

Management Discussion and Analysis

For quarter 3/2010 and nine months ended September 30, 2010

The Siam Commercial Bank Public Company Limited



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Management Discussion and Analysis

For the third quarter and first nine months ended September 30, 2010

Siam Commercial Bank PCL announced reviewed operating results for the third quarter of 2010, with a consolidated **net profit** of Baht 6,479 million, a 24.6% yoy increase of Baht 1,281 million from Baht 5,198 million recorded in 3Q09. The year-on-year increase in net profit was mainly attributable to: (1) higher non-interest income which was driven by both robust fee and service income growth and a large one-time investment gain; (2) higher net interest and dividend income; and (3) lower provisions as the Bank's asset quality improved.

Operating profit (excluding allowance for doubtful accounts, income tax and minority interest) increased by 18.0% yoy to Baht 10,465 million in 3Q10 from Baht 8,867 million in 3Q09, due to increases in both net interest and dividend income and non-interest income. The increase in the latter was driven by fee and service income and investment gains.

Alongside net profit, earnings per share (EPS) rose to Baht 1.91 in 3Q10 from Baht 1.53 in 3Q09. Return on average equity (ROAE) and return on average assets (ROAA) increased to 17.5% and 2.0% in 3Q10 from 15.6% and 1.6% in 3Q09, respectively.

On a **quarter-on-quarter basis**, **net profit** rose 21.9% qoq to Baht 6,479 million in 3Q10 from Baht 5,316 million in 2Q10, primarily attributable to (1) higher non-interest income, which was propelled by growth in fee and service income, strong growth in gain on exchange and investment gains and (2) higher interest and dividend income mainly due to higher interest income stemming from increases in loan outstanding and higher interest rates, as well as higher dividend income from the Vayupak Fund booked in this quarter. As a result, **operating profit** (excluding allowance for doubtful accounts, income tax and minority interest) increased 22.3% qoq to Baht 10,465 million in 3Q10 from Baht 8,558 million in 2Q10.

For the **first nine months** of 2010, **net profit** was Baht 18,170 million, a 13.7% rise yoy from Baht 15,980 million recorded in 9M09, primarily from (1) higher non-interest income driven by robust growth in fee and service income and higher gain on investments; (2) higher net interest and dividend income as interest expenses fell by a larger magnitude than the decrease in interest income; and (3) lower provisions as asset quality improved. **Operating profit** (excluding allowance for doubtful accounts, income tax and minority interest) rose 9.4% yoy to Baht 28,671 million in 9M10 from Baht 26,216 million in 9M09.

Unit: Million Baht

(Consolidated)	3Q10	% qoq	% yoy	9M10	% yoy
Net interest and dividend income	11,423	6.2%	7.9%	33,092	5.2%
Non-interest income	8,851	27.8%	29.0%	23,388	14.3%
Non-interest expenses	9,809	7.5%	14.3%	27,808	8.2%
Operating profit	10,465	22.3%	18.0%	28,671	9.4%
Allowance for doubtful accounts	1,100	-1.2%	-25.1%	3,358	-22.4%
Income tax	2,832	34.6%	30.8%	7,030	20.1%
Minority interest in subsidiaries	53	127.1%	58.6%	114	104.7%
Net profit	6,479	21.9%	24.6%	18,170	13.7%
EPS (Baht)	1.91	21.9%	24.6%	5.35	13.7%
ROE	17.5%			17.0%	
ROA	2.0%			1.8%	

3Q10 Income Statement (Consolidated basis)

1. Net interest and dividend income

Net interest and dividend income rose 7.9% **yoy** to Baht 11,423 million in 3Q10 mainly due to a sharp decline in interest expenses while there was an increase in interest income propelled by robust loan growth of 9.8% yoy. A sharp decline in interest expenses was primarily a result of (1) the effect from the falling interest rates environment in 2008-2009 which led to lower deposit costs and borrowing costs, prior to the Bank's upward adjustments of deposit rates in 3Q10; (2) the lower average balance of the higher cost Bills of Exchange (B/E) in 3Q10; and (3) the maturing of promissory notes of the Bank's subsidiary, Siam Commercial Leasing (SCBL) which trimmed down the Bank's interest expenses on short-term borrowing.

Compared to the **previous quarter**, net interest income rose 6.2% qoq in 3Q10 mainly attributable to (1) higher interest income from loans as a result of a 1.8% qoq loan growth in 3Q10 and the increase of lending rates in July 2010; and (2) higher dividend income mainly from the Vayupak Fund booked in 3Q10.

In the **first nine months** of 2010, net interest and dividend income rose 5.2% yoy to Baht 33,092 million from Baht 31,455 million in 9M09, as interest expenses fell by a larger magnitude than the decrease in interest income. A sharp decline in both interest income and interest expenses was primarily the effect from the falling interest rates in 2008-2009. However, the Bank's ability to channel its liquidity from low-yielding interbank and money market lending into higher-yielding lending over the past few quarters helped mitigate the impact from the decline in interest income.

Unit: Million Baht

(Consolidated)	3Q10	% qoq	% yoy	9M10	% yoy
Interest and dividend income	13,577	6.6%	1.5%	39,341	-5.6%
- Loans	10,924	4.8%	3.6%	31,697	-3.8%
- Interbank and money markets	272	-3.7%	-43.6%	924	-44.3%
- Hire purchase and financial lease income	1,033	4.7%	-0.4%	3,010	-8.1%
- Investments	1,348	29.3%	3.0%	3,710	-2.2%
Interest expenses	2,153	8.6%	-22.7%	6,249	-38.8%
- Deposits	1,535	8.3%	-25.3%	4,449	-42.4%
- Interbank and money markets	179	8.3%	41.4%	506	23.1%
- Short-term borrowings	169	11.6%	-50.0%	537	-56.0%
- Long-term borrowings	270	8.6%	1.2%	756	-11.8%
Net Interest and dividend income	11,423	6.2%	7.9%	33,092	5.2%
Net Interest margin	3.79%	0.17%	0.33%	3.69%	0.25%
Yield on earning assets	4.51%	0.22%	0.13%	4.39%	-0.21%
Yield on loans	4.93%	0.06%	-0.18%	4.93%	-0.48%
Yield on interbank	1.31%	0.27%	0.18%	1.14%	-0.17%
Yield on investment	3.35%	0.62%	-0.05%	3.13%	-0.03%
Cost of funds*	0.81%	0.03%	-0.22%	0.80%	-0.46%
Cost of deposit	0.66%	0.05%	-0.20%	0.63%	-0.44%
Spread (yield on earning assets–cost of funds)	3.70%	0.19%	0.35%	3.59%	0.25%

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

* Cost of funds = Interest expenses / Interest bearing liabilities

Interest and dividend income in 3Q10 was Baht 13,577 million, a 1.5% **yoy** increase of Baht 202 million from Baht 13,374 million in 3Q09. Details include:

- **Interest income from loans** rose 3.6% yoy to Baht 10,924 million, driven by robust loan growth of 9.8% yoy;
- **Interest income from interbank and money markets** declined significantly by 43.6% yoy to Baht 272 million mainly due to a large decline in the Bank's interbank and money market lending, which reflected the Bank's ability to channel its liquidity into investing in more productive earning assets, mainly lending;
- **Hire purchase and financial lease** income came in flat yoy at Baht 1,033 million, as the growth in hire purchase loans of 18.8% yoy in 3Q10 was offset by the impact of the lower interest rates leading to a decline in the average yield of the Bank's hire purchase portfolio. The new hire purchase loans carry lower yields than the declining proportion of older hire purchase loans;
- **Interest and dividend income from investments** increased by 3.0% yoy to Baht 1,348 million, primarily the result of higher dividend income from equity investments.

