

Management Discussion and Analysis

For quarter 1/2013 ended March 31, 2013

The Siam Commercial Bank Public Company Limited

The Siam Commercial Bank Public Company Limited

9 Ratchadapisek Road, Jatujak, Bangkok 10900 THAILAND

Tel. +66 2 544-1111, +66 2 937-7777

Website: www.scb.co.th

Investor Relations Division Email: investor.relations@scb.co.th

Tel. +66 2 544-4358

Reuter: SCB.BK, SCBf.BK, SCB_p.BK

Bloomberg: SCB TH, SCB/F TB, SCB/P TB, SCB/Q TB

Management Discussion and Analysis

For the first quarter ended March 31, 2013

IMPORTANT DISCLAIMER:

The information contained in this document has been prepared from several sources, and Siam Commercial Bank Pcl (the "Bank") cannot confirm, in all cases, the accuracy and completeness of such data, particularly where sourced from outside the Bank. In addition, any forward looking statements are subject to change as a result of market conditions and the final outcome may be different to that indicated. The Bank makes no representation or warranty of any type whatsoever on the accuracy or completeness of the information contained herein.

Siam Commercial Bank PCL reported (reviewed) consolidated **net profit** of Baht 13,116 million for the first quarter of 2013. This was a 30.8% yoy increase of Baht 3,092 million from the Baht 10,024 million recorded in 1Q12¹. The **year-on-year** increase in net profit was mainly attributable to: substantially higher net interest income from robust loan growth as well as a larger component of higher yielding loans; higher dividend income; and an increase in net fee and net insurance premium income. These gains were partly offset by higher prudential provisions, although loan portfolio quality continues to improve.

Operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased by 27.7% yoy to Baht 18,724 million from Baht 14,667 million in 1Q12 due to the substantial increases in both net interest income and non-interest income as described above.

Total comprehensive income increased 34.8% yoy to Baht 14,254 million from the restated Baht 10,575 million in 1Q12 mainly as a result of higher net profit for the period.

Following the higher net profit, earnings per share (EPS) rose by 30.8% to Baht 3.86 in 1Q13 from the restated Baht 2.95 in 1Q12. Return on average equity (ROAE) and return on average assets (ROAA) increased from 21.2% and 2.1% in 1Q12 (both restated) to 23.7% and 2.3%, respectively.

On a **quarter-on-quarter** basis, net profit increased by Baht 3,809 million (40.9% qoq) to Baht 13,116 million in 1Q13 from Baht 9,307 million in 4Q12¹, largely due to higher dividend income, lower provision as the Bank's set aside a substantial one-time additional provision on a prudential basis in 4Q12, seasonally lower marketing and promotional expenses and higher net fee and service income. Also, operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased by 19.7% qoq to Baht 18,724 million in 1Q13 from Baht 15,640 million in 4Q12.

¹ The 1Q12 net profit has been restated to account for the impact of deferred tax accounting adopted in 2013. Without such restatement the net profit increase would be 26.8% year-on-year and 34.1% quarter-on-quarter.

Net Profit and Total Comprehensive Income

Unit: Baht Million

Net Profit and Total Comprehensive Income (Consolidated)	1Q13	4Q12 (restated)	% qoq	1Q12 (restated)	% yoy
Net interest income	17,237	16,576	4.0%	14,171	21.6%
Non-interest income	12,312	10,944	12.5%	10,119	21.7%
Non-interest expenses	10,825	11,880	-8.9%	9,623	12.5%
Operating profit	18,724	15,640	19.7%	14,667	27.7%
Impairment loss on loans and debt securities	2,518	3,552	-29.1%	1,447	74.1%
Income tax*	2,979	2,692	10.7%	3,123	-4.6%
Non-controlling interest*	111	90	23.1%	72	52.9%
Net profit (attributable to shareholders of the Bank)*	13,116	9,307	40.9%	10,024	30.8%
Other comprehensive income*	1,137	1,106	2.9%	551	106.3%
Total comprehensive income*	14,254	10,412	36.9%	10,575	34.8%
EPS (Baht)*	3.86	2.74	40.9%	2.95	30.8%
ROE*	23.7%	17.8%		21.2%	
ROA*	2.3%	1.7%		2.1%	

* Following the adoption of deferred tax accounting in 2013, the prior year amounts for income tax, non-controlling interest, net profit, other comprehensive income, total comprehensive income, EPS, ROE and ROA have been restated.

I. Income Statement for 1Q13 (Consolidated basis)

1. Net interest income

Net interest income rose 21.6% **yoy** to Baht 17,237 million in 1Q13 from Baht 14,171 million in 1Q12. The increase in interest income was primarily a result of the robust loan growth of 18.2% yoy, a larger component of higher yield loans and a larger investment portfolio. Interest expenses increased mainly from the higher volume of deposits (+26.5% yoy) and corresponding higher contribution to FIDF/deposit insurance fees. The increase in interest expenses was partly offset by the substantial decline in the volume of Bills of Exchange (B/Es) and associated interest expenses on borrowings.

On a **quarter-on-quarter** basis, net interest income rose 4.0% qoq to Baht 17,237 million in 1Q13 from Baht 16,576 million in 4Q12. This increase was mainly from the higher interest income from loans which was driven by a 3.0% loan growth qoq. Interest expenses declined 2.7% qoq despite deposit growth of 2.6% due to the maturity of higher-cost deposits and the lag effect of the deposit rate cuts in 4Q12.

Unit: Baht Million

Net interest income and Yield (Consolidated)	1Q13	4Q12	% qoq	1Q12	% yoy
Interest income	28,519	28,175	1.2%	23,763	20.0%
- Loans	21,561	21,214	1.6%	18,102	19.1%
- Interbank and money markets	1,200	1,356	-11.5%	1,198	0.1%
- Automobile and financial lease income	2,465	2,318	6.3%	1,769	39.4%
- Investments	3,293	3,287	0.2%	2,691	22.3%
- Other	0	0	NM	3	-83.9%
Interest expenses	11,282	11,600	-2.7%	9,592	17.6%
- Deposits	7,720	8,026	-3.8%	5,403	42.9%
- Interbank and money markets	509	433	17.8%	381	33.5%
- Borrowings	1,218	1,271	-4.2%	2,328	-47.7%
- Contribution to the Deposit Protection Agency/FIDF	1,832	1,868	-2.0%	1,479	23.8%
- Other	3	2	56.7%	1	185.4%
Net interest income	17,237	16,576	4.0%	14,171	21.6%
Net interest margin	3.11%	3.12%	-0.01%	3.16%	-0.05%
Yield on earning assets	5.14%	5.30%	-0.16%	5.30%	-0.16%
Yield on loans	6.12%	6.20%	-0.08%	6.02%	0.10%
Yield on interbank	2.47%	2.75%	-0.28%	3.31%	-0.84%
Yield on investment	2.91%	3.19%	-0.28%	3.29%	-0.38%
Cost of funds*	2.40%	2.55%	-0.15%	2.51%	-0.11%
Cost of deposit**	2.34%	2.49%	-0.15%	2.20%	0.14%
Spread (yield on earning assets – cost of funds)	2.74%	2.75%	-0.01%	2.79%	-0.05%

Note Profitability ratios are calculated by averaging the beginning and ending balance for the period of the denominators.

* Cost of funds = interest expenses (including the contribution to FIDF/DPA) / interest-bearing liabilities.

