

Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2013

The Siam Commercial Bank Public Company Limited

The Siam Commercial Bank Public Company Limited

9 Ruchadapisek Road, Jatujak, Bangkok 10900 THAILAND

Tel. +66 2 544-1000, +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 fourth quarter and year ending December 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 (audited) consolidated **net profit** of Baht 50,233 million for 2013 - a 28.0% yoy increase of Baht 10,998 million from the Baht 39,235 million recorded in 2012. The significant **year-on-year** increase in net profit was largely attributed to: higher net interest income from loan growth as well as a larger component of higher yielding loans; solid growth in net fee and insurance premium income; significantly higher dividend income; and higher net trading and FX income. These gains were partly offset by substantially higher prudent provisions, although loan portfolio quality remains stable.

Operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased by 25.8% yoy to Baht 76,215 million from Baht 60,583 million in 2012 due to the substantial increases in both net interest income and non-interest income as described above.

Total comprehensive income increased 18.3% yoy to Baht 49,517 million from Baht 41,869 million in 2012 as a result of the higher net profit but partly offset by a loss on the revaluation of the available-for-sale investment portfolio as a result of market volatility towards the year-end.

As a result of the higher net profit, earnings per share (EPS) rose by 28.0% to Baht 14.78 in 2013 from Baht 11.54 in 2012. Return on average equity (ROAE) and return on average assets (ROAA) increased from 19.7% and 1.9% in 2012 to 21.8% and 2.1%, respectively.

On a **quarterly basis**, net profit increased by Baht 2,445 million (26.3% yoy) to Baht 11,752 million in 4Q13 from Baht 9,307 million in 4Q12, largely due to higher net interest income from loan growth as well as a larger component of higher yielding loans, higher net fee income and higher gain from investment. These gains were partly offset by higher prudent provisions. For the same reason, operating profit (excluding impairment loss on loans and debt securities, income tax and non-controlling interest) increased by 22.7% yoy to Baht 19,188 million in 4Q13 from Baht 15,640 million in 4Q12.

On a **quarter-on-quarter** basis, net profit decreased by Baht 969 million (7.6% qoq) to Baht 11,752 million in 4Q13 from Baht 12,721 million in 3Q13, largely due to lower dividend income as the Bank booked a large exceptional dividend from its equity investment portfolio in 3Q13 and the seasonally higher marketing and promotional expenses in 4Q13. Similarly, these items accounted for a decrease in operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) of 3.2% qoq to Baht 19,188 million in 4Q13 from Baht 19,832 million in 3Q13.

Net Profit and Total Comprehensive Income

Unit: Baht Million

Net Profit and Total Comprehensive Income (Consolidated)	2013	2012 (restated)	% yoy	4Q13	% qoq	% yoy
Net interest income	73,009	62,104	17.6%	19,003	0.8%	14.6%
Non-interest income	50,523	40,880	23.6%	12,977	-2.9%	18.6%
Non-interest expenses	47,317	42,402	11.6%	12,792	3.3%	7.7%
Operating profit	76,215	60,583	25.8%	19,188	-3.2%	22.7%
Impairment loss on loans and debt securities	13,641	9,396	45.2%	4,245	1.3%	19.5%
Income tax*	11,821	11,667	1.3%	3,062	9.7%	13.8%
Non-controlling interest	519	285	82.2%	129	-0.4%	43.5%
Net profit (attributable to shareholders of the Bank)*	50,233	39,235	28.0%	11,752	-7.6%	26.3%
Other comprehensive income*	(716)	2,634	-127.2%	(843)	44.1%	-176.2%
Total comprehensive income*	49,517	41,869	18.3%	10,909	-10.1%	4.8%
EPS (Baht)*	14.78	11.54	28.0%	3.46	-7.6%	26.3%
ROE*	21.8%	19.7%		19.5%		
ROA*	2.1%	1.9%		1.9%		

* Following the adoption of deferred tax accounting in 2013, the prior year amounts for income tax, net profit, other comprehensive income, total comprehensive income, EPS, ROE and ROA have been restated and the above comparison is to the restated amounts. Before such restatement, the % change for income tax, net profit, other comprehensive income, total comprehensive income, and EPS would be 10.7%, 24.9%, -121.1%, 13.5% and 24.9% on a yoy basis for the yearly comparison.

I. Income Statement for 2013 (Consolidated basis)

1. Net interest income

Net interest income rose 17.6% **yoy** to Baht 73,009 million in 2013 from Baht 62,104 million in 2012. The increase in interest income was primarily a result of the loan growth of 12.1% yoy, a larger component of higher yield loans and a larger liquid assets portfolio comprising mostly of government bonds. Interest expenses increased mainly from the higher volume of deposits (+12.9% yoy) and the corresponding higher contribution to FIDF/deposit insurance fees. The increase in interest expenses was partly offset by the continuing decline in the volume of Bills of Exchange (B/E) and the associated interest expenses on borrowings.

On a **quarterly basis**, net interest income increased by 14.6% yoy to Baht 19,003 million in 4Q13 from Baht 16,576 million in 4Q12 mainly due to the higher interest income from loans which was driven by loan growth of 12.1% yoy and a larger component of higher yield loans.

On a **quarter-on-quarter** basis, net interest income rose slightly qoq to Baht 19,003 million in 4Q13 from Baht 18,855 million in 3Q13. This increase was mainly from the higher interest income from loans which was driven by loan growth of 3.3% qoq and higher interest income from investments given the bigger investment portfolio but this growth was moderated by the interest rate cut at the end of November. Also,

the higher interest income was partly offset by the increase in interest expenses of 2.9% qoq mainly from the higher volume of deposits (+4.0% qoq) despite the interest rate cuts in late November and December.

Unit: Baht Million

Net interest income and Yield (Consolidated)	2013	2012 (restated)	% yoy	4Q13	% qoq	% yoy
Interest income	120,691	103,399	16.7%	31,284	1.6%	11.0%
- Loans	91,753	78,965	16.2%	23,965	1.5%	13.0%
- Interbank and money markets	5,028	4,789	5.0%	1,102	-7.0%	-18.7%
- Automobile and financial lease income	10,668	8,170	30.6%	2,781	0.4%	20.0%
- Investments	13,226	11,469	15.3%	3,429	6.6%	4.3%
- Other	16	6	181.2%	7	-9.6%	1,778.1%
Interest expenses	47,682	41,295	15.5%	12,280	2.9%	5.9%
- Deposits	33,943	26,567	27.8%	9,008	4.3%	12.2%
- Interbank and money markets	1,839	1,617	13.7%	354	-21.7%	-18.2%
- Borrowings	3,914	6,449	-39.3%	789	-4.9%	-38.0%
- Contribution to the Deposit Protection Agency/FIDF	7,980	6,657	19.9%	2,130	5.9%	14.0%
- Other	6	5	26.4%	0	NM	NM
Net interest income	73,009	62,104	17.6%	19,003	0.8%	14.6%
Net interest margin	3.19%	3.18%	0.01%	3.21%	-0.03%	0.09%
Yield on earning assets	5.27%	5.29%	-0.02%	5.28%	0.00%	-0.02%
Yield on loans	6.24%	6.14%	0.10%	6.27%	-0.06%	0.07%
Yield on interbank	3.01%	3.33%	-0.32%	2.42%	0.14%	-0.33%
Yield on investment	2.75%	2.94%	-0.19%	2.85%	0.03%	-0.34%
Cost of funds*	2.45%	2.47%	-0.02%	2.46%	0.03%	-0.09%
Cost of deposits**	2.44%	2.37%	0.07%	2.48%	0.04%	-0.01%
Spread (yield on earning assets – cost of funds)	2.82%	2.82%	0.00%	2.82%	-0.04%	0.07%

Note Profitability ratios are calculated by averaging the beginning and ending balance for the period as the denominator.

* 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.

