He has served as President of the Australian Chamber of Commerce in 1986/7 and again in 1998/9. He was the only one in Thailand who was featured as one of the top 20 Australians in Asia by Business Review Magazine (2003 issue).

As an independent director and one of Thailand's leading lawyers, he brings to the Board an invaluable insight on all commercial and legal matters.

MR. PETER SEAH LIM HUAT Director, Member of the Compensation Committee, Member of the Nomination and Corporate Governance Committee

Mr. Seah holds a B.B.A. (Hons.) degree from the University of Singapore. He serves as the President and Chief Executive Officer of Singapore Technologies Pte Ltd (ST) and is a member of its Board of Directors. Prior to that, for the past 33 years, he was a banker and retired as the Vice Chairman and Chief Executive Officer of the Overseas Union Bank in 2001.

Concurrently, he is the Chairman of SembCorp Industries and Singapore Technologies Engineering. In addition, he sits on the board of many corporations including CapitaLand Limited and Government of Singapore Investment Corporation.

Mr. Seah received the Public Service Medal (Pingat Bakti Masyarakat) in the 1995 National Day Honors in recognition of his contribution to Social and Community Service. In August 1999, he was awarded the Public Service Star (Bintang Bakti Masyarakat) for his role as Chairman for the Sub-Committee on Finance and Banking, Committee on Singapore's Competitiveness. He was appointed a Justice of the Peace in 2003.

As a prominent banker and an independent director, he brings an experienced perspective on the issues and challenges faced by the rapidly evolving landscape of the regional financial services industry.

MR. SUMATE TANTHUWANIT Director and Member of the Compensation Committee

Khun Sumate holds a B.Sc. (Hons.) degree from Chulalongkorn University and an M.Sc. in Management Engineering from the Asian Institute of Technology. He has had a life-long career in shipping related business. In 1980, he founded Regional Container Lines (RCL) to provide feeder services between Thailand and Singapore. The company was listed on the Stock Exchange of Thailand in 1988 and he still serves as its Group President.

Concurrently, Khun Sumate is Chief Executive Officer of TIPS Co., Ltd., Thai Prosperity Terminal Co., Ltd. and Sintanachote Co., Ltd. which are companies providing wharf, container freight station and bonded warehouse facilities. He is also the President of the German -Thai Chamber of Commerce for the sixth year and a member of International Advisory Council of PSA Corporation Limited, Singapore. During 1998-1999, he served as a Director of Radanasin Bank.

As a veteran of the shipping and logistics sector and a well-regarded local entrepreneur, he brings an important dimension to the Board from both a trade and business development perspective, particularly with respect to the fast growing China market.

M.R. DISNADDA DISKUL Director

M.R. Disnadda holds a degree in Business Administration from Indiana University (Bloomington), U.S.A. He has had a unique, life-long commitment to community service, especially for the benefit of the hill tribe communities in north Thailand on the border with Myanmar.

He serves as the secretary-general, Mae Fah Luang Foundation, established under Royal Patronage. Since 1988, he has been Chairman of the Doi Tung Development Project, established under Royal Patronage and the Director-General of the Center for Coordination of the Doi Tung Development - both of which were established to raise the living standards and economic well-being of the local community.

In recognition of his community service achievements, he was appointed by the United Nations Office on Drugs and Crime (UNODC) to be one of 11 core members of UNODC Working Group to evaluate similar development projects in other parts of the world. In addition, the Royal Thai Government and Myanmar Government jointly appointed him to expand the community served by the Doi Tung Development Project.

M.R. Disnadda serves on the Board of CPB Property Co., Ltd. and CPB Equity Co., Ltd. He provides an important community service perspective to the Board.

MR. VERACHAI TANTIKUL Director

Khun Verachai holds an LL.B (Hons.) from Thammasat University and is a Barrister-at-Law at the Thai Bar. Also, he holds an LL.M. degree from the University of California, Berkeley, U.S.A.

Khun Verachai serves as an Adviser to the Minister of Finance of the Royal Thai Government. Prior to this appointment, he spent 30 years at the Ministry of Finance serving in a variety of important roles. His last position, prior to his retirement in 2003, was the Director-General of the Treasury Department.

As a veteran of the Ministry of Finance and an expert adviser to the Minister of Finance, he provides a very useful perspective to the Board on the impact of new and emerging government's policies on the economy and the Bank. Also, as a highly regarded tax expert in Thailand he provides valuable guidance on taxation policy to the Bank.

MRS. PUNTIP SURATHIN Director

Khun Puntip holds a B.A. (Hons.) from Chulalongkorn University and an M.A. in Business Administration from Fort Hays Kansas State College in U.S.A.

Khun Puntip serves as the Director of the State Enterprise Policy Office, Ministry of Finance since 2002. She joined the Ministry of Finance over 30 years ago and has worked for long periods at the Comptroller General's Department. She has held a number of positions at the Ministry of Finance including Director, Office of the State Enterprise and Government Securities; Deputy Comptroller-General; Senior Expert in Public Debt and Public Finance; and the immediate prior position of Chief Inspector General of the Ministry of Finance. Also, she serves on the Board of Asia Credit PCL.

Khun Puntip brings to the Board a strong knowledge of the practices of the significant State Enterprise sector as well as a deep understanding of current government policies as they relate to the financial services sector.

MR. SOHEI SASAKI Director

Mr. Sasaki holds a Bachelor of Commercial Science degree from Keio University, Japan.

Mr. Sasaki has extensive experience within the banking sector in Japan and a deep knowledge of global trends in the financial sector, especially in the areas of treasury management, trading and financial instruments. He joined UFJ Bank of Japan (formerly Sanwa Bank) over 30 years ago and has served in a variety of important roles. He was General Manager, International Treasury & Trading Department before taking his current position as Executive Officer, Deputy Head of Global Banking & Trading Division in 2003.

Mr. Sasaki provides the Board with an insight on Asia's premier economy and the manner in which the Bank can improve its operations, particularly in developing its business relationship with Japanese clients.

KHUNYING JADA WATTANASIRITHAM

Director, President & Chief Executive Officer and Member of the Executive Committee

Khunying Jada holds a graduate degree from University of Cambridge and a Master's degree from Williams College (U.S.A.). She has the distinction of being the first woman to serve as the President and CEO of the Bank.

Khunying Jada commenced her distinguished career in banking at the central bank of the country - Bank of Thailand (BOT). In 1975, she joined the Bank to develop its research and planning function. Since that time she has held a member of senior executive roles within the Bank covering the international business arena, corporate and institutional banking, and capital markets.

Concurrently, with her professional career Khunying Jada has contributed to a large number of social and community issues. In recognition of these contributions, she was awarded the royal decoration of Chulachomklao with the title Khunying in May 2000.

As the President & CEO of the Bank, Khunying Jada provides effective oversight on all areas of the Bank's business, particularly in growing its franchise as well as managing the underlying risks and internal control environment.

MRS. KANNIKAR CHALITAPORN

Director, Senior Executive Vice President and Member of the Executive Committee

Khun Kannikar holds a Bachelor's degree in Business from the University of Colorado and attended the Advanced Management Program at Harvard Business School. Prior to joining the Bank she was with Unilever Thailand for 32 years. Over the years at Unilever, through the application of modern marketing concepts, she had a critical role in dramatically improving Unilever's market share and profitability in Thailand. On leaving Unilever Thailand she was serving as its Vice Chairman.

As a result of these achievements in marketing, she has been publicly recognized by her peers and was named the 'Professional Woman of the Year' in 1999. She also served as the Chairman of the Thai Management Association (2000-2002).

In parallel with her business commitments, she took a leading role in meeting Unilever's community commitments. She led the creation of '1,000 scholarship awards per year' program and established 15 Unilever parks in Bangkok.

Khun Kannikar joined the Board in 2002 and the management team of the Bank in January 2003. In her role as Head of the Retail Bank, she has bought a fresh, invigorating, and consumer focussed perspective to its retail business.