** Cost of deposits includes the contribution to the Deposit Protection Agency and FIDF fee.

N.M. denotes "Not Meaningful".

Interest income in 1Q13 was Baht 28,519 million, a 20.0% **yoy** increase of Baht 4,756 million from Baht 23,763 million in 1Q12. Major highlights were as follows:

- **Interest income from loans** increased 19.1% yoy to Baht 21,562 million primarily from robust loan growth of 18.2% yoy and a larger component of higher-yield loans;
- **Automobile and financial lease** income increased 39.4% yoy to Baht 2,465 million mainly from a 40.5% yoy growth in automobile loans as a result of both the Bank's strategy to gain market share in this segment and the growth arising from the government's tax rebate scheme for first time car buyers (although the scheme ended last year, car delivery under the scheme is expected to continue until 2Q13 due to a backlog of orders);
- **Interest income from investments** increased by 22.3% yoy to Baht 3,293 million, mainly from the larger investment in government bonds portfolio.

At the same time, **interest expenses** increased 17.6% yoy to Baht 11,282 million in 1Q13, mainly from the growth of the deposit base by 26.5% yoy (which includes the migration of some of the maturing B/Es) and the launch of several higher-rate deposit campaigns. Interest expenses from borrowings decreased 47.7%

mainly due to the decline in the volume of B/Es which was partly offset by the issuance of subordinated debentures and global medium term notes in 3Q12. Contribution to the FIDF and Deposit Protection Agency (DPA) fee increased 23.8% yoy in line with the expansion of the Bank's deposit base over the year.

SCB Interest Rates	Jun 8, 11	Jul 19, 11	Aug 31, 11	Feb 22, 12	Jul 9, 12	Oct 22, 12	Nov 2, 12	Jan 17, 13	Mar 8, 13
Lending rate (%)									
MLR	6.875	7.13	7.25	7.125	7.125	7.00	7.00	7.00	7.00
Deposit rate* (%)									
Savings rate	0.75	0.87	0.87	0.75	0.75	0.75	0.75	0.75	0.75
3-month deposits	1.60-2.20	1.75-2.20	1.90-2.20	1.85-3.00	1.85-3.00	1.75-2.10	1.65-2.05	1.60-2.00	1.60-2.75
6-month deposits	1.95-2.15	2.10-2.30	2.35-2.50	2.30-2.50	2.30-3.35	2.15-2.35	2.00-2.25	2.00-2.80	2.00-2.80
12-month deposits	2.20-2.40	2.50-2.75	2.75-3.00	2.75-3.30	2.75-3.30	2.50-2.75	2.35-2.50	2.35-2.50	2.35-2.85
	Jan 12, 11	Mar 9, 11	Apr 20, 11	Jun 1, 11	Jul 13, 11	Aug 24, 11	Nov 30, 11	Jan 25, 12	Oct 17, 12
Policy rate (%)	2.25	2.50	2.75	3.00	3.25	3.50	3.25	3.00	2.75

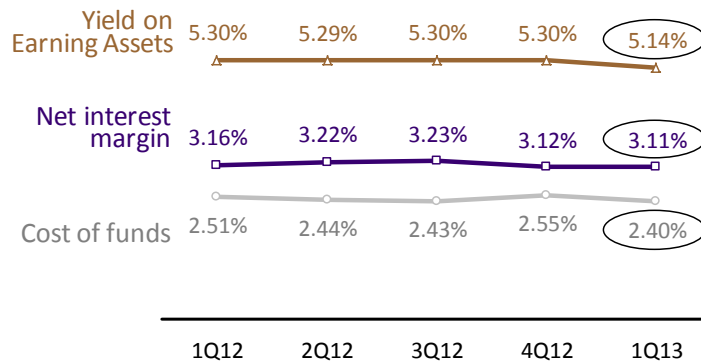
* Excludes special campaigns which were generally at significantly higher rates but with different terms and other conditions to the 3, 6, 12 month term deposits.

On a **quarter-on-quarter** basis, interest income increased 1.2% qoq to Baht 28,519 million in 1Q13 from Baht 28,175 million in 4Q12. The highlights were as follows:

- **Interest income from loans** rose 1.6% qoq as a result of a 3.0% qoq loan growth in 1Q13;
- **Interest income from interbank and money markets** decreased 11.5% qoq mainly due to lower interbank rates following policy rate cuts in January and November 2012;
- **Automobile and financial lease** income rose 6.3% qoq mainly due to the 6.0% growth in the auto loans portfolio arising from SCB's strategy to gain market share in this segment;
- **Interest income from investments** was flat qoq.

Although deposits grew 2.6% qoq, interest expenses declined 2.7% qoq to Baht 11,282 million in 1Q13 from Baht 11,600 million in 4Q12 largely due to lower interest expenses on deposits (-3.8% qoq), which was the result of the lag effect of deposit rate cuts in 4Q12 as well as from the gradual maturity of higher cost fixed deposits. Interest expense from borrowings decreased 4.2% qoq due to the decline in the volume of B/Es. Contribution to the Deposit Protection Agency/FIDF decreased 2.0% qoq due to the reversal of an over-accrual of FIDF charges in the previous quarter.

Yield of Earning Assets, NIM and Cost *
(Percentage)



* The Bank started to accrue for the additional FIDF fee on deposits and certain types of borrowings since 1Q12.

Yield on Loans	6.02%	6.13%	6.21%	6.20%	6.12%
Cost of Deposits	2.20%	2.24%	2.36%	2.49%	2.34%

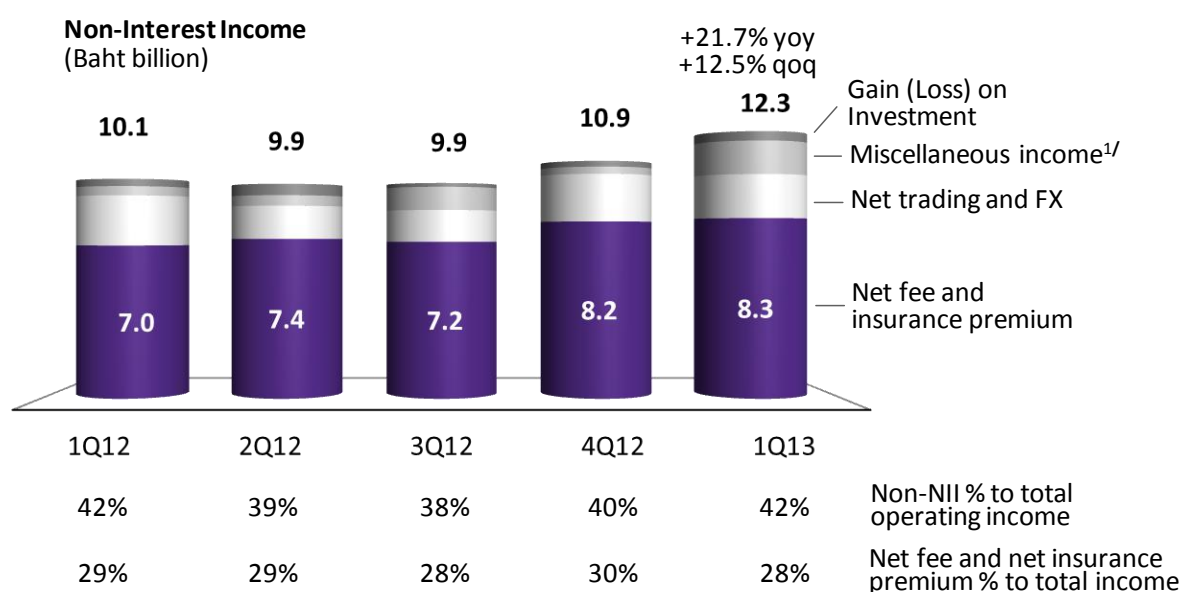
The net interest margin (NIM) for 1Q13 of 3.11% was 5bps lower than the NIM of 3.16% in 1Q12 as a result of lower interbank and investment yield following the policy rate cuts in 1Q12 and 4Q12. On a **quarter-on-quarter** basis, NIM was flat qoq. This was in line with the Bank's full year target range of 3.1-3.2% for 2013.