NM denotes “not meaningful”

Interest income in 2013 was Baht 120,691 million, a 16.7% **yoy** increase of Baht 17,292 million from Baht 103,399 million in 2012. Major highlights were as follows:

- **Interest income from loans** increased 16.2% yoy to Baht 91,753 million from both loan growth of 12.1% yoy and a larger component of higher-yield loans;
- **Automobile and financial lease** income increased 30.6% yoy to Baht 10,668 million mainly from a 9.9% yoy growth in automobile loans mainly from the government’s tax rebate scheme for first-time car buyers - although further growth has been sharply curtailed since deliveries of cars sold under the scheme were completed at the end of June 2013;

- **Interest income from interbank and money markets** increased 5.0% yoy mainly due to the higher volume of interbank and money market balances in 2013 compared to a year earlier;
- **Interest income from investments** increased by 15.3% yoy to Baht 13,226 million, mainly from the larger portfolio of liquid assets - comprised largely of government bonds.

At the same time, **interest expenses** increased 15.5% yoy to Baht 47,682 million in 2013, mainly from the growth of the deposit base by 12.9% yoy (which includes the progressive migration of some of the maturing B/E to term deposits) and the launch of several higher-rate fixed deposit campaigns. Interest expenses from borrowings decreased 39.3% mainly due to the decline in the volume of B/E and the early redemption of subordinated debt which no longer qualified for Tier II capital under Basel III. Contribution to the FIDF and Deposit Protection Agency (DPA) fee increased 19.9% yoy in line with the expansion of the Bank's deposit base over the year.

SCB Interest Rates	Jul 9, 12	Oct 22, 12	Nov 2, 12	Jan 17, 13	Mar 8, 13	May 17, 13	Nov 29, 13	Dec 2, 13	Dec 23, 13
Lending rate (%)									
MLR	7.125	7.00	7.00	7.00	7.00	7.00	6.75	6.75	6.75
MOR	7.425	7.425	7.425	7.425	7.425	7.425	7.425	7.425	7.425
MRR	8.10	8.10	8.10	8.10	8.10	8.10	8.00	8.00	8.00
Deposit rate* (%)									
Savings rate	0.75	0.75	0.75	0.75	0.75	0.75	0.625	0.625	0.625
3-month deposits	1.85-3.00	1.75-2.10	1.65-2.05	1.60-2.00	1.60-2.75	1.60-3.00	1.55-2.85	1.55-2.50	1.50-2.50
6-month deposits	2.30-3.35	2.15-2.35	2.00-2.25	2.00-2.80	2.00-2.80	2.00-3.00	1.85-2.85	1.85-2.10	1.80-2.00
12-month deposits	2.75-3.30	2.50-2.75	2.40-2.60	2.35-2.50	2.35-2.85	2.35-3.20	2.20-3.05	2.20-2.75	2.15-2.25
	Apr 20, 11	Jun 1, 11	Jul 13, 11	Aug 24, 11	Nov 30, 11	Jan 25, 12	Oct 17, 12	May 29, 13	Nov 27, 13
Policy rate (%)	2.75	3.00	3.25	3.50	3.25	3.00	2.75	2.50	2.25

* 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 **quarterly basis**, interest income increased 11.0% yoy to Baht 31,284 million in 4Q13 from Baht 28,175 million in 4Q12. The highlights were as follows:

- **Interest income from loans** rose 13.0% yoy as a result of loan growth of 12.1% yoy and a larger component of higher-yield loans;
- **Interest income from interbank and money markets** decreased 18.7% yoy mainly due to lower interbank rate in 2013 following the policy rate cuts in 2013;
- **Automobile and financial lease** income rose 20.0% yoy mainly due to the growth of the auto loans portfolio of 9.9% yoy due to the government's tax rebate scheme for first-time car buyers - although further growth has been sharply curtailed since the scheme lapsed at the end of June 2013;
- **Interest income from investments** increased 4.3% yoy largely due to the larger volume of investments - comprised mainly of government bonds.

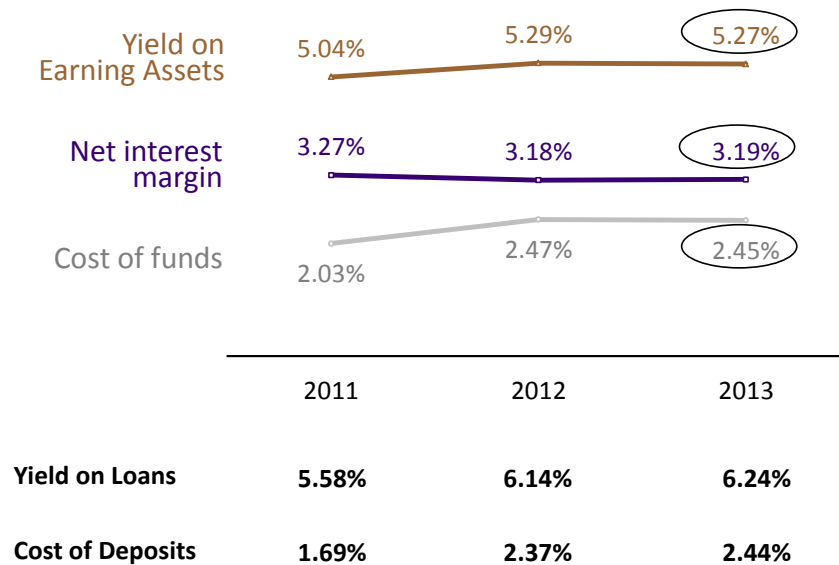
Interest expenses rose 5.9% yoy to Baht 12,280 million in 4Q13 from Baht 11,600 million in 4Q12 largely due to the higher interest expenses on deposits (12.2% yoy) as a result of the growth of the deposit base by 12.9% yoy. Interest expenses from borrowings decreased (38.0% yoy) mainly due to the decline in the volume of B/E and the early redemption of non-qualifying (under Basel III) subordinated debt. Contribution to the FIDF and Deposit Protection Agency (DPA) fee increased 14.0% yoy in line with the expansion of the Bank's deposit base.

On a **quarter-on-quarter** basis, interest income increased 1.6% qoq to Baht 31,284 million in 4Q13 from Baht 30,789 million in 3Q13. The highlights were as follows:

- **Interest income from loans** rose 1.5% qoq as a result of the 3.3% qoq loan growth in 4Q13 despite the cut in the minimum lending rate (MLR) by 25bps in this quarter;
- **Interest income from interbank and money markets** decreased 7.0% qoq due to the lower volume of interbank and money market balances and the lower interbank rates following the policy rate cut in November 2013;
- **Automobile and financial lease** income was relatively flat qoq mainly due to the decline in auto loans portfolio by 1.1% qoq following the sharp slowdown in auto sales;
- **Interest income from investments** increased 6.6% qoq largely due to the larger volume of investments - comprised largely of government bonds.

Interest expenses increased 2.9% qoq to Baht 12,280 million in 4Q13 from Baht 11,934 million in 3Q13 largely from the growth of the deposit base by 4.0% qoq. Interest expenses from borrowings decreased 4.9% qoq following the reduction in the volume of B/E. Interest expenses from interbank and money markets decreased 21.7% qoq due to lower interbank rate following the policy rate cut in November 2013. Contribution to the Deposit Protection Agency/FIDF increased 5.9% qoq in line with the expansion of the Bank's deposit base.

Yield of Earning Assets, NIM and Cost
(Percentage)



The net interest margin (NIM) for 2013 of 3.19% was relatively flat yoy and was in line with the Bank's full year target range of 3.1-3.2% for 2013. On a **quarterly basis**, NIM was 3.21% in 4Q13, 9bps higher than the NIM of 3.12% in 4Q12 due to the lower cost of funds and higher loan yield. On a **quarter-on-quarter** basis, NIM fell 3bps as a result of lower loan yield following the interest rate cut in 4Q13.