Advisor to the Executive Committee	Mr. Aswin Kongsiri
Company Secretary	Mrs. Siribunchong Uthayophas

Changes of Board of Directors in 2003

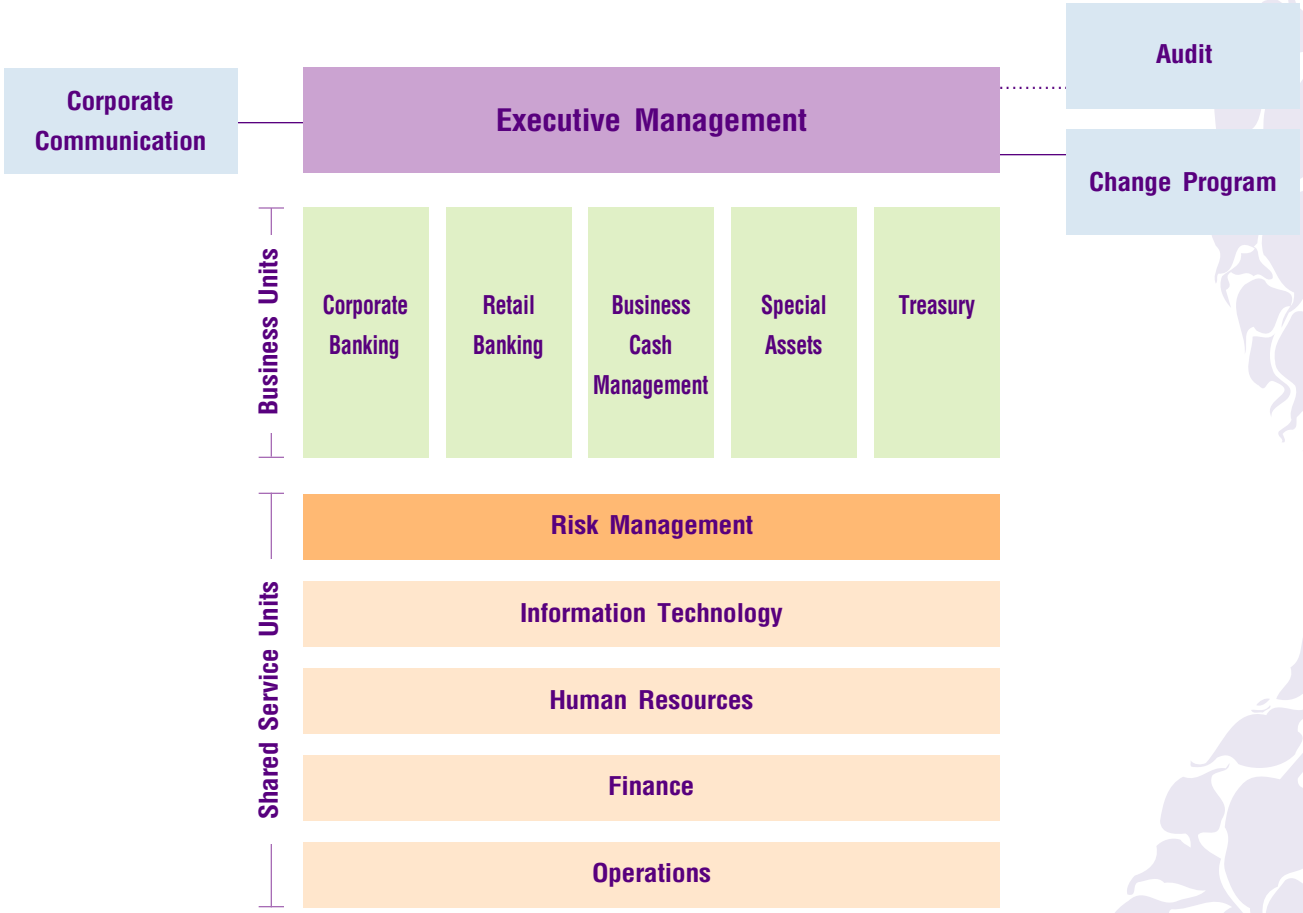
- Mr. Viroj Phutrakul passed away on February 16, 2003.
- Mr. Maris Samaram was elected as Director on February 25, 2003 to fill the position vacated by the passing away of Mr. Viroj Phutrakul.
- Mr. Tiraphot Vajrabhaya was elected to fill in the place of the retiring director, M.L. Usni Pramoj, who did not seek a reelection as Director at the Annual General Meeting of Shareholders no.180 on April 9, 2003.
- Mr. Pichai Chunhavajira and Mr. Sumate Tanthuwanit were elected as Directors to fill two additional board members at the Annual General Meeting of Shareholders no.180 on April 9, 2003.
- Mr. Sohei Sasaki was elected as Director on June 30, 2003 to fill the position vacated by the resignation of Mr. Mahito Kageyama.
- Mrs. Puntip Surathin was elected as Director on July 18, 2003 to fill the position vacated by the resignation of Mr. Aswin Kognsiri.

Governance Structure

Board of Directors

- Executive Committee
- Audit Committee
- Compensation Committee
- Nomination and Corporate Governance Committee
- Risk Management Committee
- Strategy and Review Committee
- Change Program Steering Committee
- Assets and Liabilities Management Committee
- Investment Committee

Management Structure



KHUNYING JADA WATTANASIRITHAM Director, President & Chief Executive Officer and Member of the Executive Committee

Khunying Jada holds a Bachelor's degree from University of Cambridge and a Master's degree from Williams College (USA). She has the distinction of being the first woman to serve as the President and CEO of the Bank. Khunying Jada commenced her distinguished career in banking at the central bank of the country - Bank of Thailand (BOT). In 1975, she joined the Bank to develop its research and planing function. Since that time she has held a number of senior executive roles within the Bank covering international business arena, corporate and institutional banking, and capital markets. As the President & CEO of the Bank, Khunying Jada provides effective oversight on all areas of the Bank's business, particularly in growing its franchise as well as managing the underlying risks and internal control environment.

MRS. KANNIKAR CHALITAPORN Director, Senior Executive Vice President, Member of the Executive Committee, Group Head, Retail Banking Group

Khun Kannikar holds a Bachelor's degree in Business from the University of Colorado and attended the Advanced Management Program at Harvard Business School. Prior to joining the Bank she was with Unilever Thailand for 32 years. Over the years at Unilever, through the application of modern marketing concepts, she had a critical role in dramatically improving Unilever's market share and profitability in Thailand. On leaving Unilever Thailand she was serving as its Vice Chairman. Khun Kannikar joined the Board in 2002 and the management team of the Bank in January 2003. In her role as Head of the Retail Bank, she has bought a fresh, invigorating, and consumer focussed perspective to its retail business.

MR. CHATCHAVAL BHANALAPH Senior Executive Vice President, Group Head, Corporate Banking Group

Khun Chatchaval has extensive experience in commercial bank businesses. After graduating with a Bachelor's degree in Commerce from Chulalongkorn University, he worked in the private sector and then EGAT before pursuing his Master's degree at Fort Hays Kansas State College in the United States. Khun Chatchaval joined SCB in 1972 and worked in the areas of correspondent bank, international trade, international banking, and credit operations, respectively. In 1985, he was responsible for treasury business and became Manager of Treasury Department in 1987. He was later appointed Executive Vice President, Money and Capital Market Group in 1992. Khun Chatchaval was promoted to Senior Executive Vice President, Corporate Banking Group in 1999 in charge of large corporate lending. He is currently responsible for the development of products and services to corporate clients.

** Khun Chatchaval retired on March 1, 2004.*

MR. DEEPAK SARUP Senior Executive Vice President, Change Program and Information Technology

Khun Deepak holds a Bachelor's degree in Commerce (Hons) with a diploma in Accounting (with distinction). He is a Fellow of The Institute of Chartered Accountants in England and Wales (FCA) and a Fellow of the Wharton School, University of Pennsylvania. He commenced his career with Touche Ross & Co in London and has since worked in a number of different management roles in many countries. Immediately prior to joining the Bank in 2002, he was Managing Director of Asia Pacific for ALLTEL Information Services Inc. In this role he led the transformation in the market position and profitability of the Asia Pacific operations of this US Fortune 500 company. Before assuming this role, he was First Executive Vice President of Radanasin Bank PCL. He had served as International President, Information Systems Audit and Control Association (1991-1993) and as a member of the IT Committee of the International Federation of Accountants (1995-2001).

MR. WUCHIEN MICHAEL THAN Senior Executive Vice President, Chief HR Officer

Born in China and raised in India, Khun Michael also lived and worked in Canada, the United States, Hong Kong and Japan before coming to Thailand in 1994. He has more than 30 years' experience in the fields of human resources management and organizational development. His previous employers include Bankers Trust in New York, Hong Kong and Tokyo, American Express in Toronto and New York and, most recently, Bangkok Bank. He has been with SCB since 2002 as Chief Human Resources Officer. Khun Michael has a Bachelor's degree (Hons.) in Economics from Presidency College and an M.B.A. in Behavioral Sciences from the Indian Institute of Management, Calcutta.

MRS. KANNIKA NGAMSOPEE Executive Vice President, Chief Audit Executive

Khun Kannika holds a Bachelor's degree (Hons.) and a Master's degree in Accounting and a Bachelor's degree in Law from Thammasat University. She also holds a Master of Management from Sasin Graduate Institute of Business Administration, Chulalongkorn University. Before joining the Bank in 2001, Khun Kannika held various executive positions at a foreign bank in Thailand, an international organization, and other financial institutions. Her past responsibilities covered many areas including accounting, finance, auditing and general management. During 1982-1992, she worked at the Chase Manhattan Bank, Bangkok Branch as Country Financial Manager and Controller, and Country Administrative Officer, respectively. Following that, she was Assistant Managing Director at Finance One PLC and Chief Financial Officer at Sithe Pacific Development L.L.C. in 1998.

** Khun Kannika was appointed as Chief Financial Officer (CFO) on March 1, 2004.*

MR. SIRICHAI SOMBUTSIRI Executive Vice President, Group Head, Corporate Relationship Group

Khun Sirichai holds a Bachelor's degree (Hons) in Accounting from Thammasat University and an M.B.A. in Finance from University of Southern California, U.S.A. He joined SCB in 1977 and worked in the fields of foreign branch and treasury. Khun Sirichai resigned from the Bank to serve as President of Thai Summit Finance and Securities Co., Ltd. during 1994-1998, and later Managing Director of Radanasin Bank PCL during 1998-1999. He rejoined the Bank in 1999 as Executive Vice President, Treasury and Capital Market Division. He was later assigned to take responsibilities for corporate lending and became head of the Corporate Relationship Group in 2003 and manages Corporate and SME clients that account for 55% of the Bank's total loan portfolio.