At the same time, **interest expenses** declined 22.7% yoy to Baht 2,153 million in 3Q10. Interest expenses on deposits dropped 25.3% yoy as the deposit rate cuts in the preceding quarters resulted in lower deposit costs, prior to the Bank's upward adjustment of deposit rates in July 2010. Interest expenses from borrowings also fell by 27.4% yoy on the back of (1) the lower average balance of Bills of Exchange issued by the Bank; (2) the maturing of some promissory notes of the Bank's subsidiary, SCBL; and (3) the reduction in interest rates.

SCB Interest Rates	Mar 24, 09	Apr 20, 09	May 25, 09	Jun 18, 09	Sep 22, 09	Mar 31, 10	Jul 15, 10	Jul 27, 10	Sep 3, 10
Lending Rate									
MLR	6.25%	6.15%	5.85%	5.85%	5.85%	5.85%	5.85%	6.00%	6.00%
Deposit Rate									
Savings Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
3-month deposits	0.75%	0.75%	0.75%	0.65-0.85%	0.65%	0.65%	0.75%	0.75%	0.85%-1.00%
6-month deposits	0.75%	0.75%	0.75%	0.65-0.85%	0.65%	0.65%	0.90%	0.90%	1.10%-1.20%
12-month deposits	1.00%	1.00%	0.75%	0.65-1.00%	0.65%	0.65%	1.00%-1.20%	1.00%-1.20%	1.15%-1.40%
	Feb 25, 09	Apr 8, 09	May 20, 09	Sep 30, 09	Jan 13, 10	Mar 10, 10	Jun 2, 10	Jul 14, 10	Aug 25, 10
Policy Rate	1.50%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.50%	1.75%

On a **quarter-on-quarter** basis, interest and dividend income increased 6.6% to Baht 13,577 million in 3Q10 from Baht 12,736 million in 2Q10. Details are as follow:

- Interest income from loans rose 4.8% qoq as a result of loan growth of 1.8% qoq in 3Q10 and the increase of lending rates in July 2010;
- Interest income from interbank and money markets dropped 3.7% qoq as the daily average interbank balance in 3Q10 was lower than that of 2Q10;
- Hire purchase and financial lease income rose 4.7% qoq mainly due to robust growth of hire purchase loans portfolio of 7.4% qoq;
- Interest and dividend income from investments increased 29.3% qoq largely due to dividend income from Vayupak Fund of Baht 321 million booked in 3Q10.

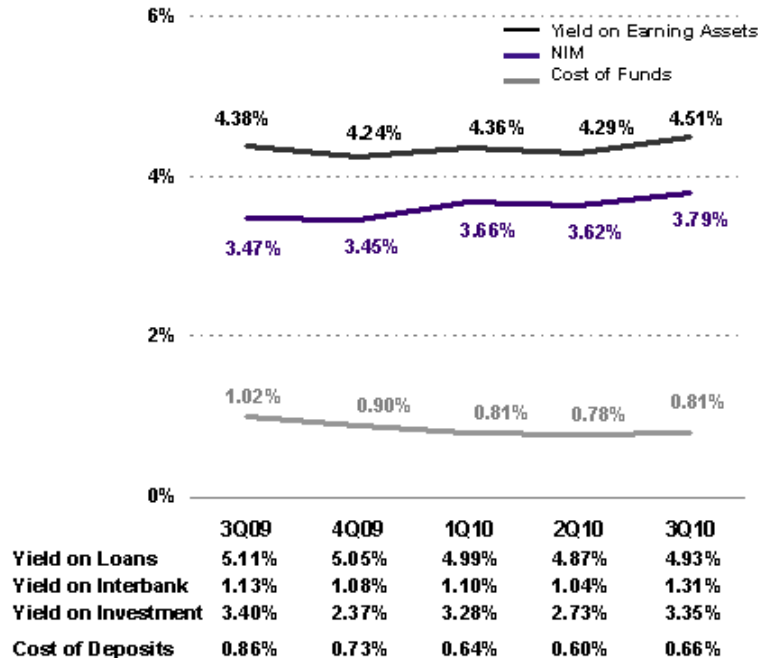
Interest expenses rose 8.6% qoq to Baht 2,153 million in 3Q10 from Baht 1,984 million in 2Q10 as a result of higher interest expenses on deposits following an increase in both interest rates and the deposit base. Interest expenses on borrowings also rose 9.7% qoq largely due to an increase in B/Es and the rise in interest rates during 3Q10.

With interest and dividend income increasing by a larger amount than interest expenses qoq, net interest and dividend income rose 6.2% qoq to Baht 11,423 million in 3Q10.

In the **first nine months** of 2010, interest and dividend income dropped 5.6% yoy to Baht 39,341 million in 9M10 from Baht 41,662 million in 9M09. Details are as follows:

- Interest income from loans fell 3.8% yoy to Baht 31,697 million, primarily due to the reduction in the Bank's interest rates (MLR was reduced by 75 bps during 2009-9M10), although loans grew 9.8% yoy in 9M10;
- Interest income from interbank and money markets declined significantly by 44.3% yoy to Baht 924 million because of the reduction in interbank interest rates (policy rate was down by 100 bps during 2009-9M10) and a sharp decline in the volume of the Bank's interbank and money market lending;
- Hire purchase and financial lease income declined 8.1% yoy to Baht 3,010 million, following the reduction in interest rates, which led to a decline in the average yield of the Bank's hire purchase portfolio, although hire purchase loans grew by 18.8% yoy;
- Interest and dividend income from investments decreased by 2.2% yoy to Baht 3,710 million, mainly due to lower interest income from investments in debt securities, following the decline in interest rates.

Interest expenses fell 38.8% yoy to Baht 6,249 million in 9M10 from Baht 10,208 million in 9M09 due to a 42.4% yoy decline in interest expenses on deposits, which was mainly a result of the reduction in deposit rates during 2009-1H10. Interest expenses from borrowings also fell by 37.7% yoy on the back of the lower average balance of B/E issued by the Bank, the maturing of FRNs and some promissory notes of the Bank's subsidiary, SCBL, and the reduction in interest rates.



Annualized net interest margin (NIM) widened to 3.79% in 3Q10 from 3.47% in 3Q09, as the Bank managed to channel its liquidity from lower-yielding interbank and money market lending into higher-yielding lending, as reflected in stronger loan growth momentum seen in 2Q10-3Q10. NIM also rose qoq to 3.79% in 3Q10 from 3.62% in 2Q10 primarily because of dividend income from Vayupak Fund and higher

yield on earning assets. Excluding dividend income from the Vayupak Fund, NIM was up by 6 bps qoq in 3Q10.

Annualized NIM for 9M10 was 3.69%, a 25 bps rise from 3.44% recorded in 9M09. This is in line with the Bank's full year target of 3.5%-3.8%. Again, this improvement was mainly the result of the Bank's ability to move liquidity from low-yielding interbank and money market lending into higher-yielding lending to corporates, SMEs and retail customers.