2. Non-interest income

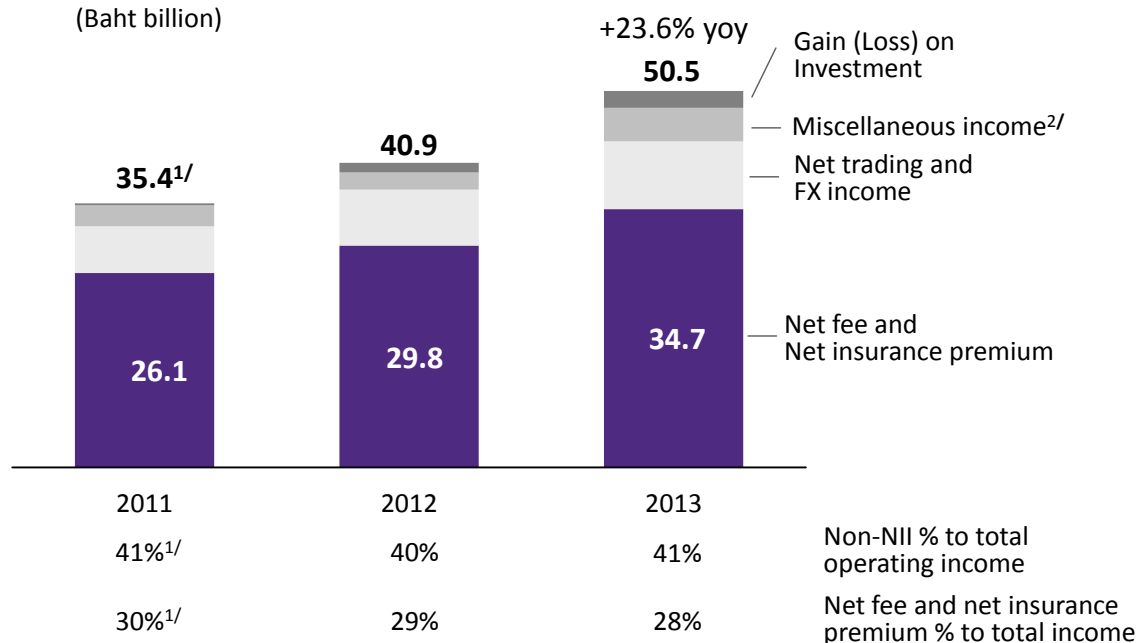
Non-interest income rose 23.6% yoy to Baht 50,523 million in 2013, which was the result of solid growth in net fee and insurance premium income, higher dividend income, higher net trading and FX income as well as higher gain on investment. Additional details of non-interest income yoy are as follows:

- **Net fee and insurance premium income** (net of claims) increased 16.4% yoy from higher net fee income (+19.7% yoy) from corporate finance fee, brokerage fees and the card-related business together with higher insurance premium income (+9.3% yoy);
- **Net trading and FX income** increased 20.9% yoy, mainly as a result of the higher customer transaction flow and activities in the financial markets;
- **Dividend income** increased significantly by 293.1% yoy primarily as the result of exceptional dividend from an investment in the Bank's equity portfolio and the higher dividend from the Vayupak Fund; and
- **Gain on investments** increased 76.1% yoy as a result of one-time gain on the redemption of the Vayupak Fund in 4Q13 as the closed-end fund matured.

Non-interest income (Consolidated)	2013	2012 (restated)	% yoy	4Q13	% qoq	% yoy
Fee and service income	29,574	24,826	19.1%	7,841	5.2%	19.1%
Less fee and service expenses	5,098	4,370	16.7%	1,272	2.9%	7.1%
Net fee and service income	24,476	20,456	19.7%	6,568	5.6%	21.7%
Net earned insurance premiums	49,061	44,472	10.3%	12,284	-10.9%	-15.1%
Less net insurance claims	38,871	35,153	10.6%	9,761	-12.4%	-16.6%
Net insurance premiums	10,190	9,319	9.3%	2,523	-4.3%	-8.7%
Net fee and insurance premium	34,666	29,775	16.4%	9,091	2.6%	11.4%
Net trading and FX income	9,079	7,511	20.9%	2,181	-5.1%	-0.5%
Share of profit of associates	(7)	1	NM	(1)	NM	NM
Dividend income	3,782	962	293.1%	135	-93.0%	130.9%
Other income	727	1,338	-45.7%	168	-9.3%	-37.7%
Non-interest income excluding gain on investment	48,246	39,587	21.9%	11,575	-12.6%	8.4%
Gain on investments	2,277	1,293	76.1%	1,401	1,132.7%	433.2%
Total non-interest income	50,523	40,880	23.6%	12,977	-2.9%	18.6%

NM denotes "not meaningful"

Non-Interest Income (Baht billion)



^{1/} Excluding Bt 5.1bn one-time investment revaluation gain on the acquisition of additional shares in SCB Life. (If this gain was included, the Non-NII for 2011 would stand at Baht 40.5 billion).

^{2/} Miscellaneous income includes income from the equity interest in affiliated companies, dividends, and other income.

On a **quarterly basis**, non-interest income increased 18.6% yoy to Baht 12,977 million in 4Q13 from Baht 10,944 million in 4Q12 largely due to higher gain on investments and higher net fee income. Additional analysis is provided below:

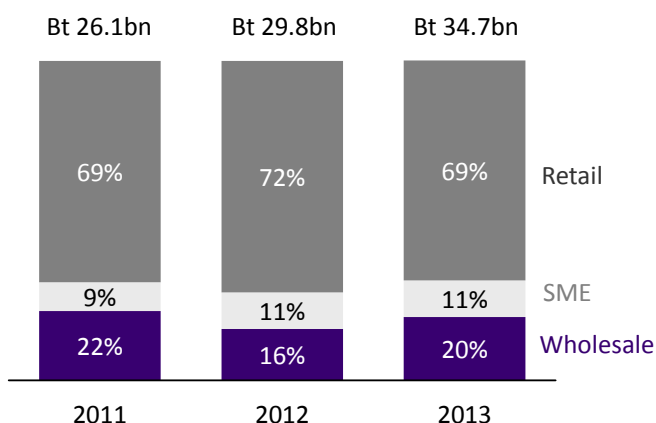
- **Net fee and net insurance premium income** (net of claims) increased 11.4% yoy from higher net fee income (+21.7% yoy) from corporate finance fee, the card-related and asset management businesses while net insurance premium income fell 8.7% yoy due to the launch of a single premium life product in 4Q12 that was not repeated in 4Q13 ;
- **Net trading and FX income** slightly decreased yoy as a result of lower flow of FX and derivative transactions in the financial market;
- **Dividend income** increased by 130.9% yoy primarily as the result of higher dividend income from the Vayupak Fund;
- **Other income** decreased 37.7% yoy primarily from lower gains from the sale of foreclosed properties;
- **Gain on investments** increased 433.2% yoy to Baht 1,401 million in 4Q13 mainly due to a one-time gain on redemption of Vayupak Fund in 4Q13 on its maturity.

On a **quarter-on-quarter basis**, non-interest income decreased 2.9% qoq to Baht 12,977 million in 4Q13 from Baht 13,364 million in 3Q13 largely due to lower dividend income, lower net insurance premium income and lower net trading and FX income. Additional analysis is as follows:

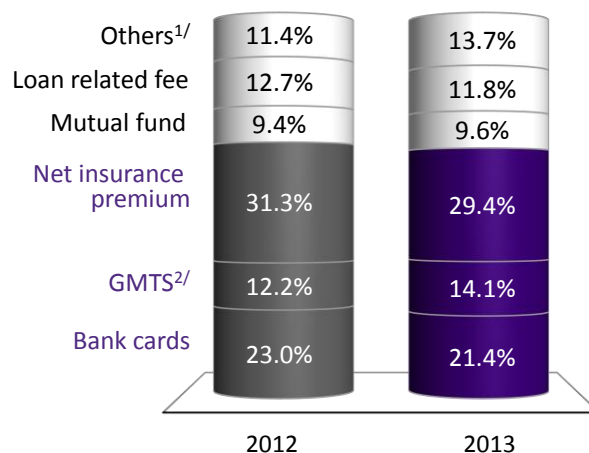
- **Net fee and insurance premium income** (net of claims) increased 2.6% qoq from higher net fee income of 5.6% qoq from corporate finance fee and card-related business. This was partly offset by lower net insurance premium income (-4.3% qoq) mainly due to the maturity of a large tranche of single premium life products sold in 4Q12;
- **Net trading and FX income** decreased 5.1% qoq in part as a result of the lower flow of customer initiated FX and derivatives transactions compared to the previous quarter;
- **Dividend income** decreased significantly 93.0% qoq as a result of an exceptional dividend from an investment in the Bank's equity portfolio as well as the seasonal dividend income from Vayupak Fund both of which were booked in 3Q13; and
- **Gain on investments** increased significantly to Baht 1,401 million mainly due to a one-time gain on the redemption of Vayupak Fund in 4Q13 on its maturity.