** Khun Sirichai was appointed as Senior Executive Vice President, Group Head, Corporate Banking Group on March 1, 2004.*

MR. SARUNTHORN CHUTIMA Executive Vice President, Division Head, Corporate Division 1

Khun Sarunthorn has almost 20 years of experience in corporate lending. He joined the Bank after graduating from Chulalongkorn University with a Bachelor's degree in Accounting and an M.B.A. from Ohio University. He managed project finance and became Manager of Corporate Department 4 responsible for corporate lending to energy and petrochemical sectors prior to his appointment to ITV Co., Ltd. in 1996 as its Managing Director and the Bank's representative. After completing his mission to divest the controlling stake of the Bank at ITV, he returned to the Bank to resume his work with big corporate clients. He was promoted Executive Vice President in 2003.

MRS. PASPUN SUWANCHINDA Executive Vice President, Division Head, SME Division

After completing her undergraduate study in Business Administration from Kasetsart University and graduate study in Economics from Middle Tennessee State University, U.S.A., Khun Paspun joined SCB as a credit officer in 1976. She was Branch Manager of Thanon Wittayu Branch during 1983-1990. She returned to Head Office and was appointed Deputy Manager of Corporate Department 3 during 1990-1991. Khun Paspun then resigned from the Bank to become Managing Director of Dynamic Eastern Finance Thailand Co., Ltd. After rejoining the Bank in 1992, she was General Manager of Chicago Branch and Los Angeles Branch for 6 years. Prior to her current appointment as Executive Vice President, SME Division in 2002, Khun Paspun was Manager of Corporate Department 4 responsible for corporate lending in telecommunication and petrochemical industries.

MR. CHARLIE WANNAWASU Executive Vice President, Division Head, Japanese Division

Khun Charlie is an expert in managing Japanese client relationship. After graduating from Meisei University in Japan in 1973 and training at Sanwa Bank in Japan, he joined the Bank in 1974 as a credit officer. In 1981, he started working with Siam Cement Trading Co., Ltd. as a branch manager in Tokyo. Khun Charlie rejoined the Bank in 1988 and was promoted Executive Vice President, Corporate Division 1 in 1994, responsible for lending to multi-national companies and large corporates in the garment and automotive industries. When the Bank established a special Japanese Division in 2003, Khun Charlie was appointed to head this Division.

MRS. MALEERATNA PLUMCHITCHOM Executive Vice President, Division Head, Financial and Institutional Division

Khun Maleeratna graduated from Chulalongkorn University with a Bachelor's degree in Accounting (Hons). She also holds an M.B.A. from Michigan State University, U.S.A. Khun Maleeratna joined the Bank in 1973. Her work experience spans the fields of accounting, branch management, and business development promotion. In 1994, she was appointed Managing Director of SCB Credit Card Center, a subsidiary of SCB responsible for the credit card business. She returned to the Bank in 1999 as Executive Vice President, International Banking Division. In her current position, she is responsible for local and international institutional clients. Khun Maleeratna holds a number of business and social positions such as Advisor to Public Health Minister; and Director of World Trade Organization of the Joint Standing Committee on Commerce, Industry, and Banking, and President of the Federation of Business, and Professional Women's Association, Thailand.

MR. SOMCHAI SANYALAKSIRI Executive Vice President, Division Head, Business Products Division

Khun Somchai has extensive experience in money market and capital market. After completing his Bachelor's degree in Economics at Kasetsart University and Master's degree in the same field at the University of Kansas, U.S.A., he joined SCB as staff in Treasury Department in 1981 before assuming responsibility for foreign branches. He was Deputy General Manager of London Branch for 3 years and then served as Manager of International Banking Facility Office at the Head Office. Khun Somchai was appointed Senior Vice President of Treasury Department in 1994 and Senior Vice President of Capital Market Department in 1999. He was later promoted to Executive Vice President responsible for retail business in 2002. He is currently Executive Vice President, Business Products Division, responsible for marketing products and services to corporate clients.

MR. CHARAMPORN JOTIKASTHIRA Executive Vice President, Group Head, Business Cash Management Group

After receiving a Bachelor's degree in Electrical Engineering and Computer Science from Massachusetts Institute of Technology and an M.B.A. from Harvard Graduate School of Business Administration, with 4 years of work experience in the technology sector in the United States, Khun Charamporn began his career with SCB in 1985 as a manager in the fields of technology, treasury, and credit, respectively. Khun Charamporn was Managing Director of the Bank's subsidiaries: SCB Asset Management in 1992, Thai Thamrong Finance Company in 1994; and President and CEO of SCB Securities in 1995 prior to returning to the Bank as Executive Vice President, Risk Management and Planning in 1999, and a Chief Information Officer in 2001. When the Bank set up Business Cash Management Division in 2002, he was appointed to head this strategic division. Khun Charamporn is currently a member of the Board of Governor of the Stock Exchange of Thailand.

MRS. CHANTIMA CHATURAPHAT Executive Vice President, Division Head, Products Division

(President & CEO, SCB Business Services Company Limited)

Khun Chantima holds a Bachelor's degree in Accounting from Chulalongkorn University and an M.B.A. from Central State University, U.S.A. She began her career with SCB as credit officer and later served as a branch manager for 10 years. In 1990, she moved to the Head Office to manage lending to large corporates and the commercial segment. In her position as Manager of Corporate Department 5, she was responsible for real estate and construction sectors. In 1999, she was appointed Executive Vice President, Credit Card Division and President & CEO, SCB Business Services Company Limited. In her present role, she is responsible for the development of all retail products and related business volumes.

MR. NA BHENGBHASANG KRISHNAMRA Executive Vice President, Division Head, Sales and Service Division

Khun Na Bhengbhasang holds a Bachelor's degree and a Master's degree from University of Pennsylvania, U.S.A. He has been with the Bank since 1971 and has extensive experience in banking including management of local and foreign branches. He was Manager of Los Angeles Branch in 1984 and Manager of International Banking Department during 1987-1993. Khun Na Bhengbhasang was assigned to be responsible for consumer lending and later was appointed Executive Vice President, Consumer Banking Group in 1994. In consumer lending, he had a leadership role in making SCB the leader in the mortgage market segment. Prior to his current position as Executive Vice President of Channel Management Division or Sales & Service Division, he was responsible for the Special Assets Division. His current responsibilities span the entire domestic branch network as well as all sales and services points within retail.

MR. KARL FAWZI BAIM Executive Vice President, Division Head, Operations Division

Khun Karl has 27 years of working experience with Citigroup. He had worked in Saudi Arabia, Australia, Singapore and Thailand in various positions. Prior to his assignment as the Regional Operations & Technology Head of the Citigroup Private Bank for Asia Pacific and Middle East, he had initially managed the country Operations & Technology Group and later on, assumed the role of E-Business & Securities Business Head for Citibank Thailand. Khun Karl joined SCB in 2003 as Head of Operations Division. He holds a Bachelor's degree in Accounting.

** Khun Karl was appointed as Executive Vice President, Group Head, Operations Group on March 1, 2004.*

MR. PERMPOON KRAIRIKSH Executive Vice President, Group Head, Special Assets Group

Khun Permpoon has extensive experience in credit lending. After graduating from Boston University in the United States, he joined SCB in 1975 working in Centralized Credit Department before moving to International Trade Department. He was later assigned as Head of Credit Division at Taladnoi Branch. Then he moved back to Head Office under Credit and Marketing Department responsible for large manufacturing and services industries. In 1994, Khun Permpoon was appointed Executive Vice President in charge of agricultural and commercial credit and later moved to develop large corporates relationship and, following that, consumer loan business. In 2002, Khun Permpoon was appointed Executive Vice President of Special Assets, managing the non-performing portfolio of the Bank.

MR. YOKPORN TANTISAWETRAT Executive Vice President, Chief Risk Officer

Khun Yokporn has been with SCB over 26 years after completing his Bachelor's degree and Master's degree in Economics at Chulalongkorn University and Thammasat University, respectively. His work experience has covered the areas of economic research, credit, and capital market. In his position as head of Capital Market Department, he played an important role in SCB's major recapitalization in 1999. After his appointment as Executive Vice President, Risk Management and Planning Division in 2000, he has responsibility for developing risk management as a core competence of the Bank.

CORPORATE GOVERNANCE REPORT

The Board recognizes the critical importance of good governance in promoting and strengthening the trust of its shareholders, stakeholders and the public, and believes that corporate governance best practices will enhance shareholder value. Accordingly, the Board of Directors of the Siam Commercial Bank is committed to compliance with corporate governance guidelines issued by the regulatory bodies that govern its operations as a commercial bank and public company, and to the implementation and compliance with such other higher standards as are appropriate to the conduct of its business.