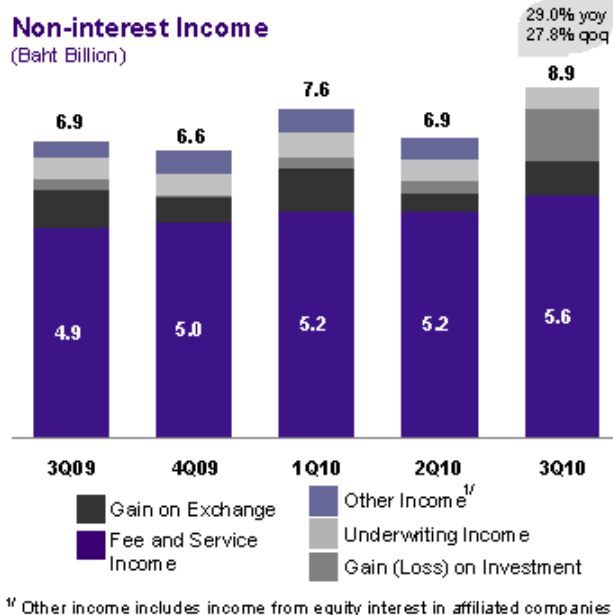
2. Non-interest income

Non-interest income rose 29.0% yoy to Baht 8,851 million in 3Q10 from Baht 6,861 million in 3Q09, principally the result of (1) a robust growth in fee and service income; and (2) higher gain on investments as the Bank booked a one-time gain on the sale of an equity investment in 3Q10. Additional details of non-interest income yoy are provided below:

- **Fee & service** income rose 15.5% yoy, driven by higher fee income from card business, bancassurance, and loan-related activities;
- **Gain on exchange** declined 14.5% yoy mainly as the result of lower returns from treasury activities;
- **Income from equity interests** in associated companies rose 23.2% yoy, in line with improved performance of associated companies, particularly the life insurance affiliate of the Bank;
- **Gross underwriting income** increased 17.2% yoy, in line with the increase in the business volume of the Bank's non-life insurance subsidiary;
- **Other income** rose 125.7% yoy primarily owing to higher gains from sale of foreclosed properties; and
- **Gain on investments** was at Baht 1,215 million in 3Q10, a significant increase from Baht 214 million booked in 3Q09, largely from a one-time gain on the sale of a non core equity investment.

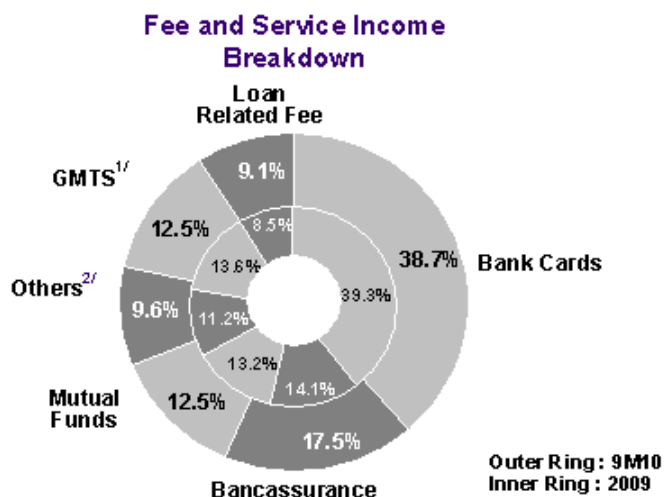
Unit: Million Baht

(Consolidated)	3Q10	% qoq	% yoy	9M10	% yoy
Fee and service income	5,605	7.4%	15.5%	16,050	15.1%
- Acceptances, aval, and guarantees	260	21.4%	1.2%	702	-11.2%
- Others	5,345	6.8%	16.4%	15,348	16.6%
Gain on exchange	776	86.2%	-14.5%	2,194	-24.0%
Income from equity interest in affiliated companies	261	0.0%	23.2%	775	55.3%
Underwritings income	577	5.8%	17.2%	1,720	16.2%
Other income	417	100.4%	125.7%	920	21.5%
Non-interest income excluding gain on investments	7,636	14.8%	14.9%	21,659	10.7%
Gain on investments	1,215	338.7%	467.6%	1,729	92.3%
Total non-interest income	8,851	27.8%	29.0%	23,388	14.3%



On a **quarter-on-quarter** basis, non-interest income rose 27.8% qoq to Baht 8,851 million in 3Q10 from Baht 6,927 million in 2Q10. Details include:

- Fee and service income rose 7.4% qoq, driven by higher fee income from card business, brokerage fee and corporate finance activities;
- Gain on exchange increased significantly by 86.2% qoq as a result of higher returns from treasury activities in 3Q10;
- Income from equity interests in associated companies was flat qoq in line with the performance of associated companies;
- Gross underwriting income increased 5.8% qoq in line with the business volume recorded by the Bank's non-life insurance subsidiary;
- Other income rose 100.4% qoq due to higher gain on the sale of foreclosed properties; and
- Gain on investments rose to Baht 1,215 million in 3Q10 from Baht 277 million in 2Q10 largely from a one-time gain on the sale of a non core equity investment.



Fee Income by Segment (Baht Billion)	3Q09	2Q10	3Q10	%yoy	%qoq
Corporate	0.87	0.87	1.00	15.0%	14.0%
SME	0.27	0.34	0.45	66.8%	33.2%
Retail	3.70	3.99	4.14	12.0%	3.8%

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

² Others include brokerage fee, fund transfer, remittance, etc.

In the **first nine months** of 2010, non-interest income rose 14.3% yoy to Baht 23,388 million from Baht 20,469 million in 9M09, due to robust fee and service income growth and higher gain on investments.

- In 9M10, fee and service income rose 15.1% yoy, driven by higher fee income from card business, bancassurance and fund management business;
- Gain on exchange fell 24.0% yoy mainly as a result of lower return from treasury activities;
- Income from equity interests in associated companies rose 55.3% yoy, in line with the improved performance of associated companies;
- Gross underwriting income increased 16.2% yoy in line with the business volume growth of the Bank's non-life insurance subsidiary;
- Other income rose 21.5% yoy primarily owing to higher gains from sale of foreclosed properties;
- Gain on investments rose 92.3% yoy mainly due to a one-time gain on the sale of an equity investment in 3Q10.

In the first nine months of 2010, non-interest income accounted for 41% of total income (39% in 2009), while fee income made up 28% of total income (27% in 2009). This growth is in line with the Bank's medium-to-long-term objective of having non-interest income account for more than 40% of total income. The Bank also expects the aggregate fee income contribution from Corporate Banking and Business Banking (SME) to increase from the current level of below 30% of total fee income through a stronger focus on fee based activities in these business segments. This direction is evident from the relatively higher growth rate of fees from these two segments compared to Retail in the current quarter, as noted in the table above.

3. Non-interest expenses

Non-interest expenses increased 14.3% **yoy** to Baht 9,809 million in 3Q10 from Baht 8,583 million in 3Q09. Key items are explained as follows:

- **Personnel expenses** increased 22.6% yoy mainly as a result of a higher retroactive accrual for performance bonus, annual salary adjustments, and an increase in the personnel numbers over the past year;
- **Premises and equipment expenses** decreased slightly 0.6% yoy due to the Bank's cost control measures despite the continued investments in network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** rose 21.1% yoy mainly from higher interest income from loans;
- **Fee and service** expenses rose 8.1% yoy alongside the higher volume of fee-based activities;
- **Contribution to the Deposit Protection Agency** decreased 6.3% yoy as the average deposit balance during 3Q10 was lower than the average balance during 3Q09, although the ending balance of 3Q10 was higher than the ending balance of 3Q09;
- **Underwriting expenses** rose 12.9% yoy in line with business volume growth of the Bank's non-life insurance subsidiary; and
- **Other expenses** rose significantly by 40.6% yoy due to higher reserves for reward redemption within the credit card business as the Bank revised the redemption rate upwards.