In 2013, **non-interest income** accounted for 41% of total income, while net fee and net insurance premium income made up 28% of total income. The Retail Banking segment contributed about 69% of total net fee and insurance premium income in 2013, down from 72% in 2012, while net fee and insurance premium income from Wholesale Banking rose to 20% in 2013 from 16% in 2012. This is in line with the Bank's strategy to increase the aggregate fee income contribution from Wholesale Banking and SME Banking through a sharper focus on fee-based activities in these business segments and this contribution 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 11.6% yoy to Baht 47,317 million in 2013 from Baht 42,402 million in 2012. The increase is attributable to the following reasons:

- **Staff costs** increased 14.2% yoy mainly as a result of annual salary adjustments, a higher level of accrued performance bonus and the increase in the number of employees over this period;
- **Premises and equipment expenses** increased 4.4% yoy as a result of continued investments in network expansion and the on-going systems enhancement initiatives;
- **Taxes and duties** increased 9.3% yoy as the higher interest income from loans attracted a corresponding increase in special business tax;
- **Other expenses** increased 14.1% yoy mainly due to higher marketing and promotion expenses and higher losses from the sale of foreclosed and repossessed assets.

Unit: Baht Million

Non-interest expenses (Consolidated)	2013	2012 (restated)	% yoy	4Q13	% qoq	% yoy
Staff costs	21,391	18,736	14.2%	5,242	-10.3%	7.8%
Premises and equipment expenses	9,555	9,148	4.4%	2,500	3.7%	3.0%
Tax and duties	4,026	3,682	9.3%	1,051	2.8%	4.5%
Director remuneration	97	105	-7.4%	24	2.0%	2.4%
Other expenses	12,247	10,730	14.1%	3,976	28.7%	11.6%
Total non-interest expenses	47,317	42,402	11.6%	12,792	3.3%	7.7%
Cost to income ratio	38.3%	41.2%		40.0%		

On a **quarterly basis**, non-interest expenses increased 7.7% yoy to Baht 12,792 million in 4Q13 from Baht 11,880 million in 4Q12. Key explanations are as follows:

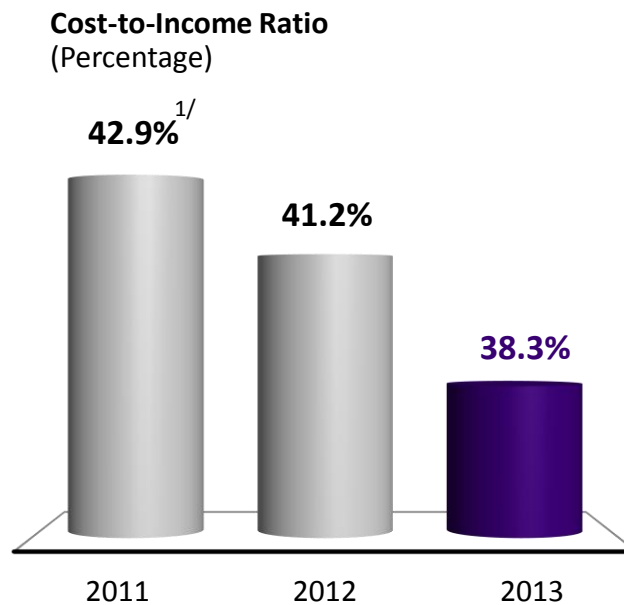
- **Staff costs** increased 7.8% yoy mainly as a result of annual salary adjustments, a higher level of accrued performance bonus and the higher number of employees;
- **Premises and equipment expenses** increased 3.0% yoy;
- **Taxes and duties** increased 4.5% yoy as the higher interest income from loans attracted a corresponding increase in special business tax; and
- **Other expenses** increased 11.6% yoy due to higher losses from the sale of foreclosed and repossessed assets.

On a **quarter-on-quarter basis**, non-interest expenses increased 3.3% to Baht 12,792 million in 4Q13 from Baht 12,387 million in 3Q13. Key explanations are as follows:

- **Staff costs** decreased 10.3% qoq mainly as a result of the lower accrued performance bonus in 4Q13;
- **Premises and equipment expenses** increased 3.7% qoq as a result of continued investments in network expansion and the on-going systems enhancement initiatives;
- **Taxes and duties** increased 2.8% qoq as the higher interest income from loans attracted a corresponding increase in special business tax; and
- **Other expenses** increased 28.7% qoq to Baht 3,976 million primarily due to the seasonally higher marketing and promotion expenses and higher losses from the sale of foreclosed and repossessed assets.

In 2013, the cost-to-income ratio was 38.3%, a significant improvement from the 41.2% recorded in 2012. This was a result of a robust growth of total income by 20.0% compared with 11.6% growth in operating expenses. Also, this ratio was much better than the 2013 full year guidance of 40-42% that the Bank provided at the start of the year.

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.



^{1/} Excluding the one-time investment gain in 2011 on the acquisition of additional shares in SCB Life.
If this gain is included, the cost to income ratio would stand at 40.5%.

4. Loan loss provisions

The Bank's provisioning guidance for 2013 was to set aside loan loss provisions of approximately 60-65bps of total loans outstanding on a bank-only basis. These credit costs incorporate a reasonable quantum of prudential provisions for future uncertainties. In 2013, the Bank has set aside substantial additional loan impairment provisions (on a **consolidated** basis) of Baht 13,641 million or credit cost of about 83bps in 2013 (including additional prudential provision as a counter-cyclical buffer), compared to Baht 9,396 million in 2012; an increase of Baht 4,245 million (45.2% yoy). On a bank basis, total impairment loss provisions was Baht 13,748 million or credit costs of about 84bps.

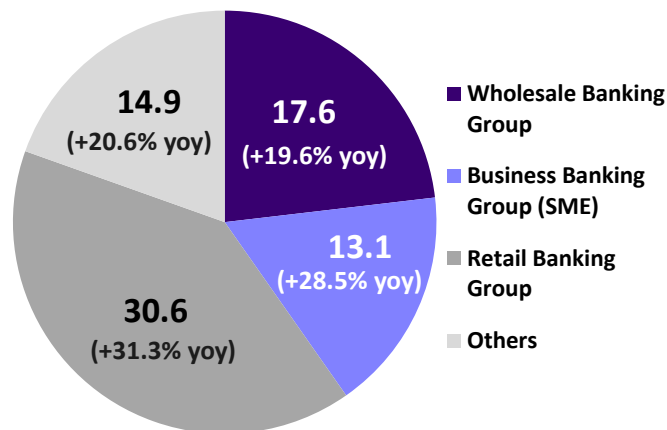
The Bank's total allowance for doubtful accounts at the end of December 2013 stood at Baht 60,317 million, an increase of 16.1% yoy from Baht 51,956 million at the end of December 2012, while total NPLs increased by Baht 4,119 million from end-2012 to Baht 39,992 million at the end of December 2013. The ratio of NPL-to-loans was relatively flat at 2.14% at end-December 2013, while the coverage level for NPLs has increased from 144.8% at the end 2012 to 150.8% at the end of December 2013.

5. Segments analysis

The Bank has four business segments: Wholesale Banking Group (WBG) which serves corporate and commercial customers; the Business Banking Group (BBG) which serves SME customers; the Retail Banking Group (RBG) which serves individuals and small businesses; and the Special Business Group (SBG) which is responsible for NPL resolution. In addition, the Bank has four major subsidiaries: SCB Securities Co., Ltd.; SCB Asset Management Co., Ltd.; The Siam Commercial Samaggi Insurance PCL; and SCB Life Assurance PCL. The results of the four subsidiaries together with the income from the Banks'

investments, interbank and money market are presented under the “Others” category in the analysis below. Although the fee income earned by subsidiaries is reflected under “Others”, this income is allocated back to the appropriate business segment (WBG, BBG or RBG) and disclosed earlier under the Non-interest income section (#2 above).