In particular, in pursuing the vision of the Bank **"to be the Bank of Choice for Customers, Shareholders and Employees"**, the Board is committed to conduct itself in accordance with the highest standards of ethical behavior and in accordance with the law. The functions and responsibilities of the Board are as stipulated by law and the resolutions of shareholders. This includes the following:

(a) Developing and/or approving policies and strategies for, and financial objectives of the Bank and monitoring the implementation of these policies, strategies and financial objectives, with the aim of maximizing its economic value and shareholders' wealth;

(b) Formulating and/or approving structures, procedures, and practices designed to ensure compliance with regulatory requirements, the Articles of Association, resolutions of shareholders' meetings and general ethical standards;

(c) Formulating and/or approving structures, procedures and practices designed to ensure that there are appropriate systems of risk management, compliance and internal control;

(d) Monitoring and assessing the performance of management in achieving strategic targets and budgets approved by the Board (at least half-yearly);

(e) Setting criteria for, and evaluating, the performance of the President, and other senior members of the management team (at least annually);

(f) Reviewing, on a regular and continuing basis, the succession plan for the position of President;

(g) Observing and ensuring compliance with the Directors' Code of Conduct.

The Board of Directors

Qualifications

Members of the Board are persons who have the background and experience in finance, banking, business, marketing, legal, management, and/or such other experience deemed beneficial to the Board in performing its duty.

At present, there are 16 Board members, whose names and backgrounds are provided on page 8-13 of this report.

In addition, 9 Directors have participated in the Thai Institute of Directors (IOD)'s director programs:

- *Chairman Program:* Dr. Chirayu Isarangkun Na Ayuthaya; Dr. Vichit Suraphongchai; M.R. Disnadda Diskul; and Mr. John William Hancock;

- *Directors Certification Program (DCP):* Khunying Jada Wattanasiritham; Mr. John William Hancock; Mr. Sumate Tanthuwanit; Mrs. Panthip Surathin; Mr. Verachai Tantikul; and Mr. Maris Samaram.

Authority

The Board exercises its authority as stipulated by law and the resolutions of its shareholders. This includes the following:

(a) Appointment, and determination of remuneration and conditions of service of the President;

(b) Appointment of Senior Executive Vice Presidents (SEVP);

(c) Approval of:

(1) The Strategic Plan (to be reviewed annually);
(2) The Annual Business Plan;
(3) The Annual Budget;
(4) The Quarterly, Semiannual and Annual Financial Reports;
(5) The remuneration of members of Board Committees (within the overall amount approved by the shareholders);
(6) The remuneration and conditions of service for SEVP's, following annual review;
(7) Changes to organizational structure at the group level and other significant organizational changes;
(8) The acquisition, establishment, disposal or cessation of any significant asset or any business of the Bank;
(9) The issue of any financial instruments or other securities by the Bank;
(10) Public statements on significant issues of Bank policy or strategy;
(11) Any changes to the authority delegated by the Board.

(d) All matters not otherwise delegated to the Executive Committee, the President or management.

Size and Composition

The size and composition of the Board are as prescribed in the Bank's Article of Association and the Board's Charter. In particular, at least 3 members or one-fourth of the Board (whichever is higher) are Independent Directors, and not more than one-third of the Board serve as Executive Directors.

The qualifications of Independent Director and Executive Director are stipulated in the Board's Charter.

As at December 31, 2003, the Bank has 5 Independent Directors (one-third) and 3 Executive Directors (less than one-third).

Nomination and Election of Board Member

The Nomination and Corporate Governance Committee proposes candidates for the position of director for consideration by the Board and/or to the shareholders as stipulated in the Bank's Articles of Association. In proposing directors, the Board will take into consideration experience of the candidates in at least one area of significance to the Board, as well as the ability of the candidate to contribute to deliberations of the Board, exercise sound business judgment, think strategically, as well as their experience, leadership, professional skills, integrity and other appropriate personal qualities.

The Board elects one of its Directors (not being an Executive Director) as Chairman. The Chairman of the Board of Directors does not have a management position in the Bank in adherence to the principle of segregation of roles in policy formulation and oversight from those in operations management.

Six new directors were elected in 2003. The new directors received comprehensive briefings on their new role and responsibilities, the Bank's operations and the legal, regulatory and other duties of Directors of listed companies and commercial banks. All directors were given a Director's Manual containing the Board Charter, Board Committee Charters, the Code of Conduct for Directors, and the principal policies of the Board.

Tenure

The Bank's Articles of Association require one-third of the directors to retire by rotation at each Annual General Meeting. Accordingly, the term of office of each director is 3 years. A retired director may be reelected by the shareholders. The Nomination and Corporate Governance Committee nominates candidates for consideration by the Board and the shareholders respectively.

Board Assessment

The Board has adopted a policy of self-evaluation. This is to be conducted annually to determine whether it is functioning in accordance with its Charter as well as to evaluate performance of the Chairman and individual directors.

Board Meetings

The Board Charter requires that it hold not less than six meetings per year. Special meetings are convened as necessary. In 2003, there were 12 Board meetings. Principal meeting agendas are: consideration of the Bank's strategic direction, annual business plan and budget, quarterly financial reports, status of the Change Program, significant credit and debt restructuring, significant acquisition and disposal of assets, key organization and management changes, new policies and performance reviews. The Company Secretary ordinarily prepares and circulates the agenda and relevant documents at least 7 days before each meeting to allow Board members time to consider the issues.

The Company Secretary records the minutes, which are ordinarily circulated to the Board members 7 days after the meeting, The minutes are adopted at the next subsequent meeting, and are kept for scrutiny by the Board members and other concerned parties.

Details of Directors attendance record in 2003 are shown on page 29.

Board Committees

1. Executive Committee

The Board of Directors established an Executive Committee in 1984. Members are drawn from the Board and hold tenure concurrent with that of their directorship. Currently, the Committee comprises 4 members and an advisor, namely:

• Mr. Vichit Suraphongchai		Director and Committee Chairman
• Mr. Bodin Asavanich		Director
• Khunying Jada Wattanasiritham		Director, President & CEO
• Mrs. Kannikar Chalitaporn		Director and Senior Executive Vice President
Mr. Aswin Kongsiri		Advisor

In 2003, the Executive Committee held 37 meetings. Minutes of the meetings are circulated to the Board of Directors.

Function and Responsibilities

The Board has delegated the following major responsibilities to its Executive Committee:

1. Formulate recommendation to the Board of Directors for consideration and approval relating to strategies, annual business plan and budget, financial results, acquisition and disposal of key assets, issuance of the Bank's securities, risk management policy, organization and key management changes, and other issues as described in the Board Charter.

2. Consider and approve credit, debt restructuring, investment in securities and immovable assets, borrowing, and expenditures, according to authorization levels determined by the Board.

3. Approve the interest rate policy, accounting policies, and matters relating to legal proceedings by or against the Bank.

4. Consider and approve organizational changes and human resources policies.

5. Oversight of policies, strategies and the performance of subsidiary companies.

6. Approve changes to policies, manuals, and bank regulations, as authorized by the Board of Directors.

7. Consider matters arising from or referred by other Board Committees.

8. Consider any other issues assigned by the Board of Directors.

2. Audit Committee

The Board of Directors established an Audit Committee in 1998. Currently, the Audit Committee comprises three members with a term of two years each, namely:

• Mr. Maris Samaram		Director and Committee Chairman
• Mr. Tiraphot Vajrabhaya		Director
• Mr. Pichai Chunhavajira		Director

In 2003, the Audit Committee held 8 meetings. Minutes of the meetings are circulated to the Board of Directors.

Function and Responsibilities

The functions and responsibilities of the Audit Committee are as follows:

1. Review the Bank's financial reports to ensure their accuracy and adequacy.

2. Review the Bank's internal control and audit procedures systems and ensure that they are appropriate and effective.

3. Review and ensure the Bank's compliance with applicable laws and regulations.

4. Select, review, and recommend the appointment of the Bank's auditor and the auditor's fee.

5. Assess the results of the Bank's operations, as reported by relevant business unit, which in the view of the Committee are of critical importance and advise the Board of Directors on any necessary improvement action.

6. Ensure compliance with applicable regulations concerning disclosure of any related party transactions and conflict of interest.

7. Prepare the Audit Committee's report for publication in the Annual Report.

8. Perform any other tasks as assigned by the Board of Directors and follow up and assess the implementation of critical audit recommendations.

3. Compensation Committee

The Board of Directors established a Compensation Committee in 1999. The Committee comprises at least 3 non-executive directors and may not include the Board Chairman. The Chairman of the Committee must be an independent director. Currently, the Committee comprises 4 members, with a term of 2 years each, namely:

- Mr. Anand Panyarachun — Director and Committee Chairman
- Mr. John William Hancock — Director
- Mr. Peter Seah Lim Huat — Director
- Mr. Sumate Tanthuwanit — Director

The Charter requires the Committee to meet at least twice a year. In 2003, the Compensation Committee held 3 meetings. Minutes of the meetings are circulated to the Board of Directors.

Functions and Responsibilities

The principal functions of the Committee are to recommend remuneration and benefits policy to the Board (containing clear and transparent criteria), to enable remuneration and benefits to be set commensurate with the duties and responsibilities, and to devise clear annual performance assessment criteria. In this respect, the Committee has the following specific functions and responsibilities:

1. Recommend overall remuneration plans, policies, and practices for the Board and senior management (The President and Senior Executive Vice Presidents and Executive Vice Presidents who directly report to the President) remuneration, for consideration and approval by the Board.

