

<p style="text-align: center;">Part 3</p> <p style="text-align: center;">Financial Status and Operational Results</p>

13. Significant Financial Information

Auditor Report of the Independent Certified Public Accountants and Auditing Fees**Auditors****KPMG Phoomchai Audit Ltd.**

2012: Mr. Supot Singhasaneh, CPA Registration No. 2826 of KPMG Phoomchai Audit Ltd.

2013: Mr. Supot Singhasaneh, CPA Registration No. 2826 of KPMG Phoomchai Audit Ltd.

2014: Mr. Winid Silamongkol, CPA Registration No. 3378 of KPMG Phoomchai Audit Ltd.

Report of the Independent Certified Public Accountants for 2012-2014**2012**

Auditor's opinion was that the consolidated and the Bank's financial statements present fairly, in all material respects, the financial position as at 31 December 2012 and the financial performance and cash flows for the year then ended of The Siam Commercial Bank Public Company Limited and its subsidiaries, and of The Siam Commercial Bank Public Company Limited, respectively, in accordance with Thai Financial Reporting Standards.

2013

Auditor's opinion was that the consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

2014

Auditor's opinion was that the consolidated and the Bank's financial statements present fairly, in all material respects, the financial position of the Group and the Bank, respectively, as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Appointment of Auditors and Determining Auditing Fees

The Board assigned the Audit Committee to consider and propose the appointment of external auditors and auditing fees to shareholders for approval at every Annual General Meeting of shareholders. At the 2014 Annual General Meeting, shareholders approved the following items:

The appointment of Mr. Winid Silamongkol CPA Registration No. 3378, Mr. Charoen Phosamritlert CPA Registration No. 4068 and Miss Pantip Gulsantitamrong CPA Registration No. 4208, of KPMG Phoomchai Audit Ltd. to be auditors of the Bank for the financial year 2014. The Bank of Thailand concurred with these appointments.

Audit Fees

The Bank and its subsidiaries external audit fees for 2014 were Baht 25.6 million (2013: Baht 24.7 million).

Non-Audit Fees

The Bank and its subsidiaries paid fees for services other than statutory audits as follows:

- Audits and examination as required by regulators such as special audits and examination of banking returns, information technology review covering electronic money transfer system, audit of the risk-based capital reports.
- Examination of foreign exchange booths.
- Tax services.
- Review of certain IT system upgrades.
- Review of the embedded value reporting (insurance company).
- Review of financial reports.

Non-audit fees to the external auditors were Baht 8.2 million in 2014 (2013: Baht 10.7 million), of which Baht 0.4 million was paid in 2014, and Baht 7.8 million is due and payable in 2015.

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)
STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31

(in Baht thousand)

Assets	2014		2013		2012 (Restated)	
Cash	41,922,318	1.66%	35,583,930	1.49%	31,218,439	1.46%
Interbank and money market items, net	276,806,702	10.97%	154,891,396	6.50%	149,540,753	6.97%
Claims on security	6,059,162	0.24%	3,088,940	0.13%	-	0.00%
Derivative assets	43,759,401	1.73%	46,314,959	1.94%	28,781,792	1.34%
Investments, net	340,090,493	13.48%	368,168,331	15.45%	346,600,314	16.16%
Investments in subsidiaries and associate, net	22,128,612	0.88%	27,884,349	1.17%	27,902,519	1.30%
Loans to customers and accrued interest receivables, net						
Loans to customers	1,790,005,534	70.95%	1,751,633,622	73.49%	1,561,795,974	72.80%
Accrued interest receivables	3,543,663	0.14%	3,926,947	0.16%	3,308,810	0.15%
Total loans to customers and accrued interest receivables	1,793,549,197	71.09%	1,755,560,569	73.65%	1,565,104,784	72.95%
Less deferred revenue	(20,426,639)	-0.81%	(23,637,529)	-0.99%	(21,153,819)	-0.99%
Less allowance for doubtful accounts	(58,251,730)	-2.31%	(58,603,900)	-2.46%	(49,739,941)	-2.32%
Less revaluation allowance for debt restructuring	-	0.00%	(374,330)	-0.02%	(445,628)	-0.02%
Total loans to customers and accrued interest receivables, net	1,714,870,828	67.97%	1,672,944,810	70.19%	1,493,765,396	69.63%
Customers' liabilities under acceptances	47,747	0.00%	119,241	0.01%	192,219	0.01%
Properties for sale, net	9,711,206	0.38%	9,635,528	0.40%	9,437,572	0.44%
Premises and equipment, net	32,608,529	1.29%	33,674,416	1.41%	33,955,214	1.58%
Goodwill and other intangible assets, net	2,131,434	0.08%	1,415,127	0.06%	1,479,453	0.07%
Reinsurance receivables and assets	-	0.00%	-	0.00%	-	0.00%
Assets pending transfer	4,104,158	0.16%	4,708,520	0.20%	12,660,556	0.59%
Deferred tax assets	11,207	0.00%	11,336	0.00%	8,150	0.00%
Other assets, net	28,557,938	1.13%	25,167,003	1.06%	9,773,136	0.46%
Total assets	2,522,809,735	100.00%	2,383,607,886	100.00%	2,145,315,513	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)
STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