Unit: Million Baht

(Consolidated)	3Q10	% qoq	% yoy	9M10	% yoy
Personnel expenses	3,640	10.5%	22.6%	10,241	14.1%
Premises and equipment expenses	2,043	0.4%	-0.6%	5,987	0.7%
Tax and duties	568	22.1%	21.1%	1,517	-6.8%
Fee and service expenses	933	11.6%	8.1%	2,767	10.6%
Director remuneration	24	-1.9%	195.6%	55	119.1%
Contribution to the Deposit Protection Agency	906	-3.1%	-6.3%	2,775	0.1%
Underwriting expenses	269	-4.3%	12.9%	833	11.1%
Other expenses	1,427	13.8%	40.6%	3,633	16.7%
Total non-interest expenses	9,809	7.5%	14.3%	27,808	8.2%
Cost to income ratio	48.4%			49.2%	
Cost to income ratio excluding SCB Samaggi Insurance	47.3%			48.0%	

On a **quarter-on-quarter** basis, non-interest expenses rose 7.5% qoq to Baht 9,809 million in 3Q10 from Baht 9,121 million in 2Q10. Key items are explained as follows:

- Personnel expenses rose 10.5% qoq mainly as a result of a higher level of accrued performance bonus for 2010 and the slightly higher number of personnel;
- Premises and equipment expenses were flat qoq;
- Taxes and duties increased 22.1% qoq mainly from higher interest income from loans;

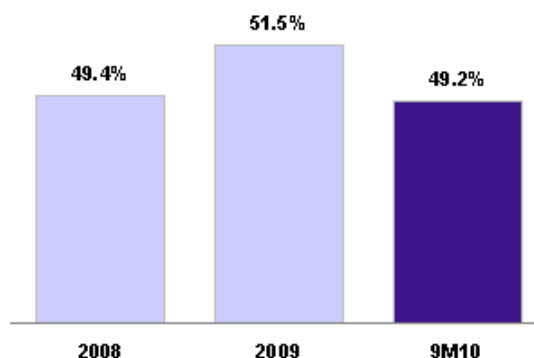
- Fee and service expenses rose 11.6% qoq alongside fee-based activities;
- Contribution to the Deposit Protection Agency fell 3.1% qoq as the average deposit balance in 3Q10 was lower than the average balance during 2Q10, although the ending balance of 3Q10 was higher than the ending balance of 2Q10;
- Underwriting expenses decreased 4.3% qoq in line with business volume of the Bank's non-life insurance subsidiary;
- Other expenses rose 13.8% qoq due mainly from a higher reserve for reward redemption within the credit card business as the Bank revised the redemption rate upwards.

In the **first nine months** of 2010, non-interest expenses rose 8.2% yoy to Baht 27,808 million in 9M10 from Baht 25,708 million in 9M09, mainly due to (1) higher personnel expenses as a result of annual salary adjustments, higher level of accrued performance bonus for 2010, and the higher number of employees; (2) higher level of other expenses mainly due to the promotion expenses relating to the Bank's efforts to rapidly revive consumer demand in selected retail markets following the political unrest in 2Q10 and higher reserve for reward redemption within the credit card business as the Bank revised its redemption rate upwards in 3Q10; and (3) higher fee and service expenses, which rose alongside fee-related activities.

In the first nine months of 2010, the cost to income ratio was 49.2%, declining from 51.5% recorded in 2009. This was well below the Bank's full-year cost to income ratio target of 51%. It should be noted that the consolidated cost to income ratio is distorted by the consolidation of the Bank's non-life insurance subsidiary, SCB Samaggi Insurance. If the non-life insurance subsidiary is excluded, the ratio would be even lower at 48.0% in 9M10.

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

Cost-to-Income Ratio (%)



4. Loan loss provisions

The Bank's current provisioning policy is to set aside provisions of approximately Baht 1,200 million per quarter, down from the Baht 1,500 million used during 4Q08-3Q09, given the improved economic conditions and as asset quality concerns recede.

On a **bank only** basis, the Bank set aside Baht 1,200 million of loan loss provisions in 3Q10. On a **consolidated** basis, the provision was Baht 1,100 million in 3Q10, which was lower than provisions on a bank only basis, mainly due to a clawback of provisions at Siam Commercial Leasing (SCBL) given improvements to its portfolio quality. The Bank's total allowance for doubtful accounts at the end of September 2010 stood at Baht 44,118 million, an increase from Baht 42,894 million at the end of December 2009, reflecting the Bank's conservative provisioning stance, while NPLs declined slightly from Baht 44,958 million at the end of 2009 to Baht 44,007 million (3.98%) at the end of September 2010.

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

As of September 30, 2010, the Bank reported total assets of Baht 1,363,230 million, an increase of Baht 63,815 million (4.9%) yoy from Baht 1,299,415 million at the end of September 2009, and an increase of Baht 69,183 million (5.3%) year to date from Baht 1,294,047 million at the end of 2009. Details of the consolidated balance sheet are as follows:

1. Loans and Deposits

As of September 30, 2010, total outstanding loans stood at Baht 988,484 million, an increase of Baht 88,472 million (9.8%) yoy from Baht 900,012 million at the end of September 2009, and an increase of Baht 17,017 million (1.8%) qoq from Baht 971,467 million at the end of June 2010. On a year-to-date basis, loans grew 5.1% from Baht 940,238 million at the end of 2009. In 3Q10, the strong growth in SME and auto hire purchase loans were the direct result of the Bank's market-share growth strategies for 2010. Loans written-off amounted to Baht 2,724 million during 9M10.

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

- **Corporate Banking** loans rose 8.9% yoy and 0.3% qoq. The increase in corporate loans was in line with the Bank's pro-active strategy to re-capture market share in the blue-chip corporates & public sector segments. On a year-to-date basis, Corporate Banking loans grew 1.7%;
- **Business Banking** loans, or loans to SMEs, rose 9.3% yoy and 3.0% qoq, following the launch of the Bank's new business model and specific strategies to better penetrate the SME segments at the beginning of the year, particular at the smaller end of this segment. The strong growth in SME loans during 3Q10 was mainly from the successful launch of special product campaigns. On a year-to-date basis, Business Banking loans grew 5.0%;
- **Retail Banking** loans increased 13.8% yoy, 2.8% qoq and 9.9% year-to-date.
 - **Housing loans** rose 10.4% yoy, 0.6% qoq and 8.0% year-to-date. Housing loans grew strongly in 1H10 driven by the combined effect of three factors: the low interest rates environment, the Government's tax incentives for the purchase of new homes which ended in June 2010, and the Bank's ability to leverage its business platform to process record-high housing loans volume. However, housing loans grew modestly in 3Q10 following the expiration of the Government's tax incentive.
 - **Hire purchase loans** increased 18.8% yoy, 7.4% qoq and 18.5% year-to-date as a result of the Bank's new growth-oriented strategy to enhance business volumes and market share in this segment. Strong hire purchase loan growth was also driven by Thailand's robust vehicle sales growth;
 - **Other loans** (largely personal and credit card loans) increased 19.9% yoy, 5.3% qoq and 7.7% year-to-date mainly from sharp increases in personal loans.