2013 Operating profit by segments (Baht billion)



“Others” comprises operating profit from the Bank’s subsidiaries, investment income, and interbank and money market interest which are not allocated to a specific business segment.

“Operating profit” is net profit excluding impairment loss, provisions on loans and debt securities, income tax and non-controlling interest.

In 2013, 40% of the Bank’s operating profit was contributed by Retail Banking Group followed by Wholesale Banking Group (23%), Business Banking Group (17%) and “Others” (20%). Key explanations are as follows:

- Operating profit from Retail Banking Group increased significantly by 31.3% yoy to Baht 30.6 billion as a result of higher interest income from loan growth (15.8% yoy), especially housing loans, as well as higher fee from card-related businesses.
- Operating profit from Wholesale Banking Group stood at Baht 17.6 billion, an increase of 19.6% yoy mainly from higher fee from corporate finance coupled with higher trading and FX income and, to a lesser extent, due to higher interest income from loan growth of 4.6% yoy.
- Operating profit from Business Banking Group rose 28.5% yoy to Baht 13.1 billion mainly due to higher interest income from robust loan growth (19.0% yoy) as well as higher fee from loan-related transactions.
- Operating profit from “Others” increased 20.6% mainly due to higher income from the Bank’s subsidiaries (SCB Life Assurance PCL, SCB Securities Co., Ltd. and SCB Asset Management Co., Ltd.) and exceptional return from two equity investments.

B. Balance sheet as of December 31, 2013 (Consolidated basis)

As of December 31, 2013, the Bank's total assets stood at Baht 2,534 billion, an increase of Baht 264 billion (11.6%) yoy from Baht 2,270 billion at the end of December 2012. This increase was mainly the outcome of strong business growth over the year. Details of the consolidated balance sheet are as follows:

1. Loans

As at December 31, 2013, total outstanding loans stood at Baht 1,735 billion, an increase of Baht 188 billion (12.1%) yoy from Baht 1,547 billion at the end of December 2012, and an increase of Baht 55 billion (3.3%) qoq from Baht 1,680 billion at the end of September 2013. While the loan growth yoy was broadly based across all business segments, much of the above-market growth was in the SME and housing loan segments. With the deliveries of new cars under the incentive scheme for first-time new car buyers largely completed by 2Q13, the pace of growth for auto loans has slowed sharply in 2H13 and is likely to remain subdued well into 2014.

The loan growth of 12.1% yoy in 2013 was in line with the lower end of the Bank's full year target of 12-15% but skewed towards the 1H13. In 2014, the Bank announced a target to grow its loan book by 7-10%, broadly in line with expected market loan growth.

1.1 Loan by segments

Unit: Baht Million

Loans by segments (Consolidated)	Dec 31, 13	Dec 31, 12	%yoy	Sep 30, 13	%qoq
Wholesale	622,385	594,889	4.6%	602,394	3.3%
SME	356,048	299,166	19.0%	343,403	3.7%
Retail	756,848	653,431	15.8%	734,225	3.1%
- Housing loans*	485,097	407,582	19.0%	468,771	3.5%
- Automobile	189,794	172,735	9.9%	191,905	-1.1%
- Others loans	81,957	73,114	12.1%	73,549	11.4%
Total loans	1,735,281	1,547,486	12.1%	1,680,021	3.3%

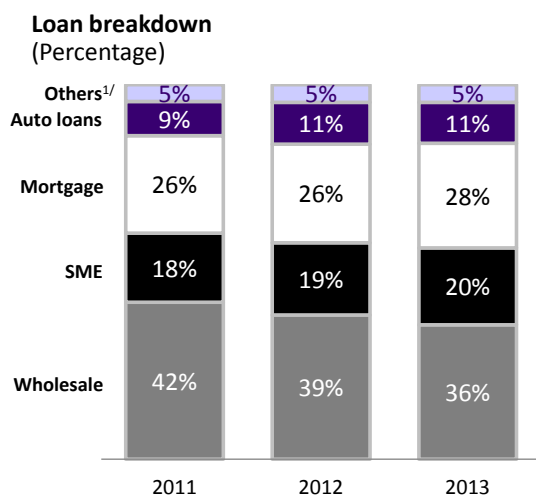
* Includes all home mortgage loans, some of which may be from segments other than Retail

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

- **Wholesale** loans increased by 4.6% yoy and 3.3% qoq in line with the Bank's specific focus on growing fee income rather than interest income in this segment;
- **SME** loans rose 19.0% yoy and 3.7% qoq. This strong growth, skewed towards 1H13, was the result of the successful multi-year execution of the Bank's strategy to better penetrate the SME marketplace, particularly at the mid-to-smaller end of this segment. The introduction of new products, better use of data analytics and the expansion of the nationwide footprint to broaden the reach to SME clientele have contributed to the improved market positioning of the Bank in the SME segment;

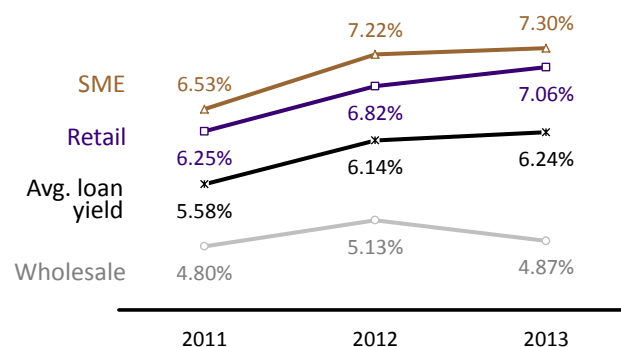
- **Retail** loans increased 15.8% yoy and 3.1% qoq.
- **Housing loans** increased 19.0% yoy and 3.5% qoq, driven by the strong SCB brand in the housing loan market, an increasingly effective customer segmentation approach, and for the first half of the year, a home equity product of the Bank;
- **Automobile loans** grew 9.9% yoy but declined 1.1% qoq as deliveries of new cars from the incentive scheme for first-time new car buyers were mostly completed by 2Q13. Thus, growth in auto loans slowed significantly in 2H13;
- **Other loans** (largely personal and credit card loans) increased 12.1% yoy and 11.4% qoq, in line with consumer demand, the Bank's strong retail footprint, and the seasonally high year-end spending pattern.

As a result of the market share gains in the Retail and SME segments, 64% of total loans are now in these segments as compared to 61% in 2012. Furthermore, within the Retail segment, the number of higher yield products such as home equity loans have also increased. These two factors have led to a 10bps increase in overall yield to 6.24% in 2013 from 6.14% in 2012 despite two policy rate cuts in 2013 (in May and November 2013).



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

Yield on Loans by Segment (Percentage)



Yield on Selected Retail Products (%)

Product	2011	2012	2013
Mortgage	5.28%	6.04%	6.19%
Auto Loans	5.41%	5.65%	5.94%

1.2 Loan by sector/product

Unit: Baht Million

Loans by sector (Consolidated)	Dec 31, 13	Dec 31, 12	% yoy	Sep 30, 13	% qoq
Agricultural and mining	20,137	12,889	56.2%	20,940	-3.8%
Manufacturing and commercial	604,367	519,896	16.2%	575,801	5.0%
Real estate and construction	126,027	115,502	9.1%	123,994	1.6%
Utilities and services	220,654	200,982	9.8%	220,384	0.1%
Housing loans*	425,065	371,254	14.5%	412,246	3.1%
Other loans	339,031	326,963	3.7%	326,656	3.8%
Total loans	1,735,281	1,547,486	12.1%	1,680,021	3.3%

* Classified by sector/product (excludes retail loans where customers use their home as collateral for general purpose borrowings). These loans are classified under "Other loans" in accordance with regulatory guidelines. Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of December 31, 2013, December 31, 2012, and September 30, 2013, were Baht 485 billion, Baht 408 billion, and Baht 469 billion, respectively.

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 grew by Baht 84.5 billion (+16.2%), housing loans grew by Baht 53.8 billion (+14.5%), while utilities and services sectors grew by Baht 19.7 billion (+9.8%).