(in Baht thousand)

Liabilities and equity	2014		2013		2012 (Restated)	
Liabilities						
Deposits	1,890,388,475	74.93%	1,820,728,311	76.39%	1,614,588,618	75.26%
Interbank and money market items	146,014,407	5.79%	123,991,527	5.20%	111,907,302	5.22%
Liabilities payable on demand	7,399,327	0.29%	8,367,373	0.35%	9,562,679	0.45%
Liabilities to deliver security	6,059,162	0.24%	3,088,940	0.13%	-	0.00%
Derivative liabilities	42,486,703	1.68%	46,822,966	1.96%	24,979,741	1.16%
Debt issued and borrowings	114,485,513	4.54%	94,965,876	3.98%	132,487,594	6.18%
Bank's liabilities under acceptances	47,747	0.00%	119,241	0.01%	192,219	0.01%
Provisions	6,881,247	0.27%	6,361,771	0.27%	5,844,837	0.27%
Liabilities under insurance contracts	-	0.00%	-	0.00%	-	0.00%
Liabilities pending transfer	14,027,322	0.56%	12,974,727	0.54%	13,722,933	0.64%
Deferred tax liabilities	2,941,078	0.12%	2,916,313	0.12%	3,609,474	0.17%
Other liabilities	25,796,218	1.02%	30,109,010	1.26%	26,377,283	1.23%
Total liabilities	2,256,527,199	89.45%	2,150,446,055	90.22%	1,943,272,680	90.58%
Equity						
Share capital						
Authorised share capital						
3,584,237,376 preference shares of Baht 10 each	35,842,374	1.42%	35,845,084	1.50%	35,849,680	1.67%
3,415,762,624 ordinary shares of Baht 10 each	34,157,626	1.35%	34,154,916	1.43%	34,150,320	1.59%
Issued and paid-up share capital						
4,880,212 preference shares of Baht 10 each	48,802	0.00%	51,817	0.00%	54,558	0.00%
3,394,311,986 ordinary shares of Baht 10 each	33,943,120	1.35%	33,940,105	1.42%	33,937,364	1.58%
Premium on share capital						
Premium on preference shares	19,084	0.00%	20,263	0.00%	21,335	0.00%
Premium on ordinary shares	11,105,107	0.44%	11,103,928	0.47%	11,102,856	0.52%
Other reserves	19,461,413	0.77%	18,472,303	0.77%	18,277,926	0.85%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.28%	7,000,000	0.29%	7,000,000	0.33%
Unappropriated	194,705,010	7.72%	162,573,415	6.82%	131,648,794	6.14%
Total shareholders' equity	266,282,536	10.55%	233,161,831	9.78%	202,042,833	9.42%
Total equity	266,282,536	10.55%	233,161,831	9.78%	202,042,833	9.42%
Total liabilities and equity	2,522,809,735	100.00%	2,383,607,886	100.00%	2,145,315,513	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2014		2013		2012 (Restated)	
Interest income	116,949,638	97.49%	115,134,980	99.44%	98,330,926	101.89%
Interest expense	<u>42,359,301</u>	35.31%	<u>47,743,068</u>	41.24%	<u>41,309,210</u>	42.80%
Net interest income	74,590,337	62.18%	67,391,912	58.21%	57,021,716	59.09%
Fees and service income	35,216,039	29.36%	34,546,482	29.84%	29,946,610	31.03%
Fees and service expense	<u>4,646,435</u>	3.87%	<u>4,623,774</u>	3.99%	<u>4,060,174</u>	4.21%
Net fees and service income	30,569,604	25.48%	29,922,708	25.84%	25,886,436	26.82%
Net trading income	7,316,173	6.10%	8,762,625	7.57%	7,496,359	7.77%