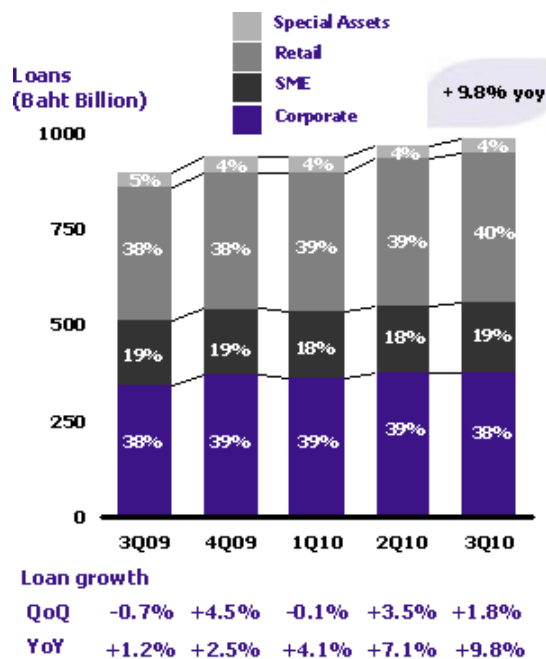
Unit: Million Baht

Loans	Sep 30, 10	Jun 30, 10	% qoq	Sep 30, 09 (restated)*	% yoy	Dec 31, 09	% ytd
Good Bank	951,316	934,297	1.8%	857,589	10.9%	901,110	5.6%
Corporate	377,284	376,292	0.3%	346,464	8.9%	370,954	1.7%
SME	183,304	177,879	3.0%	167,669	9.3%	174,577	5.0%
Retail	390,728	380,126	2.8%	343,456	13.8%	355,579	9.9%
- Housing Loans**	235,988	234,594	0.6%	213,821	10.4%	218,418	8.0%
- Hire Purchase***	76,844	71,571	7.4%	64,683	18.8%	64,835	18.5%
- Other Loans***	77,896	73,962	5.3%	64,952	19.9%	72,327	7.7%
Special Assets Group	37,168	37,170	0.0%	42,423	-12.4%	39,127	-5.0%
Total Loans	988,484	971,467	1.8%	900,012	9.8%	940,238	5.1%

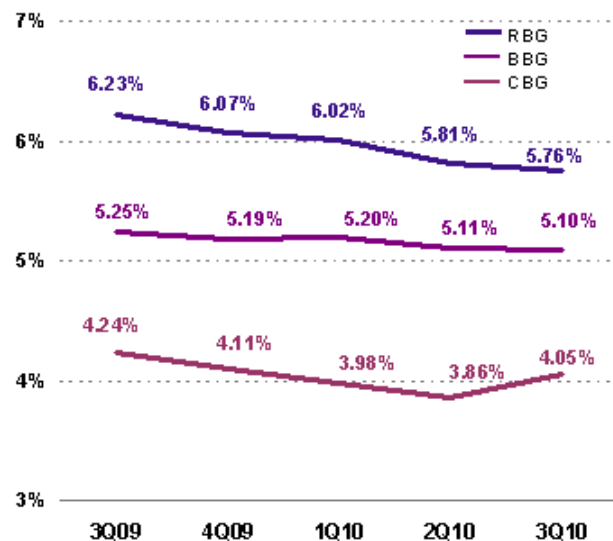
* New loan classification threshold following the Bank's implementation of a new business model for SMEs. Some of the SME loans were reclassified to Corporate and Retail Banking Group under this threshold.

** Classified by business units. Covers only housing loans booked under the Retail Banking unit. If classified as a product the total housing loans portfolio at September 30, 2010 stood at Baht 275,529 million.

*** The Bank has adjusted hire purchase loan classification which reclassified financial lease, previously recorded under other loans, to hire purchase loans.



Yield by business units (%)



As noted in the table below, loans to manufacturing and commercial sectors continued to account for the largest portion of the total loan portfolio while housing loans made up the second largest portion. Other loans, comprised mostly of hire purchase, credit card and personal loans, recorded the highest growth of 15.3% yoy, followed by housing loans of 12.2% yoy. On the year-to-date and qoq basis, other loans also recorded the highest growth of 10.4% and 6.2%, respectively.

The Bank expects loan growth to gain further momentum in 4Q10 on the back of continued improvement in the domestic economic environment and the seasonal loan demand, which will complement the Bank's key

growth strategies and, ultimately, enable the Bank to achieve its full-year loan growth target of 7-10% in 2010. Furthermore, the Bank's key growth strategies for 2010 to expand market shares in the blue-chip corporate, SMEs, and automobile hire purchase segments should yield stronger results going forward.

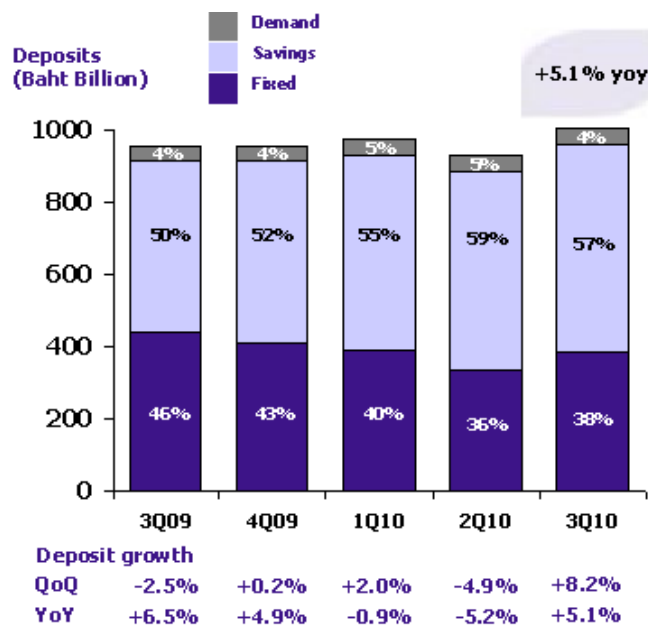
Unit: Million Baht

(Consolidated)	Sep 30, 10	Jun 30, 10	% qoq	Sep 30, 09	% yoy	Dec 31, 09	% ytd
Agricultural and mining	13,325	15,079	-11.6%	12,960	2.8%	13,524	-1.5%
Manufacturing and commercial	358,427	355,570	0.8%	321,769	11.4%	343,741	4.3%
Real estate and construction	75,544	74,872	0.9%	73,205	3.2%	74,769	1.0%
Utilities and services	122,647	119,368	2.7%	122,385	0.2%	126,760	-3.2%
Housing loans*	275,529	271,900	1.3%	245,643	12.2%	251,869	9.4%
Others	143,012	134,678	6.2%	124,050	15.3%	129,575	10.4%
Total loans	988,484	971,467	1.8%	900,012	9.8%	940,238	5.1%

* Classified by sector/product.

As of September 30, 2010, **deposits** stood at Baht 1,003,365 million, up 5.1% yoy from Baht 954,309 million at the end of September 2009, and up 8.2% qoq from Baht 927,374 million at the end of June 2010. On a year-to-date basis, deposits rose 5.0%. The strong growth in deposit base during 3Q10 was the result of the Bank's special deposit campaigns launched during the quarter and the continued growth of its cash management products.

Savings deposits and demand deposits increased (year to date) by 14.8% and 0.8% respectively, while fixed deposits decreased 6.6% year-to-date. The proportion of savings and demand deposits as a percentage of total deposit base rose significantly to 61.5% at the end of 3Q10 from 56.7% at the end of 2009.



Unit: Million Baht

Deposits	Sep 30,10	Jun 30, 10	% qoq	Sep 30, 09	% yoy	Dec 31, 09	% ytd
Demand	41,091	43,787	-6.2%	39,429	4.2%	40,760	0.8%
Savings	575,992	548,852	4.9%	472,795	21.8%	501,640	14.8%
Fixed	386,281	334,735	15.4%	442,085	-12.6%	413,576	-6.6%
- Less than 6 months	147,909	161,352	-8.3%	191,135	-22.6%	199,023	-25.2%
- 6 months and up to 1 year	71,911	29,146	146.7%	46,249	55.5%	27,953	157.3%
- Over 1 year	166,462	144,237	15.4%	204,702	-18.7%	186,600	-10.8%
Total Deposits	1,003,365	927,374	8.2%	954,309	5.1%	955,976	5.0%
Bill of Exchange (B/E) (Consolidated)	44,003	10,679	312.1%	26,826	64.0%	18,802	134.0%

2. Investments

Investments fell 3.2% **yoy** to Baht 145,763 million at the end of September 2010 from Baht 150,558 million at the end of September 2009, mainly due to a decrease in investment in bonds issued by the government. Investments also fell 9.5% **qoq** due to decreases in investment in bonds issued by the government and bonds issued by the Bank of Thailand (BOT). On a **year-to-date** basis, investments declined 11.9% on the back of the reduction in investments in government and BOT bonds as part of the Bank's adjustment of its investment portfolio in the current quarter.