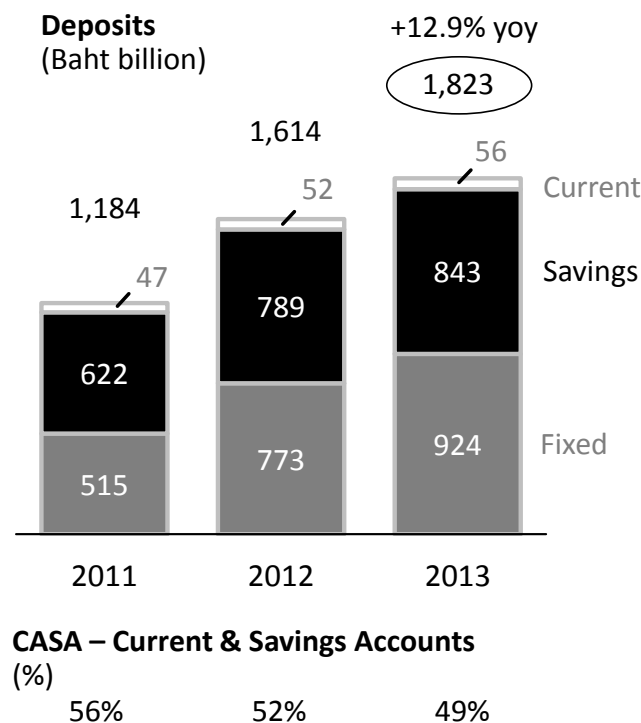
2. Deposits

Unit: Baht Million

Deposits (Consolidated)	Dec 31, 13	Dec 31, 12	% yoy	Sep 30, 13	% qoq
Demand	55,627	51,730	7.5%	50,468	10.2%
Savings	842,959	789,048	6.8%	761,958	10.6%
Fixed	924,325	773,281	19.5%	940,201	-1.7%
- Less than 6 months	204,192	170,408	19.8%	199,564	2.3%
- 6 months and up to 1 year	293,528	319,637	-8.2%	294,719	-0.4%
- Over 1 year	426,605	283,236	50.6%	445,918	-4.3%
Total Deposits	1,822,911	1,614,059	12.9%	1,752,627	4.0%
Bill of Exchange (B/E)	5,222	25,765	-79.7%	6,734	-22.5%
Total Deposits + B/E	1,828,133	1,639,824	11.5%	1,759,361	3.9%
Gross Loans to Deposits Ratio	95.2%	95.9%		95.9%	
Gross Loans to Deposits and B/E	94.9%	94.4%		95.5%	

As at December 31, 2013, total **deposits** stood at Baht 1,823 billion, up 12.9% yoy from Baht 1,614 billion at the end of December 2012. On a quarter-on-quarter basis, deposits grew 4.0%. The strong yoy growth in deposits was the result of the deposit campaigns launched over the period and the progressive shift of maturing bills of exchange (B/E) to fixed term deposit products. As at December 31, 2013, deposits plus B/E grew 11.5% yoy and 3.9% qoq to Baht 1,828 billion.

Bills of exchange (B/E), akin to uninsured deposits, were offered by the Bank through to end-2011 to attract a growing volume of both corporate and high net worth customers' short-term deposits. Following the new regulatory requirements effective from January 2012, banks were required to pay FIDF fees on B/E and, essentially, this new levy negated the value proposition of B/E. As a result, the Bank sharply curtailed the growth and/or renewal of B/E, resulting in a 79.7% yoy and 22.5% qoq decline in B/E in 2013 and 4Q13, respectively. Many of these B/E have been channeled to the Bank's fixed term deposit products upon maturity. Fixed deposits, demand deposits and savings deposits increased (yoy) by 19.5%, 7.5% and 6.8% respectively.



In 2013, the Bank was successful in growing its funding base to match its loan growth through its strong retail franchise. The **loan-to-deposit** ratio on a consolidated basis stood at 95.2% as at December 31, 2013, a slight improvement from 95.9% in 2012. The 'loan-to-deposit and B/E' ratio of 94.9% was higher than 94.4% at end 2012, but is within the Bank's target loan-to-deposit (including B/E) ratio range of 94-96%.

The Bank's policy on liquidity management is to source the required level of funding to match its loan growth at an acceptable cost. The Bank's Assets and Liabilities Management Committee formulates policies on liquidity management.

The regulations of Bank of Thailand on liquid assets, with which the Bank is in compliance, require commercial banks to maintain liquid assets equal to at least 6% of total deposits. The Bank currently maintains a daily liquidity ratio at 20% or higher – measured as total liquid assets (at a bank-only level) to total deposits and B/E. If the ratio falls below 20%, immediate corrective action is considered. As at December 31, 2013, the liquidity ratio, on a bank-only basis, stood at 24.2% and thus the Bank is assured

that it will possess ample liquidity to face unexpected shocks and challenges. The Bank's stock of non-cash liquid assets, at a bank-only level, consists almost entirely of Thai government bonds.

3. Investments

At the end of December 2013, the Bank's total net investments on a consolidated basis stood at Baht 505 billion, an increase of 10.0% yoy. Of this amount, 90% were investments in government and state-enterprise securities. The increase in the Bank's portfolio of government securities corresponded with the increase in total deposit volume as well as from the Bank's aim to maintain, at a bank-only level, a liquidity ratio (liquid assets/deposits+B/E) of no less than 20%.

At a bank-only level, the total net investments stood at Baht 396 billion, an increase of 5.8% yoy. These investments are mainly in Thai government bonds and held primarily to provide the Bank with ample liquidity. In addition to the Bank, SCB Life Assurance Company held investments of Baht 121 billion at December 31, 2013, an increase of 21.1% yoy. A majority of these investments are also in Thai government bonds and acquired to match, to the extent possible, the maturity profile of its insurance product related liabilities.

Unit: Baht Million

Investment (Consolidated)	Dec 31, 13	Dec 31, 12	%yoy	Sep 30, 13	%qoq
Net investment	504,188	458,297	10.0%	458,937	9.9%
- Trading securities	46,215	20,243	128.3%	43,606	6.0%
- Available-for-sale securities	344,727	327,750	5.2%	289,097	19.2%
- Held-to-maturity securities	112,959	109,550	3.1%	125,483	-10.0%
- General investments	287	754	-61.9%	751	-61.8%
Net investment in associated companies	685	647	5.9%	655	4.6%
Total net investments	504,873	458,943	10.0%	459,592	9.9%

4. Debt securities in issue and borrowings

Debt securities in issue and borrowings decreased by 28.3% yoy to Baht 95 billion at the end of December 2013. This was largely due to the substantial decline in the volume of B/E (-79.7% yoy). Although B/E were not rolled over, most of the holders of these instruments were successfully persuaded to migrate to deposit products of the Bank. On a quarterly basis, debt securities in issue and borrowings increased 0.6% qoq.

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. This was partly offset by the early redemption in May 2013 of Baht 20 billion of subordinated debt issued in 2008 as this debt no longer qualified as Tier II capital under the Basel III framework. 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 the demand for foreign currency loans.

Unit: Baht Million

Debt securities in issue and borrowings (Consolidated)	Dec 31, 13	Dec 31, 12	% yoy	Sep 30, 13	% qoq
Short term debt securities in issue and borrowings	5,269	20,752	-74.6%	6,789	-22.4%
Long term debt securities in issue and borrowings	89,743	111,825	-19.7%	87,624	2.4%
Total debt securities in issue and borrowings	95,012	132,577	-28.3%	94,413	0.6%

5. Net goodwill and other intangible assets

Net goodwill and other intangible assets remain relatively unchanged yoy at Baht 11 billion at end December 2013.

6. Shareholders' equity

As at December 31, 2013, shareholders' equity stood at Baht 246 billion, a 15.2% yoy increase of Baht 32 billion from Baht 214 billion at the end of December 2012, mainly from the appropriations of net profit over the year. The net profit appropriated to the retained earnings was reduced by the dividend payment of Baht 11.9 billion (Baht 3.50 per share) in accordance with the resolution of the Annual General Meeting of Shareholders in April 2013 and an interim dividend payment of Baht 5.1 billion (Baht 1.50 per share) in accordance with the resolution of the Board of Directors meeting in August 2013.