2. Recommend the remuneration of the Chairman of the Board and other Directors.

3. Recommend the remuneration of the Chairmen and Members of Committees appointed by the Board of Directors.

4. Recommend the remuneration of the President.

5. Recommend the remuneration of Senior Executive Vice Presidents and Executive Vice Presidents who directly report to the President.

For these purposes, remuneration includes salary, bonus, stock option plans and other fringe benefits.

4. Nomination and Corporate Governance Committee

The Board of Directors set up a Nomination Committee in 2001. In early 2003 the Board expanded the functions and responsibilities of the Committee to cover corporate governance matters and changed the Committee's name to the Nomination and Corporate Governance Committee. The Board has laid down a policy that membership of the Nomination and Corporate Governance Committee be composed of at least three non-executive directors and may not include the Board Chairman. The Chairman of the Committee must be an independent director. Currently, the Committee comprises three members, with a term of two years each, namely:

• Mr. Anand Panyarachun	Director and Committee Chairman
• Mr. John William Hancock	Director
• Mr. Peter Seah Lim Huat	Director

The Committee meets at least twice a year. In 2003, the Nomination and Corporate Governance Committee held 10 meetings. Minutes of the meeting are circulated to the Board of Directors.

Functions and Responsibilities

The functions and responsibilities of the Nomination and Corporate Governance Committee are as follows:

1. Formulation of policy, criteria and method for proposing candidates to the Board for consideration and appointment as directors, members of Board Committees, President and Senior Executive Vice Presidents and in this respect shall exercise the following specific functions and responsibilities.
   - Considering the size, composition and term of the Board;
   - Devising criteria for Board membership;
   - Assessing the performance of the Chairman of the Board and reviewing the Chairman's assessment of individual Directors;
   - In the case of casual vacancies, proposing candidates for election by the Board;
   - In the case of vacancies arising by rotation, proposing candidates for consideration by the Board, before making recommendations to the shareholders in Annual General Meeting;
   - Recommending to the Board the maximum age of a director, over which a special majority vote is required for their election;
   - Succession planning with respect to the position of the President.
2. Formulation of a corporate governance policy for the Bank and to make recommendations to the Board as to actions that should be taken to ensure good governance at all levels.

5. Risk Management Committee

The Board of Directors established the Risk Management Committee in 2002. The Committee is chaired by the President. Members comprise management at the Senior Executive Vice President and Executive Vice President levels of the following areas: (1) Retail Banking Group, (2) Corporate Relationship Group, (3) Audit Group, (4) Special Assets Group, (5) Risk Management Group, (6) Technology Group, (7) Finance Group, and Division Heads of Credit Risk Management, Market Risk Management, and Operational Risk Management.

The Committee meets at least once a quarter. In 2003, the Risk Management Committee held 4 meetings. Minutes of the meeting were circulated to the Executive Committee and the Audit Committee and finally to the Board of Directors.

Functions and Responsibilities

The functions and responsibilities of the Risk Management Committee are as follows:

1. Ensure that the overall mix of risks within SCB is commensurate with the strategy and risk appetite set by the Board, and the capital base of the Bank.
2. Ensure that the risk portfolios of the Bank are constantly monitored and managed within limits, or procedures, set by the relevant policy for each of the three principal areas of risk which are Credit Risk, Market Risk and Operational Risk.
3. Identify new areas of risk, which might appear, either in order to exploit such risks for profit, or to manage any potential negative impact on the business.
4. Initiate action to update or amend existing risk policies as a result of identification of new risks or the change in the underlying nature of existing risks.

Management Committees

1. Strategy and Review Committee

The Strategy and Review Committee is chaired by the Chairman of the Executive Committee with the President as Vice Chairman and other members comprising executives at the Senior Executive Vice President and Executive Vice President levels.

Functions and Responsibilities

The functions and responsibilities of the Strategy and Review Committee are as follows:

1. Formulate business strategies and policies that are consistent with the policies approved by the Board.

2. Allocate appropriate financial resource and personnel for implementation of such policies and strategies.

3. Monitor and assess the results of implementation of policies and strategies

4. Adjust business policies and strategies to fit the market dynamics.

5. Consider and / or authorize the launch of new products and services.

6. Make decision and provide guidance to accomplish assigned tasks.

2. Change Program Steering Committee

The Change Program is the principal strategy of the Bank and was approved by the Board in October 2001. The Program aims to rebuild the Bank's foundation, enhance efficiency and service quality to world class levels, and ultimately to increase shareholder value.

The Change Program Steering Committee is chaired by the Chairman of the Executive Committee with the President as Vice Chairman. Other members include senior executives at the Senior Executive Vice President and Executive Vice President levels with the Head, Change Program Management Office as its secretary. The Senior Executive Vice President, Change Program is responsible for developing the program framework, monitoring project progress and ensuring coordination across the projects.

Functions and Responsibilities

The Committee sets the Program direction, allocate resources, monitors progress and resolves various issues that may arise.

3. Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee is part of the Bank's market risk management system. The Committee is chaired by the President. Other members include Senior Executive Vice Presidents and Executive Vice Presidents in charge of key business units and appropriate support functions including finance, treasury, and risk management. The Executive Vice President, Risk Management Group, is the secretary to the Committee.

Functions and Responsibilities

The functions and responsibilities of the Assets and Liabilities Management Committee are as follows:

1. Develop and propose guidelines on an annual basis with respect to assets and liabilities management.

2. Develop strategies for the Bank to better manage interest rate risk, exchange rate risk, liquidity risk, as well as other related risks.

3. Exercise control over the management of assets and liabilities to ensure that it is in accordance with the approved guidelines and report to the Board.

4. Determine functions and responsibilities of business units in implementation of policies it sets.

5. Address any related issue assigned by the Board.

4. Investment Committee

The Investment Committee is chaired by the President. Other members include Senior Executive Vice Presidents and Executive Vice Presidents in charge of equity investment, risk management, finance, and the Division Head, Equity Investment Division. The Deputy Head, Equity Investment Division is the secretary to the Committee.

Functions and Responsibilities

The functions and responsibilities of the Investment Committee are as follows:

1. Develop an equity investment plan which is consistent with the overall policy of the Bank including its business strategy and return targets.

2. Formulate strategy for supervising and developing synergy in doing business with portfolio companies.

3. Consider all equity investment proposals except those acquired by means of debt restructuring which are under the Credit Group's approval authority.

4. Nominate directors to represent the Bank and provide policy guidance to them to ensure that portfolio companies operate in a manner consistent with the Bank's policy.

5. Approve the Bank's equity investment according to the authority delegated to it by the Board.

Director and Management Remuneration

The Board's policy is that director remuneration should be appropriate and reflect their duty and responsibility to fulfill the expectations of the stakeholders and meet regulatory requirements. It is implicit that the Bank's directors must possess appropriate experience and qualifications to discharge such duties.

At the Annual General Meeting on April 3, 2000, the shareholders approved the Compensation Committee's proposal for a remuneration of Baht 1.8 million per year for the Board Chairman, and Baht 1.2 million per year each for Board members, and for the Directors to receive a bonus consistent with the Bank's performance.

In addition, the Board, based on recommendations by the Compensation Committee, sets the remuneration of the President and the remuneration of senior management members who report directly to the President. These amounts take into consideration the responsibility of such executives, and their current and anticipated contributions. To the extent possible such compensation will reflect the relative compensation level in the marketplace for senior executives.

Remuneration of Board Committees

Remuneration of Board Committees is determined by the Board. In setting the remuneration, the Board is advised by the Compensation Committee.

Executive Committee: The Committee Chairman receives Baht 300,000 per month. Each member of the Executive Committee receives Baht 150,000 per month. The President of the Bank is an ex-officio member and receives no payment. A Senior Executive Vice President who also serves as a member of the Executive Committee receives no payment.

Audit Committee: The Committee Chairman receives Baht 75,000 per month plus Baht 15,000 fee per attendance. Each Audit Committee members receives Baht 50,000 per month plus Baht 10,000 fee per attendance.

Compensation Committee: The Committee Chairman receives Baht 30,000 per month plus Baht 15,000 fee per attendance. Compensation Committee members each receive Baht 20,000 per month plus Baht 10,000 fee per attendance.

Nomination and Corporate Governance Committee: The Committee Chairman receives Baht 30,000 per month plus Baht 15,000 fee per attendance. Members of the Nomination and Corporate Governance Committee each receive Baht 20,000 per month plus Baht 10,000 fee per attendance.

Risk Management Committee: The members of the Risk Management Committee receive no payment as it is comprised solely of the Bank's executives.

Policy on Stakeholders' Rights

The Bank recognizes the rights of all stakeholders, and has in place a policy whereby all stakeholders' rights are safeguarded by strictly complying with applicable laws and regulations, including internal policies. The Commitment of the Bank are as follows:

Shareholders : The Bank is committed to achieve superior performance with continuous profit growth and maintaining leadership positions in its core businesses. The target is to enhance long term shareholder value.

Employees : The Bank is committed to build a work environment that will attract and retain a quality staff and to develop staff competency and skills so that with increased capability, all staff can perform to their highest standard.

Customers : The Bank is committed to providing superior products and services that best fit customer needs.

Society: The Bank is committed to meet its corporate responsibility to its society and environment and consistently supports and participates in activities that are beneficial to the community where the Bank operates.