2. Non-interest income

Non-interest income rose 21.7% yoy to Baht 12,312 million in 1Q13, the result of solid growth in net fee and insurance premium income, as well as higher dividend income. Additional details of non-interest income yoy are provided below:

- **Net fee and insurance premium income** (net of claims) increased 17.9% yoy from higher net insurance premium income (+17.0% yoy) together with the higher fees from brokerage, card and mutual fund products as well as fee from loan-related transactions;
- **Net trading and FX income** decreased 12.3% yoy, in part as a result of lower customer transaction flow and activities in the financial markets;
- **Dividend income** increased significantly by 931.9% yoy primarily as the result of higher dividend income from Vayupak Fund (Baht 320 million in 1Q13 vs Baht 53 million in 1Q12) and a substantial dividend from an investment in the Bank's equity portfolio; and
- **Gain on investments** increased 28.0% to Baht 428 million in 1Q13 compared to Baht 334 million in 1Q12.

Non-interest income (Consolidated)	1Q13	4Q12	% qoq	1Q12	% yoy
<i>Fee and service income</i>	7,305	6,584	11.0%	6,134	19.1%
<i>Less fee and service expenses</i>	1,314	1,188	10.6%	1,071	22.7%
Net fee and service income	5,991	5,396	11.0%	5,063	18.3%
<i>Net earned insurance premiums</i>	11,788	14,466	-18.5%	9,732	21.1%
<i>Less net insurance claims</i>	9,466	11,702	-19.1%	7,747	22.2%
Net insurance premiums	2,322	2,764	-16.0%	1,985	17.0%
Net fee and insurance premium	8,314	8,160	1.9%	7,048	17.9%
Net trading and FX income	2,028	2,192	-7.5%	2,313	-12.3%
Share of profit of associates	6	1	519.3%	5	23.1%
Dividend income	1,358	58	2,224.5%	132	931.9%
Other income	178	270	-34.3%	287	-38.2%
Non-interest income excluding gain on investments	11,884	10,681	11.3%	9,785	21.4%
Gain on investments	428	263	62.8%	334	28.0%
Total non-interest income	12,312	10,944	12.5%	10,119	21.7%



^{1/} Miscellaneous income includes income from equity interest in affiliated companies, dividends, and other income.

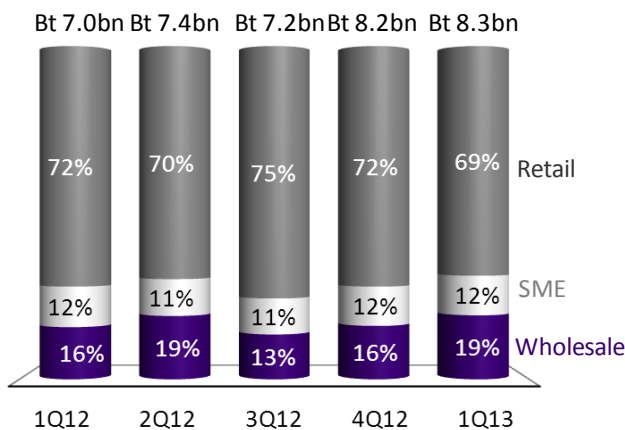
On a **quarter-on-quarter basis**, non-interest income increased 12.5% qoq to Baht 12,312 million in 1Q13 from Baht 10,944 million in 4Q12 largely due to higher dividend income and a robust growth in net fee and service income. Additional analysis is as follows:

- **Net fee and insurance premium income** (net of claims) rose 1.9% qoq, driven by higher net fee and service income of 11.0% qoq from loan related transactions, card business and brokerage business, although insurance premium income decreased 16.0% qoq due to exceptionally high premium income in 4Q12;
- **Net trading and FX income** decreased 7.5% qoq in part as a result of lower volume of customer initiated FX and derivatives transactions compared to the previous quarter;

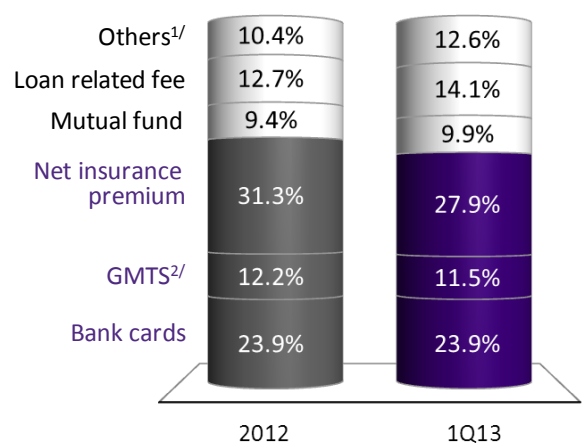
- **Dividend income** increased significantly to Baht 1,358 million as a result of a substantial dividend from an investment in the Bank's equity portfolio and dividend income from Vayupak Fund; and
- **Gain on investments** rose 62.8% to Baht 428 million in 1Q13 compared to Baht 263 million in 4Q12.

In 1Q13, **non-interest income** accounted for 42% of total income, while net fee and net insurance premium income made up 28% of total income. The Retail Banking segment contributed 69% of total net fee and insurance premium income in 1Q13. Over time, the Bank expects the aggregate fee income contribution from wholesale banking and SME banking to increase through a sharper focus on fee-based activities in these business segments and this will, over the medium term, increase the proportion of fee-based income for the Bank as a whole.

Net Fee and Insurance Premium Breakdown by Business Unit (Percentage)



Net Fee and Insurance Premium Breakdown (Percentage)



^{1/} Others include brokerage fee, fund transfer, remittance, etc.
^{2/} GMTS stands for Global Markets and Transaction Services, which includes cash management, trade finance, corporate finance and corporate trust

3. Non-interest expenses

Non-interest expenses increased 12.5% yoy to Baht 10,825 million in 1Q13 from Baht 9,623 million in 1Q12. The increase is attributable to the following reasons:

- **Staff costs** increased 9.4% yoy mainly as a result of annual salary adjustments and, as a result of network expansion, a higher number of employees;
- **Premises and equipment expenses** increased 7.7% yoy as a consequence of continued investments in network expansion and the on-going systems enhancement initiatives;
- **Taxes and duties** increased 11.1% as the higher interest income from loans attracted a corresponding increase in special business tax;
- **Other expenses** rose 24.5% yoy mainly due to higher reserves for contingent liabilities and losses from sale of foreclosed assets.