Unit: Million Baht

	Sep 30, 10	Jun 30, 10	% qoq	Sep 30, 09	% yoy	Dec 31, 09	% ytd
- Short-term investment-net	50,757	61,935	-18.0%	35,334	43.6%	57,052	-11.0%
- Long-term investment-net	89,993	94,121	-4.4%	110,618	-18.6%	103,643	-13.2%
- Investment in associated companies-net	5,012	5,037	-0.5%	4,606	8.8%	4,723	6.1%
Total Investments-net	145,763	161,093	-9.5%	150,558	-3.2%	165,419	-11.9%

3. Borrowings

Borrowings declined 2.0% **yoy** to Baht 67,216 million at the end of 3Q10, primarily due to the maturing of promissory notes issued by the Bank's subsidiary, SCBL, which were partly offset by the increase in B/Es issued by the Bank. Borrowings increased 97.1% **qoq** largely due to the issuance of B/Es. (The B/Es or Bill of Exchange are essentially akin to an uninsured deposit which have gained in popularity in recent years due to a higher yield when compared to fixed term deposits. As these instruments are not-insured, the Bank does not need to pay the contribution fee to the Deposit Protection Agency and some of this benefit is passed on to holders of these instruments).

4. Shareholders' equity

As of September 30, 2010, shareholders' equity stood at Baht 149,807 million, a 10.1% **yoy** increase of Baht 13,801 million from Baht 136,006 million at the end of September 2009, mainly from the net profit for

the period. The net profit appropriations were reduced by the dividend payment of Baht 8,498 million (Baht 2.50 per share or dividend payout ratio of 40.9%) in accordance with the resolution of the Shareholder's Annual General Meeting in April 2010 and an interim dividend payment of Baht 3,399 million (Baht 1.00 per share or dividend payout ratio of 29.1% of 1H10 net profit) in accordance with the resolution of the Board of Directors Meeting No.8/2010 in August 2010. Shareholders' equity increased 2.6% qoq or by Baht 3,862 million from the end of June 2010, largely attributable to 3Q10 net profit and an increase of Baht 890 million in the revaluation surplus on available-for-sale investments which was partly offset by interim dividend payment of Baht 3,399 million.

Book value per share as of September 30, 2010 was Baht 44.07 (3,399 million ordinary and preferred shares at the end of September 2010), up from Baht 41.49 at the end of 2009.

Off Balance Sheet: Contingencies

As at September 30, 2010, the Bank and its subsidiaries had combined contingencies of Baht 2,591,847 million, up by Baht 574,767 million (28.5% yoy) from Baht 2,017,080 million at the end of September 2009. The increase in contingencies was mainly from the increase in interest rate contracts, which are part of the risk management products and services offered to customers and make up the majority of the Bank's total contingencies.

Unit: Million Baht

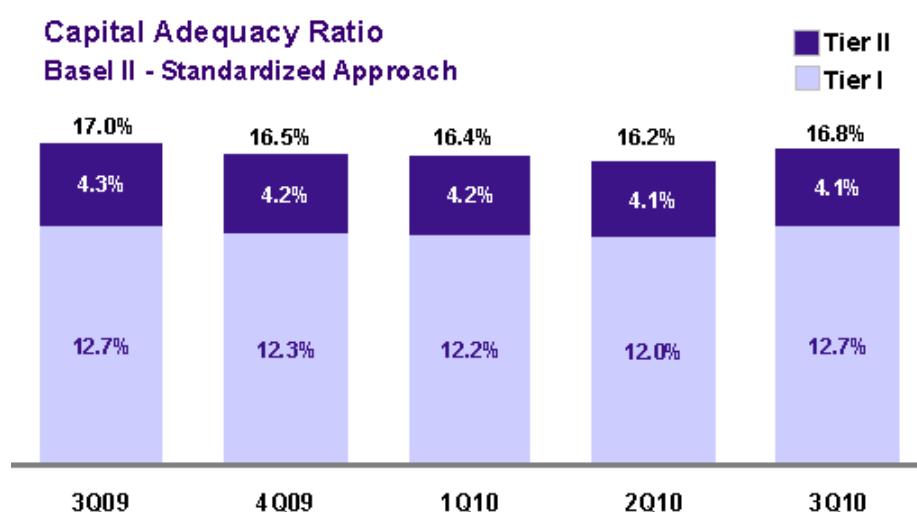
(Consolidated)	Sep 30, 10	Jun 30, 10	% qoq	Sep 30, 09	% yoy	Dec 31, 09	% ytd
Aval to bills and loan guarantees	3,002	3,120	-3.8%	3,653	-17.8%	2,391	25.6%
Liability under unmatured import bills	5,471	5,350	2.3%	6,022	-9.1%	5,264	3.9%
Letters of credit	11,444	11,563	-1.0%	12,591	-9.1%	11,743	-2.5%
Other contingencies	2,571,930	2,246,590	14.5%	1,994,814	28.9%	2,128,042	20.9%
Other guarantees	92,266	109,610	-15.8%	118,781	-22.3%	100,915	-8.6%
Exchange rate contracts	762,604	741,046	2.9%	804,130	-5.2%	879,318	-13.3%
Bought	379,041	357,351	6.1%	391,785	-3.3%	428,063	-11.5%
Sold	383,563	383,695	0.0%	412,345	-7.0%	451,255	-15.0%
Interest rate contracts	1,621,498	1,309,020	23.9%	985,322	64.6%	1,049,998	54.4%
Bought	810,599	654,360	23.9%	492,361	64.6%	524,849	54.4%
Sold	810,899	654,660	23.9%	492,961	64.5%	525,149	54.4%
Equity derivatives	1,628	1,712	-4.9%	834	95.2%	833	95.4%
Bought	814	856	-4.9%	680	19.7%	679	19.9%
Sold	814	856	-4.9%	154	428.6%	154	428.6%
Credit derivatives	301	808	-62.7%	1,097	-72.6%	831	-63.8%
Bought	-	-	-	-	-	-	-
Sold	301	808	-62.7%	1,097	-72.6%	831	-63.8%
Commodity derivatives	8,358	1,912	337.1%	2,600	221.5%	14,842	-43.7%
Bought	4,179	956	337.1%	1,300	221.5%	7,421	-43.7%
Sold	4,179	956	337.1%	1,300	221.5%	7,421	-43.7%
Amount of unused bank overdraft	85,034	82,255	3.4%	81,804	3.9%	81,061	4.9%
Others	241	227	6.2%	246	-2.0%	244	-1.2%
Total contingencies	2,591,847	2,266,623	14.3%	2,017,080	28.5%	2,147,440	20.7%

Statutory Capital (Bank only)

Total capital funds (Tier 1 and Tier 2) as of September 30, 2010 were at a high of 16.78% of total risk-weighted assets, representing Tier-1-capital of 12.70% and Tier-2-capital of 4.08%. The aforementioned ratios do not take into account the 3Q10 net profit. The Bank's Tier 1 capital comprises, substantially, tangible capital only. Should the 3Q10 net profit be taken into consideration, total capital ratio and Tier 1 capital ratio would be 17.44% and 13.37%, respectively.