Shareholders' Meeting

The Bank's policy is to conduct shareholders' meetings properly in accordance with the law and to allow shareholders to exercise their rights fully and in an informed manner.

The Annual General Meeting of Shareholders in 2003 was held on April 9, 2003. Notice of the meeting, detailed agenda and accompanying documents and the proxy form were sent to shareholders 14 days in advance to assist shareholders in casting their vote on each agenda item and in exercising their rights.

Information provided to shareholders in order that they will have sufficient information for consideration of each agenda item and to allow them to use their rights effectively included:

- Factual details, reasons, and the Board's recommendation on each agenda item.
- Material information, such as profiles of the candidate for election to fill the board seat vacated by the director who retires by rotation.
- Details of meeting procedures and appointment of proxy, advising that shareholders may appoint an independent director or the President as their proxy.

In addition, for convenience, separate registration was provided for shareholders and proxy holders. Separate voting slips were provided for each agenda.

The 2003 Annual General Meeting was chaired by the Board Chairman. Nine directors including the Chairmen of the Board Committees attended and responded to shareholders' questions. Before the meeting formally began, the Chairman explained the voting procedures. After each agenda item, the voting results on the agenda item were announced. At the end of the meeting, the President also announced the number of increased votes registered during the session.

For the shareholders' convenience, multi-media presentations were also shown during the meeting and a simultaneous English translation was provided for foreign shareholders. The Chairman allowed the shareholders fair opportunity to ask questions and make recommendations, and provided comprehensive clarification when requested.

The minutes of the meeting were recorded and the vote on each agenda item was counted and announced. The minutes will be submitted to the shareholders for ratification in 2004 as stipulated by the Articles of Association.

Code of Conduct

The Board formulated a Director's Code of Conduct settling as the ethical standards for its directors. Directors will pursue the highest standard of ethical conduct in the interests of shareholders and all other stakeholders. The Code covers important principles such as honesty and integrity, conflicts of interest, and compliance with laws and regulations.

In 2003, the Bank introduced a new version of Employee Code of Conduct, setting out standards of professional and ethical conduct for all employees of SCB group. The employees at all levels are expected to conduct themselves in an honest, diligent, and responsible manner and do what is right. This will build and sustain confidence and trust among our customers, shareholders and the general public.

Details of Director's Code of Conduct and Employee's Code of Conduct are available on our website(http://www.scb.co.th).

Conflicts of Interest

Guidelines concerning conflicts of interest are clearly set out in the Director's Code of Conduct and the Employee's Code of Conduct.

In addition, the Bank has put in place policies and procedures regarding related party transactions and potential conflicts of interest including use of inside information for personal gains. These are as follows.

- Compliance with the Stock Exchange of Thailand's regulations on connected transactions.

- A policy on related-party transactions based on conditions in the normal course of business of general customers. Income and expenses of related party transactions with parties where the Board may have a conflict of interest are based on relevant fair market value. Significant business transactions with its subsidiaries, associates, senior executives, major shareholders, and controlling persons in 2003 are disclosed in the Notes to Financial Statements. All transactions are in the normal course of business, with the same business conditions as any other business.

- Compliance with Bank of Thailand's regulations on provision of loan and investment facilities to related parties and shareholders. In particular, that the amount of loan and investment is not excessive and not provided on irregular terms and conditions. Approval of such loan or investment is by a unanimous decision of the Board and any director who has a connected interest with the transaction is prohibited from taking part in the decision. The Board may delegate its authority to the Executive Committee as it deems appropriate.

- Directors and senior management are required to file changes in their holdings of the Bank securities with the Office of the Securities and Exchange Commission in accordance with Article 59 of the Securities and Exchange Act B.E. 2535.

- Regulations on stock trading by employees and appropriate guidelines for Senior Executives, Senior Vice President or higher, and employees in the Bank's units who can benefit from inside information for themselves and others. Such regulation also includes related persons.

Internal Control

Recognizing that effective internal control will lead to good performance and sustainable growth, the Board of Directors has formulated a policy to enhance the Bank's internal control through various mechanisms, as follows:

- A new bank organization structure with clear lines of authority and accountability.

- Redesign of selected processes to expedite and enhance efficiency, within an effective control framework.

- Review of key accounting and financial disclosure policies, and the appropriateness and effectiveness of the Bank's internal control framework by the Audit Committee.

- The identification and mitigation of risk through the Risk Management Committee and the risk management units.

- Regulations indicating authority and responsibility of management and staff at each level and related control practices and procedures.

In achieving an effective internal control framework, the Bank recognizes the need for the management and all related work units to collaborate in an efficient and effective manner.

The Bank has announced basic internal control standards for each bank unit, including standards on separation of duty, data security protection, bank's assets and interests protection and on-going review by management. In addition, each work unit has established self-risk assessment process. The Audit Group participated in the assessment process, indicated any operational risk due to lax control and required process upgrade to mitigate these risks. Branch managers were required to consistently review the adherence to the Bank's internal control framework.

In addition to the aforementioned mechanisms, the Audit Group, playing an important role in control and audit of the Bank and its affiliates, has established a detailed audit plan covering all high risk work processes. The Bank is confident that each work unit has effective internal control systems in protecting and mitigating all operational risks, including financial, legal and regulatory compliance and information technology security control. In performing its duties, the Audit Committee has reviewed and approved the audit plan and considered key issues raised by its internal auditor, independent auditor, and the Bank of Thailand's inspectors. All audit reports are submitted to the Bank management and management of related units in order to acknowledge, correct and improve their operations. In addition the Audit Group closely monitors the implementation corrective measures.

The Board of Directors, management and staff are committed to work in harmony in improving the Bank's internal control framework and systems and realize sustainable improvements to its effectiveness and efficiency.

Disclosure Policy

The Bank has established a disclosure policy, approved by the Board of Directors in 2003, with the aim to deliver accurate, sufficient, thorough, and timely disclosure of information to shareholders, investors, and the public. This policy complies with all laws and regulations related to dissemination of information. The main intent is to ensure that the investment in the Bank's securities is based on fair and informed decisions.

The designated Bank executives to act as Disclosure Officers, comprise the Chairman of the Board, the Chairman of the Executive Committee, the President, the Advisor to the Executive Committee, the Chief Financial Officer, and the Division Head of Investor Relations. The Disclosure Officers meet and provide information to interested parties in various occasions as follows:

- One-on-one meetings with investors and equity analysts (110 meetings in 2003);
- General meeting with analysts, 2 times a year;
- Participating in investors conferences (5 conferences in 2003).

An investor relations unit is responsible for disseminating information to interested parties through various communication channels, including:

- Securities Exchange of Thailand's communication channels;
- The Bank's web site; http://www.scb.co.th (Investor Relations);
- SCB Update, a newsletter to the shareholders.

To contact the Investor Relations Unit, the general public may call 0-2544-4222 or e-mail at: investor@scb.co.th

Directors Attendance Record in 2003

Unit : Amount

Name	The Board of Directors	The Executive Committee	The Audit Committee	The Compensation Committee	The Nomination and Corporate Governance Committee
1. Mr. Chirayu Isarangkun Na Ayuthaya	12 (Out of 12)	-	-	-	-
2. Mr. Vichit Suraphongchai	12 (Out of 12)	33 (Out of 37)	-	-	-
3. Mr. Maris Samaram*	10 (Out of 10)	-	6 (Out of 6)	-	-
4. Mr. Anand Panyarachun*	11 (Out of 12)	-	-	3 (Out of 3)	10 (Out of 10)
5. Mr. Bodin Asavanich	12 (Out of 12)	32 (Out of 37)	-	-	-
6. Mr. Tiraphot Vajrabhaya*	4 (Out of 8)	-	4 (Out of 6)	-	-
7. Mr. Pichai Chunhavajira	6 (Out of 8)	-	6 (Out of 6)	-	-
8. Mr. John William Hancock*	9 (Out of 12)	-	-	3 (Out of 3)	10 (Out of 10)
9. Mr. Peter Seah Lim Huat*	6 (Out of 12)	-	-	1 (Out of 3)	5 (Out of 10)
10. Mr. Sumate Tanthuwanit	5 (Out of 8)	-	-	1 (Out of 1)	-
11. M.R. Disnadda Diskul	7 (Out of 12)	-	4 (Out of 6)	-	-
12. Mr. Verachai Tantikul	11 (Out of 12)	-	-	-	-
13. Mr. Sohei Sasaki	5 (Out of 5)				
14. Mrs. Puntip Surathin	3 (Out of 4)				
15. Khunying Jada Wattanasiritham	12 (Out of 12)	37 (Out of 37)	-	-	-
16. Mrs. Kannikar Chalitaporn	11 (Out of 12)	34 (Out of 37)	-	-	

* Independent Directors

Remark : Mr. Peter Seah Lim Huat and Mr. Sohei Sasaki are foreign residents. At the meeting of the Board of Directors no. 3/2003 and 7/2003, Mr. Seah attended the meeting via teleconferencing.