Unit: Baht Million

Non-interest expenses (Consolidated)	1Q13	4Q12	% qoq	1Q12	% yoy
Staff costs	5,037	4,861	3.6%	4,605	9.4%
Premises and equipment expenses	2,232	2,428	-8.1%	2,072	7.7%
Tax and duties	960	1,005	-4.5%	864	11.1%
Director remuneration	45	23	91.4%	32	40.3%
Other expenses	2,551	3,563	-28.4%	2,050	24.5%
Total non-interest expenses	10,825	11,880	-8.9%	9,623	12.5%
Cost to income ratio	36.6%	43.2%		39.6%	

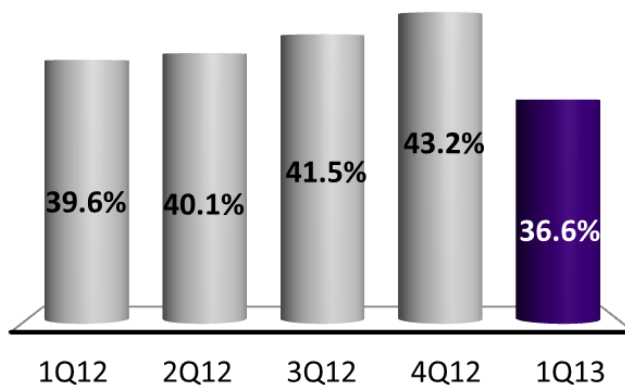
On a **quarter-on-quarter** basis, non-interest expenses decreased 8.9% qoq to Baht 10,825 million in 1Q13 from Baht 11,880 million in 4Q12. Key explanations are as follows:

- **Staff costs** increased 3.6% qoq mainly as a result of annual salary adjustments and, as a result of continued growth, the higher number of employees;
- **Premises and equipment expenses** decreased 8.1% qoq to Baht 2,232 million;
- **Taxes and duties** decreased 4.5% qoq due to higher special business tax from the larger foreclosed properties sales in 4Q12; and
- **Other expenses** decreased 28.4% qoq mainly as a result of seasonally high marketing and promotion expenses recorded in the last quarter of the year.

In 1Q13, the cost-to-income ratio was 36.6%, an improvement from 39.6% in 1Q12 and 43.2% in 4Q12. This was significantly better than the 2013 full year target of 40-42%.

The Bank's capital expenditure continues to be effectively managed and reflects the ongoing investment in network expansion and the strategic systems enhancement initiatives required in the rapidly changing competitive landscape. The outlay on these investments is unlikely to have a significant impact on the cost-to-income ratio level in the near future.

Cost-to-Income Ratio
(Percentage)



4. Loan loss provisions

The Bank's provisioning guideline in 2013 is to set aside loan loss provisions of approximately 60-65bps of total loans outstanding on a bank-only basis. These credit costs incorporate prudential provisions for future uncertainties. On a **bank only** basis, the Bank set aside Baht 2,549 million of impairment loss provisions on loans for 1Q13. On a **consolidated** basis, the provision was Baht 2,518 million in 1Q13, which was lower than provisions on a bank only basis, mainly due to a clawback of provisions at the Bank's subsidiaries. The Bank's total allowance for doubtful accounts at the end of March 2013 stood at Baht 53,319 million, an increase from Baht 51,956 million at the end of December 2012, while total NPLs increased by Baht 950 million from end-2012 to Baht 36,823 million at the end of March 2013. The ratio of NPL-to-loans fell from 2.13% at end-2012 to 2.06% at end-March 2013. At the same time, the coverage level for NPLs was flat at 144.8% in 1Q13.

II. Balance sheet as of March 31, 2013 (Consolidated basis)

As of March 31, 2013, the Bank's total assets stood at Baht 2,365 billion, an increase of Baht 426 billion (22.0%) yoy from Baht 1,939 billion at the end of March 2012. This increase was mainly the outcome of strong business growth over the year. Details of the consolidated balance sheet were as follows:

1. Loans

As at March 31, 2013, total outstanding loans stood at Baht 1,595 billion, an increase of Baht 246 billion (18.2%) yoy from Baht 1,349 billion at the end of March 2012. While the solid loan growth (18.2% yoy) was broadly based across all business segments, much of it may be attributed to the Bank's strategic focus on the SME, auto and housing loan segments. This growth was fuelled by a robust economic environment, the impact, to some extent, of certain government policies such as the incentive scheme for first-time new car buyers as well as market share expansion strategies.

Loan growth of 18.2% yoy in 1Q13 was far higher than the Bank's full year target of 12-15%.

1.1 Loans by segment

Unit: Baht Million

Loans by segments (Consolidated)	Mar 31, 13	Dec 31, 12	% qoq	Mar 31, 12	% yoy
Wholesale	591,145	594,889	-0.6%	554,049	6.7%
SME	316,490	299,166	5.8%	254,777	24.2%
Retail	686,882	653,431	5.1%	540,590	27.1%
- Housing loans*	433,571	407,582	6.4%	354,131	22.4%
- Automobile	183,127	172,735	6.0%	130,375	40.5%
- Others loans	70,184	73,113	-4.0%	56,085	25.1%
Total loans	1,594,517	1,547,486	3.0%	1,349,416	18.2%

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

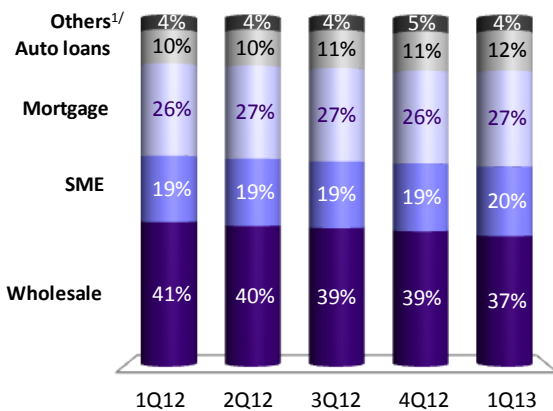
Details of the loan breakdown by customer segment are as follows:

- **Wholesale** loans increased by 6.7% yoy but declined 0.6% qoq mainly due to the repayments by some large corporate customers;
- **SME** loans rose 24.2% yoy and 5.8% qoq. This strong growth was the result of successful execution of the Bank's strategy to better penetrate the SME marketplace, particularly at the mid-size and smaller end of this segment. The introduction of new products and the expansion of the nationwide footprint to better reach SME clientele contributed to the improved market positioning of the Bank in the SME segment;
- **Retail** loans grew robustly by 27.1% yoy and 5.1% qoq:
 - **Housing loans** increased 22.4% yoy and 6.4% qoq, driven by the strong SCB brand in the housing loan market, an increasingly effective customer segmentation approach, and the growing popularity of the "My Home My Cash" product (similar to a home equity loan);

- **Automobile loans** grew 40.5% yoy and 6.0% qoq as a result of the Bank's strategic focus on this segment, the robust growth in new automobile sales under government's incentive scheme for first-time buyers of new cars (which ended in 2012 but deliveries are expected to continue through to 2Q13 due to a backlog of orders);
- **Other loans** (largely personal and credit card loans) increased 25.1% yoy in line with higher consumer demand and the Bank's strong retail footprint but declined 4.0% qoq.