Book value per share as of December 31, 2013 was Baht 72.45 (3,399 million ordinary and preferred shares at the end of December 2013), up 15.2% from Baht 62.89 at the end of 2012 and an increase of 4.6% from Baht 69.24 at the end of 3Q13.

III. Off Balance Sheet: Contingent Liabilities

As at December 31, 2013, the Bank and its subsidiaries had combined contingencies of Baht 354 billion, up by Baht 36 billion (11.4% yoy) from Baht 318 billion at the end of December 2012 and 7.8% qoq. The changes in contingencies were mainly from other guarantees, letters of credit, undrawn bank overdraft facilities, receivables from investments and aval to bills as indicated in the table below.

Unit: Baht Million

Contingent liabilities (Consolidated)	Dec 31, 13	Dec 31, 12	% yoy	Sep 30, 13	% qoq
Aval to bills	4,297	3,487	23.2%	5,107	-15.9%
Guarantees of loans	214	578	-63.0%	237	-9.8%
Liability under unmatured import bills	7,434	8,413	-11.6%	6,957	6.9%
Letters of credit	26,898	16,502	63.0%	26,989	-0.3%
Other contingencies					
Receivables/payables from investments	11,400	6,482	75.9%	6,779	68.1%
Other guarantees	173,787	159,907	8.7%	153,847	13.0%
Amount of unused bank overdraft	129,813	122,089	6.3%	128,295	1.2%
Others	39	95	-58.9%	48	-18.8%
Total contingent liabilities	353,882	317,553	11.4%	328,259	7.8%

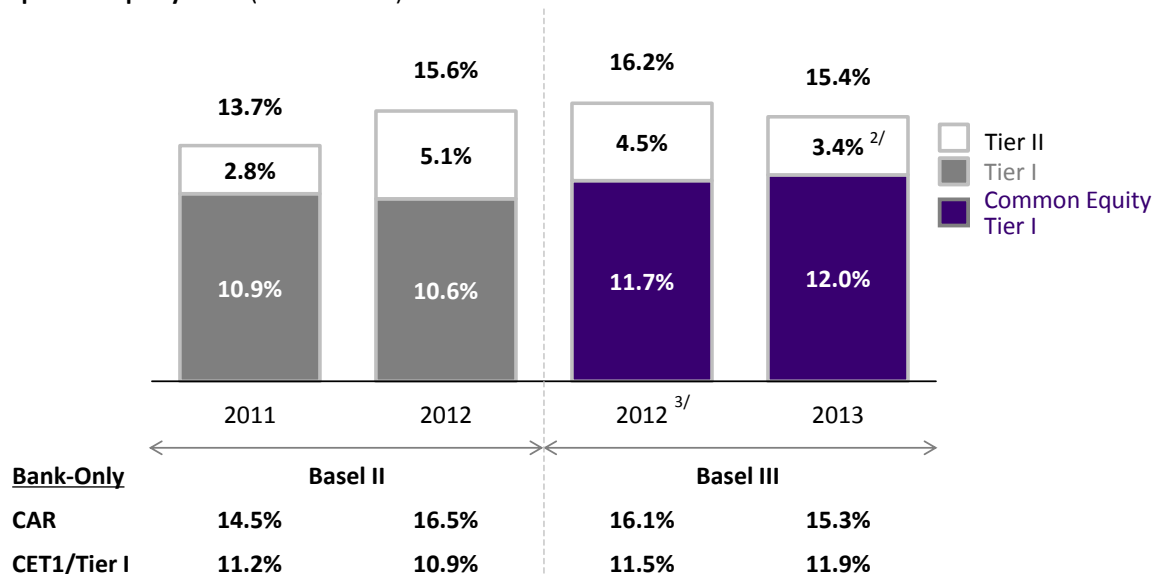
IV. Statutory Capital

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 was no such exemption). Furthermore, certain elements within 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%).

On a consolidated basis under Basel III, total capital funds (Tier 1 and Tier 2) stood at 15.41% of total risk-weighted assets, comprising CET1 capital of 12.01% and Tier-2 capital of 3.40%. On a bank-only basis, total capital funds at end of 2013 stood at 15.27% of total risk-weighted assets, of which CET1 was 11.84% and Tier-2 capital was 3.43%. Compared to end of 2012, Tier-2 capital declined mainly due to the redemption in May 2013, of Baht 20 billion subordinated debt issued in 2008. The aforementioned ratios do not take into account the 2H13 net profit. Should the 2H13 net profit be taken into consideration, the total capital ratio and CET1 capital ratio under Basel III on a consolidated basis would be 16.66% and 13.25% respectively and for the Bank it would be 16.53% and 13.10% respectively.

The Bank believes this strong capital position, together with its sound loan loss reserve coverage are sufficient to withstand the impact of potential shocks which may arise if the 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 2014.

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.

^{2/} The Bank redeemed non-compliant Basel III Tier 2 subordinated debenture amounting to Bt 20bn in May 2013.

^{3/} The 2012 CAR ratio under Basel III is provided for comparison purposes only as the Bank was using Basel II in 2012.

Statutory Capital (Consolidated)		Dec 31, 13 (Basel III)	Dec 31, 12 (Basel II)	Sep 30, 13 (Basel III)
Common Equity Tier-1 / Tier 1*	Bt, million	208,719	159,195	211,901
	% of RWA	12.01%	10.55%	12.64%
Tier-2 capital	Bt, million	59,135	76,414	57,998
	% of RWA	3.40%	5.06%	3.46%
Total capital	Bt, million	267,854	235,609	269,899
	% of RWA	15.41%	15.61%	16.10%
Risk-weighted assets	Bt, million	1,738,165	1,509,572	1,676,621

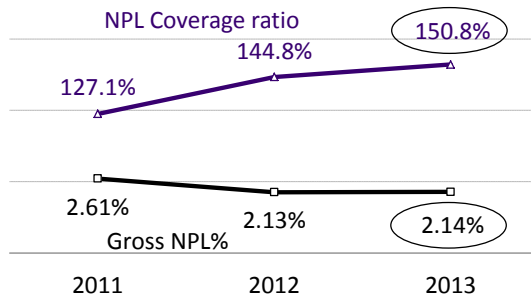
Statutory Capital (Bank only)		Dec 31, 13 (Basel III)	Dec 31, 12 (Basel II)	Sep 30, 13 (Basel III)
Common Equity Tier-1 / Tier 1*	Bt, million	203,369	165,038	205,508
	% of RWA	11.84%	10.85%	12.37%
Tier-2 capital	Bt, million	58,955	85,515	57,998
	% of RWA	3.43%	5.62%	3.49%
Total capital	Bt, million	262,324	250,553	263,506
	% of RWA	15.27%	16.47%	15.86%
Risk-weighted assets	Bt, million	1,717,592	1,521,035	1,661,504

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

V. Non Performing Assets

Gross NPLs on a consolidated basis was stable at 2.14% of total loans (Baht 40.0 billion) at the end of 2013, compared to 2.13% of total loans (Baht 35.9 billion) at the end of 2012. Net NPLs rose slightly to 1.06% (Baht 19.5 billion) at the end of 2013 from 1.02% (Baht 17.0 billion) at the end of 2012.

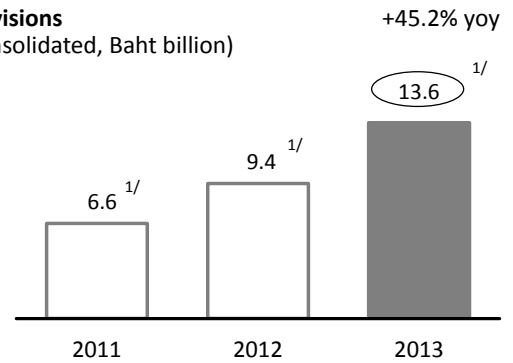
Gross NPL ratio & NPL Coverage ratio
(Percentage)



NPL by Segment and by Product

Wholesale	2.3%	2.0%	1.6%
SME	5.7%	4.0%	3.6%
Retail	1.9%	1.9%	2.3%
Mortgage	2.0%	2.0%	2.4%
Auto Loans	2.5%	2.1%	2.4%

Provisions
(Consolidated, Baht billion)



^{1/} Includes additional provisions of Baht 3.3 billion in 2011, Baht 4.0 billion in 2012, and Baht 3.1 billion in 2013 on a bank basis.