Remuneration for the Board of Directors, Committees and Senior Executive Officers in 2003

1. Remuneration in Cash

1.1 The Board of Directors, totaled 16 persons received meeting allowances and gratuity totaled Baht 16,780,000

1.2 Meeting allowances of the members of Executive Committee, Audit Committee, Compensation Committee, and Nomination and Corporate Governance Committee (13 persons) totaled Baht 9,875,667

Unit : Baht

Name	The Board of Directors	The Executive Committee	The Audit Committee	The Compensation Committee	The Nomination and Corporate Governance Committee
1. Mr. Chirayu Isarangkun Na Ayuthaya	1,800,000				
2. Mr. Vichit Suraphongchai	1,200,000	3,600,000			
3. Mr. Maris Samaram	1,013,333		635,833		
4. Mr. Anand Panyarachun	1,200,000			405,000	510,000
5. Mr. Bodin Asavanich	1,200,000	1,800,000			
6. Mr. Tiraphot Vajarabhaya	873,333		476,667		
7. Mr. Pichai Chunhavajira	873,333		496,667		
8. Mr. John William Hancock	1,200,000			270,000	340,000
9. Mr. Peter Seah Lim Huat	1,200,000			250,000	290,000
10. Mr. Sumate Tanthuwanit	873,333			130,667	
11. M.R. Disnadda Diskul	1,200,000		670,833		
12. Mr. Verachai Tantikul	1,200,000				
13. Mr. Sohei Sasaki	-				
14. Mrs. Puntip Surathin	546,667				
15. Khunying Jada Wattanasiritham	1,200,000	-			
16. Mrs. Kannikar Chalitaporn	1,200,000	-			
Total	16,780,000	5,400,000	2,280,000	1,055,667	1,140,000

(Not including remuneration of Directors, Members of the Executive Committee, and Members of the Audit Committee who were not in the office in the amount of Baht 1,136,667, Baht 915,000 and Baht 348,333, respectively.)

1.3 Remuneration of the Advisor to the Executive Committee totaled Baht 870,000

1.4 Remuneration of management at the senior executive vice president level upward (7 persons) totaled Baht 71,081,488.

2. Other Remuneration

- The Bank's provident fund contribution of the President and Senior Executive Vice Presidents (6 persons) totaled Baht 3,190,370.

Note : The attendance fee of members of the Compensation Committee on December 19, 2003 in the amount of Baht 45,000 will be recorded in the Bank's Account in 2004.

Changes in Shareholding in the Bank's Shares or Debentures

(The Board of Directors, Committees, and Senior Executive Officers)

	Name	Position	The amont of shares as at December 31, 2003	Change in 2003
1	Mr. Chirayu Isarangkun Na Ayuthaya	Chairman	-	-
2	Mr. Vichit Suraphongchai	Director and Chairman of the Executive Committee	-	-
3	Mr. Maris Samaram	Director and Chairman of the Audit Committee	-	-
4	Mr. Anand Panyarachun	Director, Chairman of the Compensation Committee and Chairman of the Nomination and Corporate Governance Committee	428,793 SCB 32,300 SCB-P	- - (13,757) SCB-W
5	Mr. Bodin Asavanich	Director and Member of Executive Committee	1,580 SCB 1,580 SCB-P	-
6	Mr. Tiraphot Vajarabhaya	Director and Member of the Audit Committee	78,600 SCB 15,000 SCB-P	-
7	Mr. Pichai Chunhavajira	Director and Member of the Audit Committee	-	-
8	Mr. John William Hancock	Director, Member of the Compensation Committee and Member of the Nomination and Corporate Governance Committee	-	-
9	Mr. Peter Seah Lim Huat	Director, Member of the Compensation Committee and Member of the Nomination and Corporate Governance Committee	-	-
10	Mr. Sumate Tanthuwanit	Director and Member of the Compensation Committee	151,953 SCB	-
11	M.R. Disnadda Diskul	Director	-	-
12	Mr. Verachai Tantikul	Director	-	-
13	Mr. Sohei Sasaki	Director	-	-
14	Mrs. Puntip Surathin	Director	426 SCB 106 SCB-W	- -
15	Khunying Jada Wattanasiritham	President & Chief Executive Officer and Executive Director	-	-
16	Mrs. Kannikar Chalitaporn	Director & Senior Executive Vice President and Executive Director	-	-
17	Mr. Chatchaval Bhanalaph	Senior Executive Vice President, Corporate Banking	2,000 SCB 499 SCB-W	- -
18	Mr. Deepak Sarup	Senior Executive Vice President, Change Program	-	-
19	Mr. Wuchien Michael Than	Senior Executive Vice President, Human Resources	-	-

Remarks : SCB = SCB Ordinary Shares
SCB-P = SCB Preferred Shares
SCB-W = SCB Warrant

During the past fiscal year, none of the Bank's Directors held share or debenture of affiliates and had direct or indirect interest in any contract which made by the Bank.

Audit Committee Report

In 2003, the Board of Directors have appointed to the Audit Committee the following 2 independent Board members and another Board member without management responsibilities to perform the duties assigned by the Board and the Audit Committee Charter :

1.	Mr. Maris	Samaram	Chairman of the Audit Committee
2.	Mr. Tiraphot	Vajrabhaya	Member of the Audit Committee
3.	Mr. Pichai	Chunhavajira	Member of the Audit Committee

The Audit Committee performed the following tasks during the year:

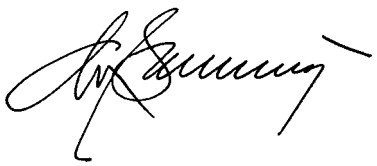
- Reviewed significant accounting policies, process for the preparation of financial reports and disclosure of information regarding related-party transactions and potential conflicts of interest. The Committee believes the policies and the processes followed were appropriate and the disclosures are in accordance with regulatory requirements.

- Reviewed the Bank's risk management procedures, internal control and audit systems including implementation of remedial actions recommended in the audit reports. The Bank generally complied with the requirements as stipulated by regulatory agencies. The Bank's risk management and internal control systems are adequate and are being continuously improved.

- Reviewed and discussed with the internal and external auditors their work coverage and major findings and ensured that appropriate remedial measures were undertaken by management. The Internal Audit Group was directed to closely monitor the results and progress of the remedial actions. The Committee also raised and advised the Board on significant issues during the year.

- The Audit Committee continued to work closely with the external auditors in coordination with the internal auditors to assure the effectiveness of the audits. The Committee also reviewed the external auditors' fees and will recommend their reappointment for another term.

The Audit Committee believe continued progress is being achieved in improving the processes of the Bank. The Committee will continue to undertake the responsibilities assigned by the Board and its charter to further strengthen the Bank's commitment to good corporate governance.



Mr. Maris Samaram
Chairman of the Audit Committee

The Bank's policy on liquidity management is to arrange sources of funds at an acceptable cost. The Bank has set up an Assets and Liabilities Management Committee to formulate policy on liquidity management. Also, the Bank has followed the Bank of Thailand's requirement on liquid assets which states that banks must maintain liquid assets equal to at least 6% of total deposits. At least 1% must be in deposits with the Bank of Thailand, while inter-bank deposits must not exceed 2.5%.

Sources and Uses of Funds

In 2003, SCB's major source of funds was deposits at 82%. Other sources of funds included shareholders' equity, borrowing by issuing debt instruments and inter-bank borrowings. The Bank managed to reduce its proportion of fixed deposits (high deposit rates), while savings and current deposits (low deposit rates) increased, resulting in a lower cost of funding.

For 2003, 59% of these funds were used for net loans and accrued interest, while another 20% were applied for investments. Meanwhile, inter-bank and money market items, followed by securities purchase under resale agreements, made up the remaining 7.5% and 5.7%, respectively.

Classification of Loans and Deposits by Maturity

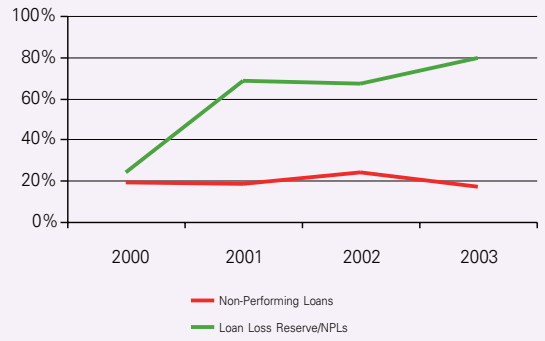
	December 31, 2003 (Million Baht)	December 31, 2002 (Million Baht)	% Change	% of Total
Loan				
Less than 1 year	241,325	225,874	6.8	47.7
Over 1 year	264,968	259,237	2.2	52.3
Total	506,293	485,111	4.4	100.0
Deposits				
Less than 1 year	579,502	528,206	9.7	95.4
Over 1 year	27,630	40,396	-31.6	4.6
Total	607,132	568,602	6.8	100.0

As seen in the above table, though deposits with more than 1 year maturity were less than loans with more than 1 year maturity, this reflects the normal situation at Thai commercial banks since depositors normally roll-over their deposits when they fall due. The problem of maturity mismatch is therefore viewed as an acceptable business risk.

Non-Performing Loans (NPLs)

As of December 31, 2003, SCB's NPLs according to the Bank of Thailand's definition - stood at Baht 89,769 million, or 17.5% of total loans. This represents a decrease of Baht 28,488 million from the Baht 118,257 million (24.2%) figure reported at the end of last year. The reduction of non-performing loans was due partly to write-offs, as well as substantial progress on debt restructuring and/or resolution. The Bank expects this trend to continue as a result of the economic recovery.