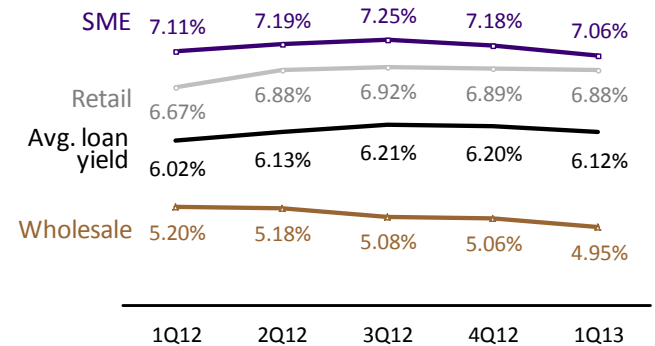
As a result of the strategic focus and market share gains in the Retail and SME segments, 63% of total loans are now in these segments as compared to 59% in 1Q12. Furthermore, within the Retail segment, the proportion of higher yield products such as home equity loans have also increased. Together these led to a 10bps increase in overall yield to 6.12% in 1Q13 from 6.02% in 1Q12 despite two interest rate cuts over this period.

Loan breakdown
(Percentage)



^{1/} Others includes mainly credit cards and unsecured consumer loans

Yield on Loans by Segment
(Percentage)



Yield on Selected Retail Products (%)

Product	1Q12	2Q12	3Q12	4Q12	1Q13
Mortgage	5.8%	6.0%	6.1%	6.1%	6.0%
Auto Loans	5.8%	5.7%	5.6%	5.6%	5.6%

1.2 Loans by sector/product

Unit: Baht Million

Loans by sector (Consolidated)	Mar 31, 13	Dec 31, 12	% qoq	Mar 31, 12	% yoy
Agricultural and mining	19,329	12,889	50.0%	14,744	31.1%
Manufacturing and commercial	548,853	519,896	5.6%	480,905	14.1%
Real estate and construction	116,956	115,502	1.3%	100,684	16.2%
Utilities and services	217,887	200,982	8.4%	182,499	19.4%
Housing loans*	384,720	371,254	3.6%	334,988	14.8%
Other loans	306,772	326,963	-6.2%	235,596	30.2%
Total loans	1,594,517	1,547,486	3.0%	1,349,416	18.2%

* Classified by sector/product (excludes retail loans where customers use their home as collateral. These loans are classified under "Other loans" in accordance with regulatory guidelines).

On a sectorial/product basis, loans to the manufacturing and commercial sectors continued to account for the largest portion of the loan portfolio followed by housing loans. In terms of absolute growth from end-2012, loans to the manufacturing and commercial sectors grew by Baht 29.0 billion (+5.6%), utilities and services sectors grew by Baht 16.9 billion (+8.4%) while housing loans grew by Baht 13.5 billion (+3.6%). However, other loans declined Baht 20.2 billion (-6.2%) as a result of some large repayments.

2. Deposits

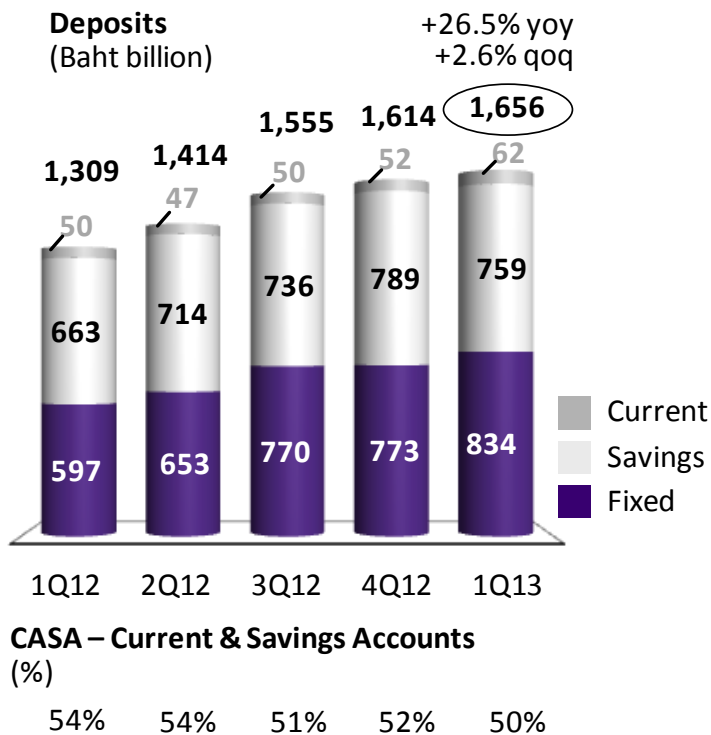
Unit: Baht Million

Deposits (Consolidated)	Mar 31, 13	Dec 31, 12	% qoq	Mar 31, 12	% yoy
Demand	62,258	51,730	20.4%	49,669	25.3%
Savings	759,430	789,048	-3.8%	662,747	14.6%
Fixed	834,453	773,282	7.9%	596,580	39.9%
- Less than 6 months	262,996	170,408	54.3%	145,325	81.0%
- 6 months and up to 1 year	307,591	319,638	-3.8%	212,162	45.0%
- Over 1 year	263,866	283,236	-6.8%	239,093	10.4%
Certificate of deposits	-	-	NM	61	NM
Total Deposits	1,656,140	1,614,059	2.6%	1,309,057	26.5%
Bill of Exchange (B/E)	23,871	25,765	-7.4%	124,367	-80.8%
Total Deposits + B/E	1,680,011	1,639,824	2.5%	1,433,424	17.2%
Gross Loans to Deposits Ratio	96.3%	95.9%		103.1%	
Gross Loans to Deposits and B/E	94.9%	94.4%		94.1%	

As at March 31, 2013, total **deposits** stood at Baht 1,656 billion, up 26.5% yoy from Baht 1,309 billion at the end of March 2012. On a quarter-on-quarter basis, deposits grew 2.6%. The strong growth in deposits was the result of the deposit campaigns launched over the period and the progressive shift from maturing bills of exchange (B/Es) to deposit products. As at March 31, 2013, deposits plus B/E grew 17.2% yoy and 2.5% qoq to Baht 1,680 billion.

Bills of exchange (B/Es), akin to uninsured deposits, were used through to 2011 to attract a growing volume of both corporate and high net worth customers' short-term deposits. Following the new regulatory requirement effective from January 2012 banks were required to pay FIDF fees on B/Es and, essentially, this new levy negated the value proposition of B/Es. As a result, the Bank sharply curtailed the growth and/or renewal of B/Es, resulting in an 80.8% yoy and 7.4% qoq decline in B/Es in 1Q13. Many of these B/Es have been channeled to the Bank's deposit products upon maturity.

Fixed deposits, demand deposits and savings deposits increased (year-on-year) by 39.9%, 25.3% and 14.6% respectively – with the growth in fixed deposits benefiting from the migration from B/Es. As a consequence, the proportion of savings and demand deposits as a percentage of the total deposit base was 49.6% in 1Q13 compared to 52.1% at the end of 2012.



In 1Q13, the Bank was successful in growing its funding base through deposit campaigns that leveraged from its strong retail franchise. The **loan-to-deposit** ratio on a consolidated basis stood at 96.3% as at March 31, 2013, a decrease from 103.1% in 1Q12. The 'loan-to-deposit and B/E' ratio of 94.9% was a slight increase from 94.1% at end 1Q12, but is still within the Bank's target loan-to-deposit (including B/Es) ratio range of 94-96%.