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

(Bank only)		Statutory Capital				
		Sep 30, 10 (Basel II)	Dec 31, 09 (Basel II)	% ytd	Sep 30, 09 (Basel II)	% yoy
Tier-1 Capital	Bt, million	123,503	114,252	8.1%	114,252	8.1%
	% of RWA	12.70%	12.27%		12.70%	
Tier-2 Capital	Bt, million	39,625	39,118	1.3%	38,737	2.3%
	% of RWA	4.08%	4.20%		4.30%	
Total Capital	Bt, million	163,128	153,370	6.4%	152,989	6.6%
	% of RWA	16.78%	16.47%		17.00%	
Risk weighted assets	Bt, million	972,242	931,337	4.4%	899,851	8.0%



Non Performing Assets

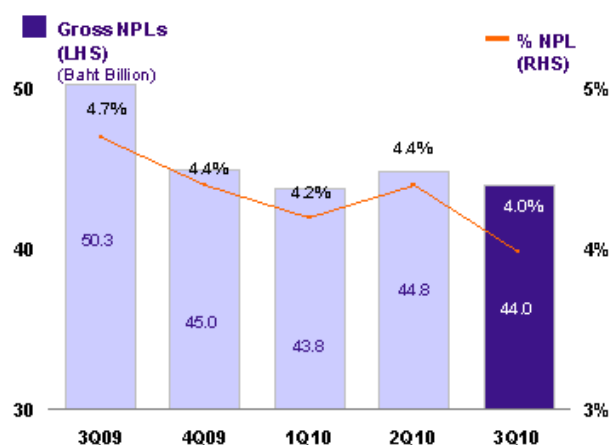
Gross NPLs on a consolidated basis fell to Baht 44,007 million (3.98% of total loans) at the end of September 2010 from Baht 44,837 million (4.44% of total loans) at the end of June 2010. Net NPLs declined to Baht 21,285 million (1.97%) at the end of September 2010 from Baht 21,498 million (2.18%) at the end of June 2010. The group's asset quality improved in 3Q10, in part due to the Bank's pre-emptive strategies to prevent new NPL formation and improve collection and workout practice for existing NPLs.

Allowance for doubtful accounts as of September 30, 2010 stood at Baht 44,118 million, a decrease of Baht 231 million from the end of June 2010. The coverage ratio (total allowance to non-performing loans) increased to 100.3% at the end of September 2010.

(Consolidated)		Sep 30, 10	Jun 30, 10	Dec 31, 09	Sep 30, 09
Non-performing loans (Gross NPLs)	Bt, million	44,007	44,837	44,958	50,275
	% of total loans	3.98%	4.44%	4.41%	4.72%
Allowance for doubtful accounts*	Bt, million	43,463	43,717	42,142	41,739
Allowance for revaluation of debt restructuring	Bt, million	654	632	752	750
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	44,118	44,348	42,894	42,489
Total allowance to NPLs		100.3%	98.9%	95.4%	84.5%

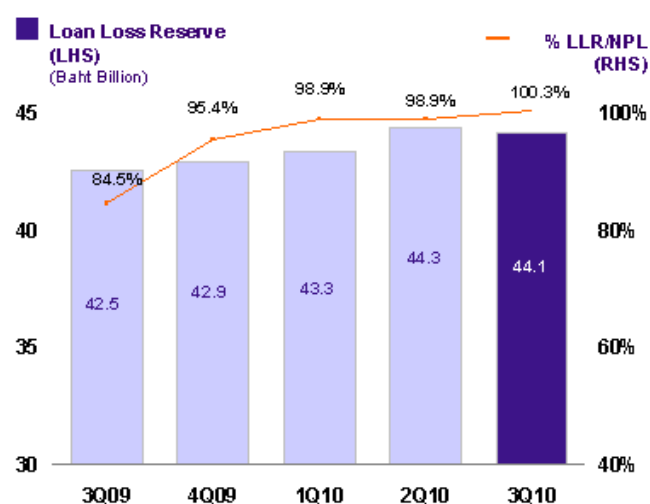
* Excluding Interbank

Gross NPLs on a bank only basis fell to Baht 40,448 million (3.72%) at the end of September 2010 from Baht 41,027 million (4.13%) at the end of June 2010. Net non-performing loans (net NPLs) declined to Baht 19,032 million (1.78%) at the end of September 2010 from Baht 19,217 million (1.98%) at the end of June 2010.



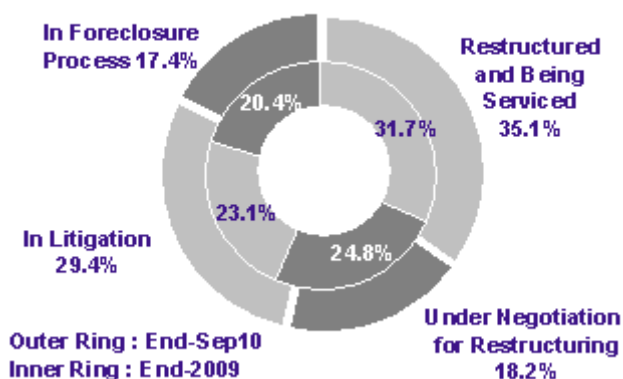
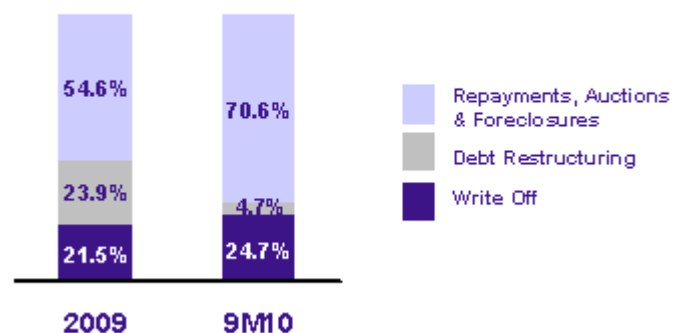
% NPL by Segment

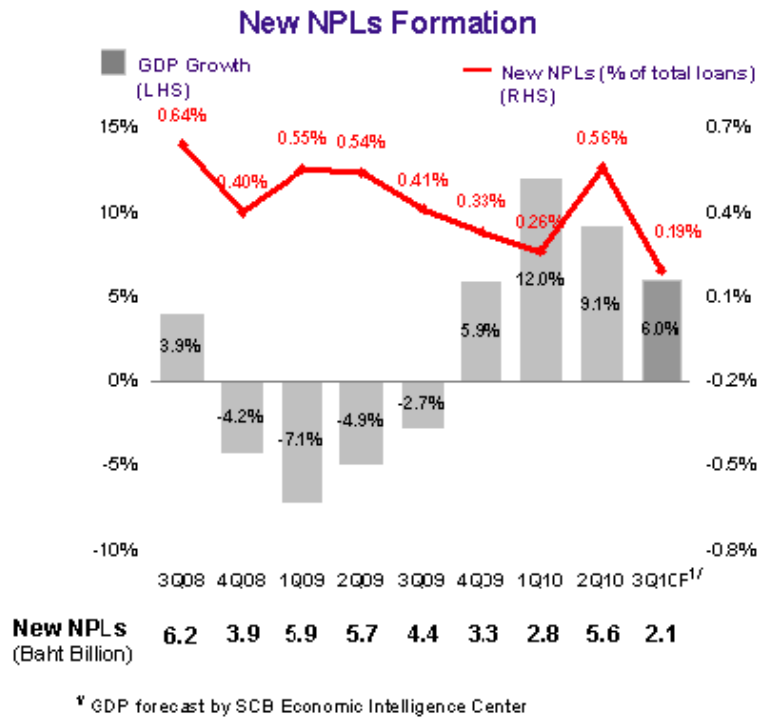
Segment	3Q09	4Q09	1Q10	2Q10	3Q10
Corporate	4.8%	3.6%	3.5%	3.6%	3.5%
SME	9.5%	8.7%	9.1%	8.9%	8.7%
Retail	4.3%	3.9%	3.6%	3.5%	3.2%