Non-Performing Loans and Loan Loss Reserve



FIVE YEAR COMPARATIVE FINANCIAL SUMMARY

The Siam Commercial Bank Public Company Limited

Balance Sheets

As at December 31,

Unit : Million Baht

	2003	2002	2001	2000	1999
ASSETS					
CASH	13,059	7,524	7,753	8,982	10,630
INTERBANK AND MONEY MARKET ITEMS	55,619	49,755	74,010	57,305	48,557
SECURITIES PURCHASED UNDER RESALE AGREEMENTS	42,100	13,450	28,480	18,480	3,095
NET INVESTMENT IN SECURITIES	147,599	146,621	124,807	122,171	104,655
LOANS	506,293	485,110	456,267	485,851	488,498
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	(71,961)	(79,807)	(23,535)	(22,808)	(18,713)
NET LOANS	434,332	405,303	432,732	463,043	469,785
ACCURED INTEREST RECEIVABLES	1,671	2,489	2,250	2,855	3,970
PROPERTIES FORECLOSED, NET	11,107	12,282	11,405	9,679	10,848
CUSTOMERS' LIABILITY UNDER ACCEPTANCES	432	557	476	918	2,832
PREMISES AND EQUIPMENT, NET	20,113	19,321	19,784	20,737	17,363
OTHER ASSETS	10,225	9,920	10,202	8,027	11,732
TOTAL ASSETS	**736,257**	**667,222**	**711,899**	**712,197**	**683,467**
LIABILITIES AND SHAREHOLDERS' EQUITY					
DEPOSITS	607,132	568,602	600,990	593,107	562,642
INTERBANK AND MONEY MARKET ITEMS	10,851	9,098	11,395	17,608	24,126
LIABILITIES PAYABLE ON DEMAND	3,771	3,002	3,583	1,981	4,471
BORROWINGS	24,043	25,442	25,522	25,602	22,103
BANK'S LIABILITY UNDER ACCEPTANCES	432	557	476	918	2,832
OTHER LIABILITIES	14,504	8,403	7,991	12,806	13,211
TOTAL LIABILITIES	**660,733**	**615,104**	**649,957**	**652,022**	**629,385**
SHAREHOLDERS' EQUITY					
ISSUED AND PAID-UP SHARE CAPITAL	31,630	31,319	31,312	31,305	31,210
PREMIUM ON SHARE CAPITAL AND RESERVE	14,397	87,812	87,922	88,168	82,634
RETAINED EARNINGS UNAPPROPRIATED	11,950	(74,550)	(62,063)	(62,467)	(66,069)
REVALUATION SURPLUS ON INVESTMENTS	17,599	7,554	4,656	2,862	6,192
FOREIGN CURRENCY TRANSLATION	(102)	(17)	115	307	115
UNREALIZED GAIN RESULTING FROM THE SALE OF SHARE OF A SUBSIDIARY					
OF AN ASSOCIATED COMPANY TO THE PUBLIC IN EXCESS OF PAR VALUE	50	-	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**75,524**	**52,118**	**61,942**	**60,175**	**54,082**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**736,257**	**667,222**	**711,899**	**712,197**	**683,467**
TOTAL CAPITAL FUNDS	66,742	62,062	77,923	78,377	74,172
OFF-BALANCE SHEET ITEMS-CONTINGENCIES					
AVALS TO BILL AND GUARANTEES OF LOANS	3,943	3,194	4,821	11,911	14,249
LIABILITY UNDER UNMATURED IMPORT BILLS	2,386	3,657	3,259	4,374	6,820
LETTERS OF CREDIT	8,149	6,359	8,730	9,533	7,372
OTHER CONTINGENCIES	500,984	383,239	321,064	377,870	283,153

The Siam Commercial Bank Public Company Limited

Statements of Income

For the Year Ended December 31,

Unit : Million Baht

	2003	2002	2001	2000	1999
INTEREST AND DIVIDEND INCOME	27,439	30,051	32,875	36,157	41,021
INTEREST EXPENSES	8,364	12,568	16,797	21,165	30,424
NET INTEREST AND DIVIDEND INCOME	**19,075**	**17,483**	**16,078**	**14,992**	**10,597**
BAD DEBT AND DOUBTFUL ACCOUNTS	2,400	24,826	9,207	6,256	40,231
NET INTEREST AND DIVIDEND INCOME					
AFTER BAD DEBT AND DOUBTFUL ACCOUNTS	**16,675**	**(7,343)**	**6,871**	**8,736**	**(29,634)**
NON-INTEREST INCOME					
GAIN ON EXCHANGES	1,906	1,923	1,000	527	1,470
FEES, SERVICE INCOME AND OTHER INCOME	6,397	6,445	4,949	6,400	8,146
INCOME FROM EQUITY INTEREST IN SUBSIDIARIES					
AND/OR ASSOCIATED COMPANIES	995	599	664	2,101	(1,115)
TOTAL NON-INTEREST INCOME	**9,298**	**8,967**	**6,613**	**9,028**	**8,500**
NON-INTEREST EXPENSES					
PERSONNEL EXPENSES AND DIRECTORS' REMUNERATION	4,368	4,134	4,064	3,903	4,801
TAXES AND DUTIES	1,246	1,221	1,163	1,277	1,476
LOSS FROM DIMINUTION IN VALUE AND RESERVE FOR					
SELLING EXPENSE OF PROPERTY FORECLOSED	390	900	100	1,302	-
OTHER EXPENSES	7,509	7,857	7,752	7,722	8,140
TOTAL NON-INTEREST EXPENSES	13,513	14,112	13,079	14,204	14,417
INCOME (LOSS) BEFORE INCOME TAX	**12,460**	**(12,488)**	**405**	**3,560**	**(35,551)**
INCOME TAX	-	-	-	-	-
NET PROFIT (LOSS)	**12,460**	**(12,488)**	**405**	**3,560**	**(35,551)**
DIVIDEND PER SHARE (BAHT)	-	-	-	-	-

The Siam Commercial Bank Public Company Limited

Financial Ratio

	2003	2002	2001	2000	1999
PROFITABILITY RATIO					
Profit Margin	71.54%	62.75%	53.04%	49.36%	34.80%
Net Profit Margin	33.92%	(32.01%)	1.02%	7.88%	(71.79%)
Return on Equity	19.52%	(21.90%)	0.66%	6.23%	(79.88%)
Interest Income	4.15%	4.79%	5.22%	5.79%	6.54%
Interest Expense	1.34%	2.02%	2.63%	3.39%	4.84%
Interest Spread	2.81%	2.77%	2.59%	2.40%	1.70%
Return on Investment	2.99%	3.50%	3.38%	5.52%	8.81%
EFFICIENCY RATIO					
Cost to Income	48.29%	52.57%	58.17%	62.85%	85.80%
Net Interest Income to Total Assets	2.72%	2.54%	2.26%	2.15%	1.53%
Return on Assets	1.78%	(1.81%)	0.06%	0.51%	(5.13%)
Asset Turnover (Times)	0.05	0.06	0.06	0.06	0.07
FINANCIAL POLICY RATIO					
Liabilities to Equity (Times)	8.75	11.80	10.49	10.84	11.64
Loans to Borrowing	79.74%	81.25%	72.41%	78.28%	82.91%
Loans to Deposits	83.39%	85.32%	75.92%	81.92%	86.82%
Deposits to Liabilities	91.89%	92.44%	92.47%	90.96%	89.40%
Dividend Payout Ratio	-	-	-	-	-
ASSET QUALITY RATIO					
Non-Performing Loans to Total Loans (including loans to financial institutions)	17.51%	24.20%	28.60%	19.31%	22.95%
Allowance for Doubtful Accounts to Non-Performing Loans	80.16%	67.49%	27.71%	24.20%	16.46%
Allowanace for Doubtful Accounts to Loans and Accrued Interest Receivables	14.17%	16.37%	5.13%	4.67%	3.80%
Doubtful Loss to Loans and Accrued Interest Receivables	1.95%	0.80%	2.09%	1.52%	10.78%
Accrued Interest Receivables to Loans and Accrued Interest Receivables	0.33%	0.51%	0.49%	0.58%	0.81%
CAPITAL ADEQUACY RATIO					
Total Capital to Total Risk Assets	12.9%	14.0%	16.6%	16.1%	15.0%
Total Tier 1 Capital to Total Risk Assets	7.1%	8.1%	10.3%	9.9%	9.8%
Total Tier 2 Capital to Total Risk Assets	5.8%	5.9%	6.3%	6.2%	5.2%

REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the consolidated financial statements of the Bank and its affiliated companies and financial information stated in the Annual Report. The Bank's financial statements were prepared in accordance with generally accepted appropriate accounting principles and practices on a regular basis in Thailand. Material information was sufficiently disclosed in the Notes to the Financial Statements.

The Board appointed the Audit Committee who comprises of Independent Directors and Non-executive Director to oversee the quality of financial reports and internal control of the Bank. The Audit Committee's views regarding this issue is disclosed in this Annual Report under the section of the Audit Committee's Report.

In the Board of Directors' opinion, the Bank's internal control system is adequate and can assure the reliability of the consolidated financial statements of the Bank and its affiliated companies as at December 31, 2003.