The Bank's policy on liquidity management is to source the required level of funding at an acceptable cost. The Bank's Assets and Liabilities Management Committee formulates policies on liquidity management. According to the Bank of Thailand's requirements on liquid assets, with which the Bank is in compliance, commercial banks must maintain liquid assets equal to at least 6% of total deposits.

The Bank currently maintains its daily liquidity ratio at 20% or higher – measured as total liquid assets to total deposits and B/Es. If the ratio falls below 20%, immediate corrective action is considered. As at March 31, 2013, the liquidity ratio stood at 28.3% and thus the Bank is assured that it has ample liquidity to face unexpected shocks and challenges. The Bank's stock of non-cash liquid assets consist almost entirely of Thai government bonds.

3. Investments

The Group's total net investments rose 33.9% yoy to Baht 447 billion at end March 2013. 88% of the Baht 447 billion were investments in government and state-enterprise securities. The increase in the Group's investments corresponded with the increase in the Bank's total deposits (where the Bank intent to maintain a liquidity ratio (liquid assets/deposits+B/E) of no less than 20% on a Bank only basis) as well as from a larger holding in government securities by SCB Life Assurance following higher business volumes.

Unit: Baht Million

Investment (Consolidated)	Mar 31, 13	Dec 31, 12	% qoq	Mar 31, 12	% yoy
Net investment	445,908	458,297	-2.7%	332,731	34.0%
- Trading securities	31,899	20,243	57.6%	15,190	110.0%
- Available-for-sale securities	296,502	327,750	-9.5%	219,797	34.9%
- Held-to-maturity securities	116,753	109,550	6.6%	97,520	19.7%
- General investments	754	754	0.0%	224	236.6%
Net investment in associated companies	625	647	-3.4%	671	-7.0%
Total net investments	446,533	458,944	-2.7%	333,402	33.9%

4. Debt securities in issue and borrowings

Debt securities in issue and borrowings decreased by 34.7% yoy to Baht 129 billion at the end of March 2013. This was largely due to the substantial decline in the volume of B/Es (-80.8% yoy). Although B/Es were not rolled over, the holders were persuaded in many instances to migrate to deposit products of the Bank. Debt securities in issue and borrowings decreased 3.0% qoq, partly due to the maturing of B/E and partly due to the revaluation of global medium term notes following the appreciation of the Thai Baht against the USD.

In 2012, the Bank issued Baht 20 billion in subordinated debt in 1Q12 and a further Baht 20 billion in 3Q12 to increase its Tier II capital ahead of the more stringent Basel III requirements for the issuance of qualifying sub-debt effective from 2013 onwards. In addition, the Bank also tapped its global medium term notes program (USD 600 million in 1Q12 and USD 500 million in 3Q12) to fund customers' foreign currency loan demand.

Unit: Baht Million

Debt securities in issue and borrowings (Consolidated)	Mar 31, 13	Dec 31, 12	% qoq	Mar 31, 12	% yoy
Short term debt securities in issue and borrowings	18,816	20,752	-9.3%	101,797	-81.5%
Long term debt securities in issue and borrowings	109,788	111,825	-1.8%	95,185	15.3%
Total debt securities in issue and borrowings	128,604	132,577	-3.0%	196,982	-34.7%

5. Net goodwill and other intangible assets

Net goodwill and other intangible assets were relatively flat yoy and qoq at Baht 11 billion at end of March 2013.

6. Shareholders' equity

As at March 31, 2013, shareholders' equity stood at Baht 228 billion, a 17.3% yoy increase of Baht 34 billion from Baht 194 billion at the end of March 2012, mainly from appropriations of net profit over the year. The net profit appropriated to the retained earnings was reduced by the dividend payment of Baht 8.5 billion (Baht 2.50 per share) in accordance with the resolution of the Annual General Meeting of Shareholders in April 2012 and an interim dividend payment of Baht 3.4 billion (Baht 1.00 per share) in accordance with the

resolution of the Board of Directors meeting in August 2012. Shareholders' equity increased 6.7% qoq or by Baht 14 billion from the end of 2012, largely attributable to 1Q13 net profit.

Book value per share as of March 31, 2013 was Baht 67.09 (3,399 million ordinary and preferred shares at the end of March 2013), up from Baht 62.89 at the end of 2012 and Baht 57.18 at the end of 1Q12.

III. Off Balance Sheet: Contingent Liabilities

As at March 31, 2013, the Bank and its subsidiaries had combined contingencies of Baht 336 billion, up by Baht 21 billion (6.4% yoy) from Baht 315 billion at the end of March 2012 and 5.7% qoq. The increase in contingencies was mainly from guarantees, undrawn bank overdraft facilities, aval to bills and liability under unmatured import bills as indicated in the table below.

Unit: Baht Million

Contingent liabilities (Consolidated)	Mar 31, 13	Dec 31, 12	% qoq	Mar 31, 12	% yoy
Aval to bills	4,486	3,487	28.6%	2,132	110.4%
Guarantees of loans	492	578	-14.9%	456	7.9%
Liability under unmatured import bills	9,247	8,413	9.9%	7,309	26.5%
Letters of credit	17,956	16,502	8.8%	18,843	-4.7%
Other contingencies					
Receivables/payables from investments	13,319	6,482	105.5%	54,292	-75.5%
Other guarantees	165,382	159,907	3.4%	121,049	36.6%
Amount of unused bank overdraft	124,645	122,089	2.1%	111,012	12.3%
Others	73	95	-23.2%	238	-69.3%
Total contingent liabilities	335,600	317,553	5.7%	315,331	6.4%

IV. Statutory Capital

The Bank has adopted Basel III on a consolidated basis since January 1, 2013. The impact from adopting Basel III is positive to the Bank's Common Equity Tier 1 (CET1) as the Bank is exempted from capital deductions for qualifying investment outside scope of up to 10% of CET1 under Basel III (In Basel II there is no such exemption). Moreover, certain aspects of other comprehensive income (OCI) such as revaluation gains on certain investments and properties have been reclassified from Tier 2 under Basel II to CET1 and will be counted as regulatory capital in accordance with the Basel III guidelines. (The current minimum regulatory capital requirement under Basel III comprises of CET1 ratio of not less than 4.5%, total Tier 1 ratio of not less than 6%, and total capital ratio of not less than 8.5%).