(Consolidated)	Sep 30, 10		Dec 31, 09		Sep 30, 09	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Classified loans and allowance for doubtful accounts						
Normal	914,907	8,816	864,472	8,244	819,023	7,659
Special mention	31,051	596	32,601	623	32,910	630
Substandard	8,330	4,563	6,938	2,503	7,132	2,823
Doubtful	4,303	1,977	5,747	2,884	7,070	3,480
Doubtful loss	31,439	14,368	32,120	14,374	35,673	14,950
Total	990,030	30,320	941,878	28,628	901,808	29,542
Allowance established in excess of BoT regulations		13,143		13,514		12,197
Total allowance		43,463		42,142		41,739

As shown in the chart below, at the end of September 2010, NPLs that are being restructured and serviced accounted for the largest proportion of the total NPLs, followed by NPLs in litigation. For the first nine months of this year, the Bank reduced its NPLs mainly through repayments, auctions and foreclosures, followed by write-off and debt restructuring. Other than an increase in NPL formation in 2Q10 caused by one corporate borrower who encountered cashflow problems, the new NPL formation has continued to decrease alongside the economic recovery. In the current quarter new NPL formation fell to low of 0.19%, the lowest level in recent years.

NPL Breakdown by Status (Bank only)

NPL Reduction by Methods




The Bank's foreclosed properties as at September 2010 stood at Baht 12,050 million, a decrease of Baht 755 million (5.9% qoq) from Baht 12,805 million at end of June 2010.

Troubled Debt Restructuring

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

As of September 30, 2010, the Bank and its subsidiaries that are financial institutions have outstanding loans that have been restructured amounting to Baht 38,709 million in the consolidated financial statements and Baht 38,708 million for the Bank only (June 30, 2010: Baht 38,560 million and Baht 38,559 million, respectively). Some of these loans are NPLs and are already included in the NPL level noted above.

In 3Q10, loans amounting to Baht 2,143 million were restructured. The Bank recognized interest income from debt restructuring in the amount of Baht 605 million

(Consolidated)		Sep 30, 10	Jun 30, 10	Dec 31, 09	Sep 30, 09
Loans to restructured debtors	Bt, million	38,709	38,560	40,795	45,954
- Restructured loans which are classified as NPL	Bt, million	12,856	12,285	13,116	16,597
- Restructured loans which are not classified as NPL	Bt, million	25,853	26,275	27,679	29,357
Troubled debt restructuring in the quarter	Bt, million	2,143	850	1,296	3,184
Interest income recognized from restructured loans	Bt, million	605	540	710	686

Liquidity

In this quarter, the Bank was successful in replenishing its deposits base through special deposit campaigns and its strong retail franchise. As a result, the **loan to deposit** ratio on a consolidated basis stood at 98.5% as of September 30, 2010, a significant decline from 104.8% in 2Q10, and almost the same as the end-2009 level. Also, loan to deposits and B/E ratio declined to 94.4%, from 103.6% in 2Q10. Given ample liquidity in the market at the moment, the Bank is comfortable with maintaining the loan to deposit (including B/E) ratio in the mid 90s%.

	Sep 30,10	Jun 30, 10	Dec 31, 09	Sep 30, 09
Gross Loans to Deposits Ratio (Consolidated)	98.5%	104.8%	98.4%	94.3%
Gross Loans to Deposits and B/E (Consolidated)	94.4%	103.6%	96.5%	91.7%

The Bank's policy on liquidity management is to source the required level of funding at an acceptable cost. The Bank's Assets and Liabilities Management Committee formulates policies on liquidity management. According to the Bank of Thailand's requirements on liquid assets, with which the Bank is in compliance, commercial banks must maintain liquid assets equal to at least 6% of total deposits. At least 0.8% must be in deposits with the Bank of Thailand, and 0.2% as cash at the Cash Center. Interbank deposits must not exceed 2.5%, and the rest must be in clean securities.

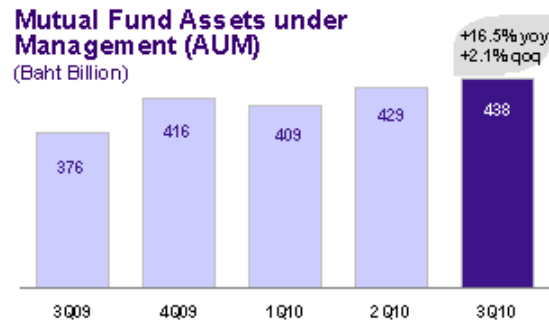
For liquidity management of subsidiaries, the Bank maintains the Group's liquidity at the appropriate level by adherence to certain policies, rules and regulations, especially for lines of business that are involved with lending and asset management activities.

Sources and Uses of Funds

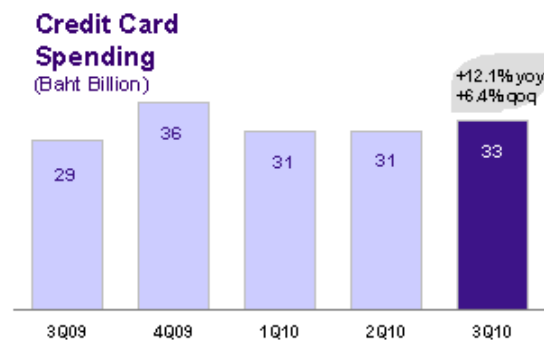
As at September 30, 2010, deposits accounted for 73.6% of SCB funding base. Other sources of funds included 11.0% from shareholders' equity, 4.9% from the issuance of debt instruments, and 3.3% from interbank borrowings. Of that total, 72.5% was used for loans, while another 10.7% was applied to net investments in securities, and 10.0% was lent in the interbank and money markets.

Market Positions in Key Retail Products

Mutual Funds: #1 with 25% market share

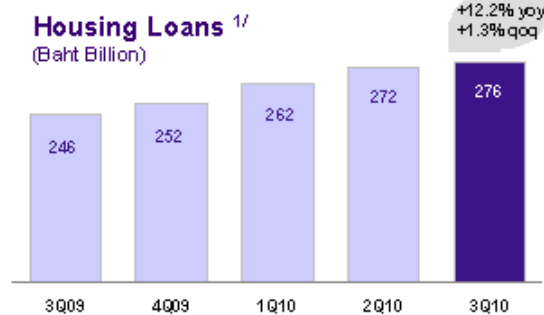


Credit Card: #1 in terms of total card spending with 16.6% market share ^{1/}



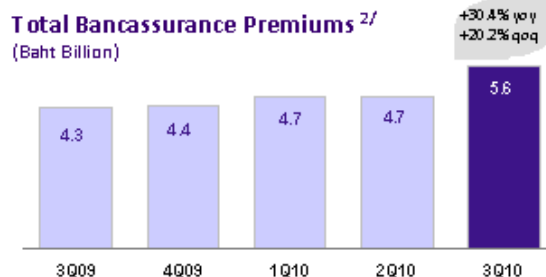
^{1/} As of Aug-10

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



^{1/} Classified by product, including NPLs

Bancassurance: #1 with 26% market share ^{1/}



^{1/} As of Sep-10

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