Credit Costs (bps)	56	66	83
---------------------------	-----------	-----------	-----------

As a result of significant additional prudent provision in 3Q13 and 4Q13, the total allowance for doubtful accounts as of December 31, 2013 stood at Baht 60.3 billion, an increase of Baht 8.4 billion from Baht 52.0 billion at the end of 2012. Further, the coverage ratio (total allowance to non-performing loans) of 150.8% was an increase from 144.8% from end-2012.

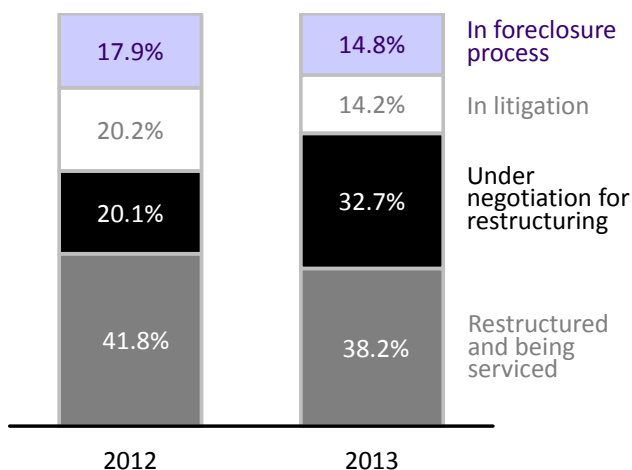
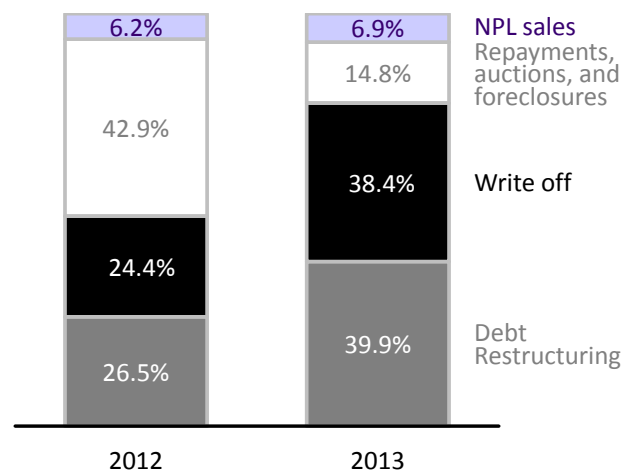
Gross NPLs on a bank-only basis rose to 2.06% (Baht 38.2 billion) at the end of 2013 from 2.01% (Baht 33.6 billion) at the end 2012. Net NPLs rose to 1.04% (Baht 19.0 billion) at the end of 2013 from 0.99% (Baht 16.4 billion) at the end of 2012.

Special mention loans stood at Baht 33.6 billion at end of 2013, an increase of Baht 8.3 billion from end of 2012. The increase arises mainly because of the Bank's shift to higher yield/higher risk retail products (auto and home equity loans) and, to a lesser extent, the impact of deteriorating economic climate on borrower repayment capabilities.

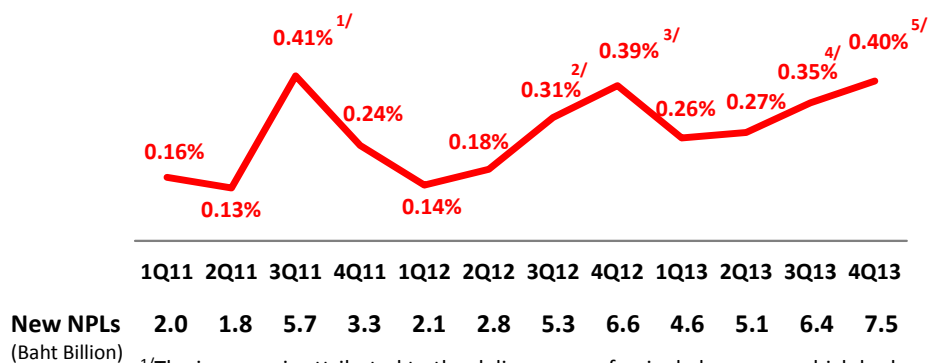
Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Dec 31, 13		Dec 31, 12		Sep 30, 13	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Normal	1,665,762	16,311	1,489,739	14,284	1,615,544	15,620
Special mention	33,588	1,833	25,278	1,211	29,751	1,577
Substandard	12,035	5,872	9,878	4,099	12,259	6,002
Doubtful	7,204	2,232	4,463	1,541	5,834	1,793
Doubtful loss	20,824	12,686	21,591	13,359	20,114	12,576
Total	1,739,413	38,934	1,550,949	34,494	1,683,502	37,568
Allowance established in excess of BoT regulations		21,008		17,016		19,795
Total allowance		59,942		51,510		57,363

As shown in the chart below, at the end of 2013, NPLs that were restructured and being serviced accounted for the largest proportion of the total NPLs, followed by NPLs under negotiation for restructuring, NPLs in the foreclosure process, and NPLs under litigation. In 2013, the Bank reduced its NPLs mainly through debt restructuring, write-offs, repayments, auctions and foreclosures followed by NPL sales.

In 4Q13, new NPL formation rose to 0.40%, from 0.35% in 3Q13 and the 0.39% recorded in 4Q12. The yoy increase in new NPL formation in 4Q13 was partly due to the proactive 'qualitative' reclassification of certain customers, the gradual increase in NPLs relating to the higher yielding loans where the risk/return dynamics are different to the Bank's traditional products (for example certain types of SME and home equity loans) and the impact of the deteriorating economic climate.

NPL Breakdown by Status (Bank only)

NPL Reduction Methodology


New NPLs Formation



1Q11 2Q11 3Q11 4Q11 1Q12 2Q12 3Q12 4Q12 1Q13 2Q13 3Q13 4Q13

New NPLs 2.0 1.8 5.7 3.3 2.1 2.8 5.3 6.6 4.6 5.1 6.4 7.5
(Baht Billion)

^{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 certain housing loan and auto loan customers.

^{4/}The increase is from a few wholesale banking and SME accounts as a result of customer-specific issues.

^{5/}The increase arises mainly because of the increase in the Bank's booking of higher yield/higher risk products (SME and home equity loans) and the impact of the deteriorating economic climate.

Troubled Debt Restructuring

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

As of December 31, 2013, the Bank and its financial subsidiaries have outstanding restructured loans amounting to Baht 37.1 billion both in the consolidated and Bank-only financial statements, a Baht 4.4 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)		Dec 31, 13	Dec 31, 12	Sep 30, 13
Loans to restructured debtors	Bt, million	37,105	32,734	37,939
- Restructured loans which are classified as NPL	Bt, million	9,947	7,846	10,882
- Restructured loans which are not classified as NPL	Bt, million	27,158	24,888	27,057

The Bank's foreclosed properties available for sale as at December 2013 stood at Baht 9.7 billion, a slight increase of Baht 0.2 billion (2.0% yoy) from Baht 9.5 billion at December 2012 but a decrease from Baht 10.7 billion at the end of September 2013.

VI. Sources and Uses of Funds

As at December 31, 2013, deposits accounted for 71.9% of SCB's funding base. Including bills of exchange (or B/E) which are akin to uninsured deposits, deposits and B/Es accounted for 72.1% of the funding base. Other major sources of funds were: 9.7% from shareholders' equity; 5.1% from liabilities under insurance contracts recorded by the Bank's insurance subsidiaries (SCB Life Assurance PCL and Siam Commercial Samaggi Insurance PCL); 4.7% from interbank borrowings; and 3.7% from the issuance of debt instruments (excluding B/E). The funds were applied as follows on December 31, 2013: 68.5% was used for loans; 19.9% was applied to net investments in securities; 6.8% was lent in the interbank and money markets; and 1.4% was held in cash.