Under Basel III, on a consolidated basis, total capital funds (Tier 1 plus Tier 2) stood at 15.99% of total risk-weighted assets, comprising CET1 capital of 11.48% and Tier-2 capital of 4.51%. On a bank-only basis, total capital funds at end-1Q13 stood at 15.80% of total risk-weighted assets, of which CET1 was 11.25% and Tier-2 capital was 4.55%. Appropriation of net profit after dividend distribution for the second half of 2012 was not included in this computation under BOT guidelines. If included, the total capital ratio and CET1 capital ratio under Basel III on a consolidated basis would be 16.37% and 11.87% respectively and for the Bank would

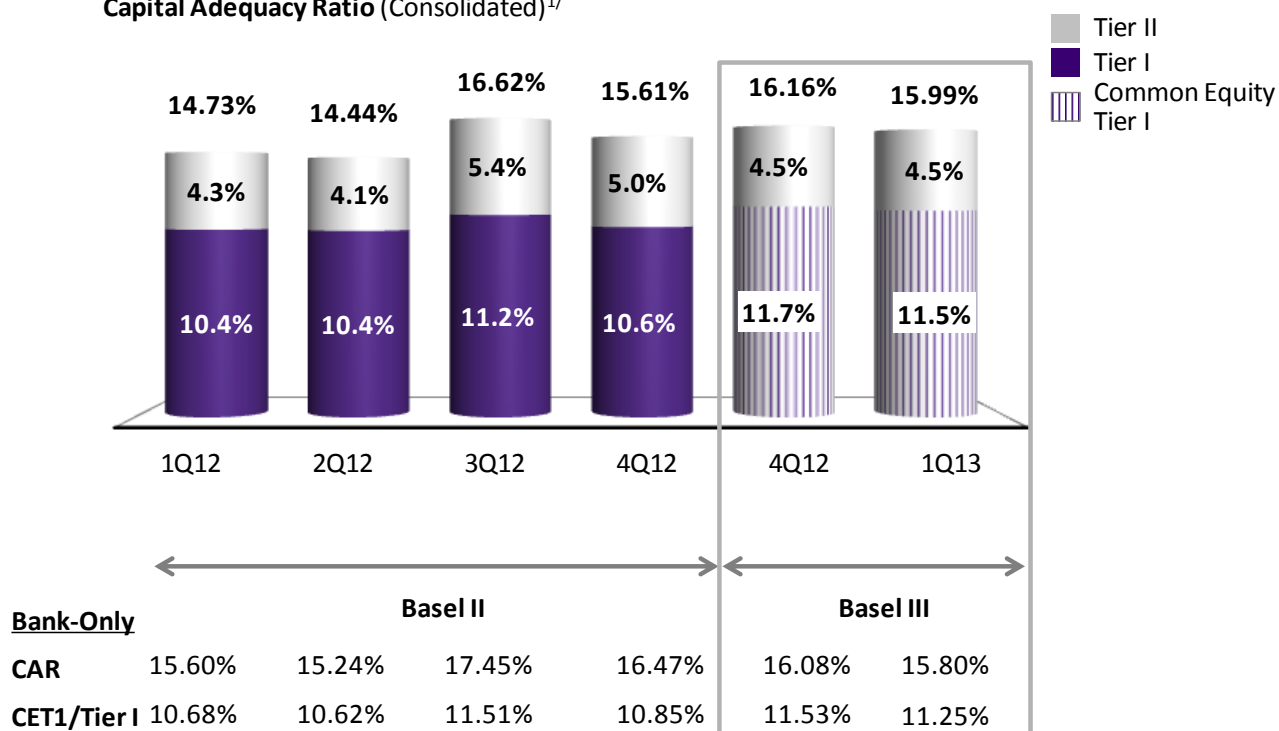
be 16.19% and 11.64% respectively. (The Bank's Tier 1 capital comprises, substantially, of tangible equity only).

The Bank believes this strong capital position, together with its sound loan loss reserve coverage are sufficient to withstand the impact of any potential shocks which may arise if Thai economic growth is hampered by unexpected events. This solid capital position also provides the Bank with flexibility to grow its business in a timely manner as and when more growth opportunities arise in the future. The Bank expects to maintain its aggregate capital adequacy ratio well in excess of the regulatory minimum throughout 2013.

Statutory Capital (Bank only)		Mar 31, 13 (Basel III)	Dec 31, 12 (Basel II)	Mar 31, 12 (Basel II)
Common Equity Tier-1 / Tier 1*	Bt, million	176,090	165,038	140,159
	% of RWA	11.25%	10.85%	10.68%
Tier-2 capital	Bt, million	71,203	85,515	64,501
	% of RWA	4.55%	5.62%	4.92%
Total capital	Bt, million	247,293	250,553	204,660
	% of RWA	15.80%	16.47%	15.60%
Risk-weighted assets	Bt, million	1,564,974	1,521,035	1,312,163

* CET1 under Basel III framework was adopted in Thailand from January 1, 2013

Capital Adequacy Ratio (Consolidated)^{1/}



^{1/} Previous quarterly presentations reported data on bank-only basis but from Jan 1, 2013, the Bank adopted Basel III consolidated basis as the norm. Hence, the comparatives are now presented on a consolidated basis.

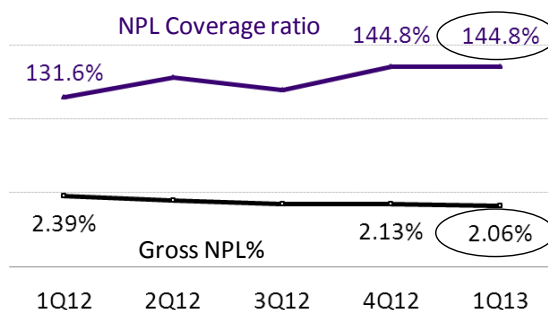
V. Non Performing Assets

Gross NPLs on a consolidated basis fell to 2.06% of total loans (Baht 36.8 billion) at the end of March 2013 from 2.39% of total loans (Baht 35.5 billion) at the end of March 2012 and from 2.13% of total loans (Baht 35.9 billion) at the end of 2012. Net NPLs also fell to 0.94% (Baht 16.7 billion) at the end of March 2013 from 1.04% (Baht 15.3 billion) at the end of March 2012.

Non-Performing Loans and Allowance (Consolidated)		Mar 31, 13	Dec 31, 12	Mar 31, 12
Non-Performing Loans (Gross NPLs)	% of total loans	2.06%	2.13%	2.39%
	Bt, million	36,823	35,873	35,532
Allowance for doubtful accounts*	Bt, million	52,868	51,510	46,173
Allowance for revaluation of debt restructuring	Bt, million	451	446	585
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	53,319	51,956	46,758
Total allowance to NPLs		144.8%	144.8%	131.6%

* Excluding interbank

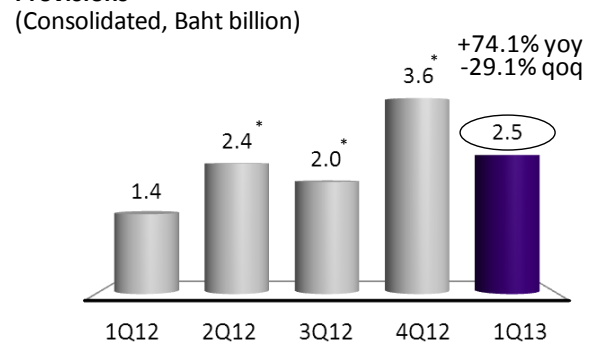
Gross NPL ratio & NPL Coverage ratio (Percentage)



NPL by Segment and by Product

	1Q12	2Q12	3Q12	4Q12	1Q13
Wholesale	2.1%	2.1%	2.0%	2.0%	2.0%
SME	5.3%	4.7%	4.6%	4.2%	3.6%
Retail	1.9%	1.8%	1.8%	1.8%	2.0%
Mortgage	2.0%	1.8%	1.9%	1.8%	2.0%
Auto Loans	2.3%	2.0%	1.9%	2.1%	2.2%

Provisions (Consolidated, Baht billion)



* Includes additional one-time provisions of Baht 1.0 billion in 2Q12, Baht 1.0 billion in 3Q12, and Baht 2.0 billion in 4Q12 on a bank basis.

Period	1Q12	2Q12	3Q12	4Q12	1Q13
Credit Costs (bps)	44	68	56	94	64

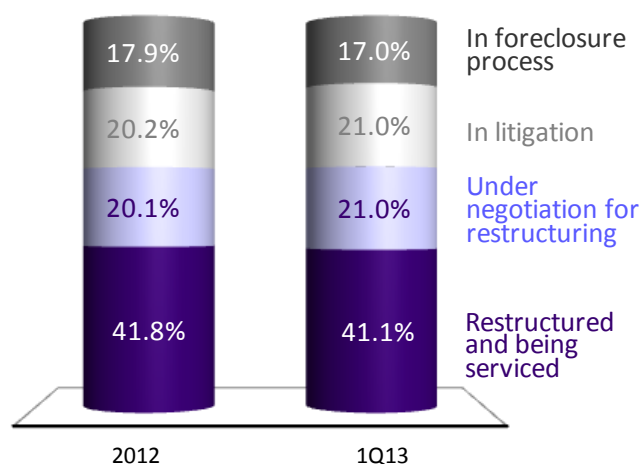
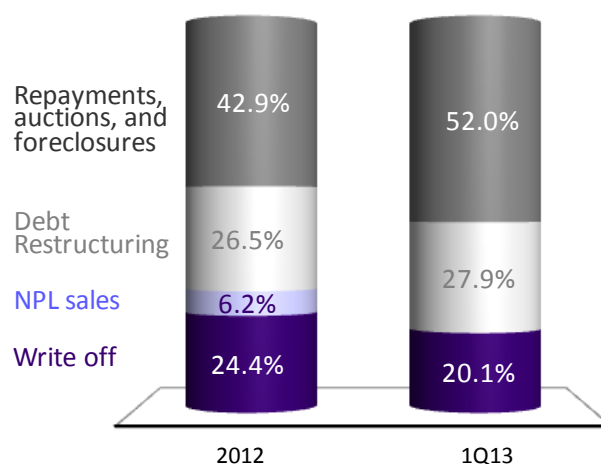
Allowance for doubtful accounts as of March 31, 2013 stood at Baht 53 billion, an increase of Baht 1 billion from Baht 52 billion at the end of 2012. The coverage ratio (total allowance to non-performing loans) was flat qoq at 144.8% at the end of March 2013.

Gross NPLs on a bank-only basis fell to 1.94% (Baht 34.6 billion) at the end of March 2013 from 2.01% (Baht 33.6 billion) at the end of 2012. Net NPLs fell to 0.94% (Baht 16.5 billion) at the end of March 2013 from 0.99% (Baht 16.4 billion) at the end of 2012.

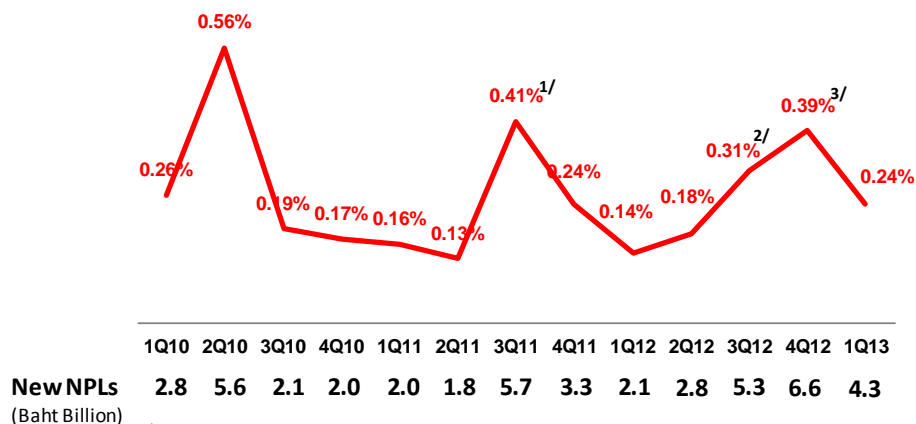
Special mention loans of Baht 26.7 billion at end March 2013 increased by Baht 1.4 billion from end of 2012.

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Mar 31, 13		Dec 31, 12		Mar 31, 12	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Normal	1,534,528	14,746	1,489,739	14,284	1,300,298	12,518
Special mention	26,652	1,236	25,278	1,211	17,003	159
Substandard	8,596	3,666	9,878	4,099	5,826	2,282
Doubtful	5,747	1,923	4,463	1,541	7,275	4,765
Doubtful loss	22,540	14,367	21,591	13,359	22,509	11,437
Total	1,598,063	35,938	1,550,949	34,494	1,352,911	31,161
Allowance established in excess of BoT regulations		16,930		17,016		15,012
Total allowance		52,868		51,510		46,173

As shown in the chart below, at the end of 1Q13, NPLs that were restructured and being serviced accounted for the largest proportion of the total NPLs, followed by NPLs in litigation and NPLs under negotiation for restructuring. In 1Q13, the Bank reduced its NPLs mainly through repayments, auctions and foreclosures followed by debt restructuring and write-offs. In 1Q13, new NPL formation fell to 0.24%, from 0.39% in 4Q12 but was higher than the 0.14% recorded in 1Q12. The increase yoy in new NPL formation in 1Q13 was mainly due to the proactive 'qualitative' reclassification of certain customers following the expiration of the 6-month forbearance program for accounts which were effected by the flooding in late 2011.

NPL Breakdown by Status (Bank only)

NPL Reduction Methodology


New NPLs Formation



^{1/}The increase is attributed to the delinquency of a single borrower which had previously been classed as a special mention loan and had been fully provided for in anticipation of the default.

^{2/}The increase is attributed to the qualitative reclassification of a few commercial accounts.

^{3/} The increase is attributed to the qualitative reclassification of flood impacted housing loan customers and used car loan customers.

Troubled Debt Restructuring

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

As of March 31, 2013, the Bank and its financial subsidiaries had outstanding restructured loans amounting to Baht 33.5 billion both in the consolidated and Bank-only financial statements, a Baht 0.8 billion increase from Baht 32.7 billion at the end of 2012. Some of these restructured loans are NPLs and are already included in the NPL levels, as noted in the table below.

Restructured Loans (Consolidated)		Mar 31, 13	Dec 31, 12	Mar 31, 12
Loans to restructured debtors	Bt, million	33,457	32,734	30,668
- Restructured loans which are classified as NPL	Bt, million	7,853	7,846	8,942
- Restructured loans which are not classified as NPL	Bt, million	25,604	24,888	21,726

The Bank's foreclosed properties for sale as at March 2013 stood at Baht 9.5 billion, a decrease of Baht 1.6 billion (14.8% yoy) from Baht 11.1 billion level at the end of March 2012.

VI. Sources and Uses of Funds

As at March 31, 2013, deposits accounted for 70.0% of SCB's funding base. Including bills of exchange (or B/Es) which are akin to uninsured deposits, deposits and B/Es accounted for 71.1% of the funding base. Other major sources of funds were: 9.7% from shareholders' equity; 5.3% from interbank borrowings; 4.8% from liabilities under insurance contracts recorded by the Bank's insurance subsidiaries (SCB Life Assurance PCL and Siam Commercial Samaggi Insurance PCL); and 4.4% from the issuance of debt instruments (excluding bills of exchange). The funds were applied as follows on March 31, 2013: 67.4% was used for loans; 18.9% was applied to net investments in securities; and 9.6% was lent in the interbank and money markets.