Net gain on investments	1,908,935	1.59%	1,398,657	1.21%	195,090	0.20%
Dividend income	5,493,311	4.58%	8,049,628	6.95%	5,142,049	5.33%
Other operating income	<u>85,002</u>	0.07%	<u>254,565</u>	0.22%	<u>764,188</u>	0.79%
Total operating income	119,963,362	100.00%	115,780,095	100.00%	96,505,838	100.00%
Other operating expenses						
Staff costs	19,198,084	16.00%	18,551,303	16.02%	16,174,157	16.76%
Directors' remuneration	86,724	0.07%	89,570	0.08%	94,847	0.10%
Premises and equipment expenses	8,963,860	7.47%	8,702,255	7.52%	8,292,076	8.59%
Taxes and duties	4,055,682	3.38%	3,869,234	3.34%	3,551,557	3.68%
Others	<u>13,574,991</u>	11.32%	<u>13,199,990</u>	11.40%	<u>11,144,867</u>	11.55%
Total operating expenses	45,879,341	38.24%	44,412,352	38.36%	39,257,504	40.68%
Impairment loss of loans and debt securities	<u>13,238,851</u>	11.04%	<u>13,747,548</u>	11.87%	<u>9,995,013</u>	10.36%
Profit before tax	60,845,170	50.72%	57,620,195	49.77%	47,253,321	48.96%
Income tax expense	11,091,389	9.25%	9,922,741	8.57%	9,358,889	9.70%
Net profit	49,753,781	41.47%	47,697,454	41.20%	37,894,432	39.27%
Other comprehensive income						
Change in revaluation surplus	(28,982)	-0.02%	-	0.00%	(3,865)	0.00%
Gain (loss) on remeasuring available-for-sale investments	1,516,921	1.26%	521,881	0.45%	2,630,573	2.73%
Foreign currency translation differences	-	0.00%	-	0.00%	-	0.00%
Actuarial losses on defined benefit plans	-	0.00%	-	0.00%	(474,054)	-0.49%
Income tax on other comprehensive income	<u>(275,256)</u>	-0.23%	<u>(104,376)</u>	-0.09%	<u>(438,915)</u>	-0.45%
Total other comprehensive income, net of income tax	1,212,683	1.01%	417,505	0.36%	1,713,739	1.78%
Total comprehensive income	50,966,464	42.49%	48,114,959	41.56%	39,608,171	41.04%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2014	2013	2012 (Restated)
<i>Cash flows from operating activities</i>			
Profit before tax	60,845,170	57,620,195	47,253,321
<i>Adjustments for</i>			
Depreciation and amortisation	2,593,170	2,602,029	2,544,303
Impairment loss on loans and debt securities	14,818,145	14,791,575	10,852,758
Loss (reversal) on impairment of assets	-	-	(27,387)
(Reversal) loss on impairment of properties for sale	(213,289)	564,203	(38,305)
(Gain) loss on sales of premises and equipment	(16,590)	(6,103)	21,088
Net trading income	(7,316,173)	(8,762,625)	(7,496,359)
Net gain on investments	(1,908,935)	(1,398,657)	(195,090)
	68,801,498	65,410,617	52,914,329
Net interest income	(74,590,337)	(67,391,912)	(57,021,716)
Dividend income	(5,493,311)	(8,049,628)	(5,142,049)
Proceeds from interest	116,674,379	113,425,861	99,043,870
Interest paid	(46,443,362)	(44,248,373)	(38,067,240)
Proceeds from dividend	5,493,627	8,049,313	5,142,049
Income tax paid	(11,343,262)	(8,713,660)	(8,929,662)
Income from operations before changes in operating assets & liabilities	53,099,232	58,482,218	47,939,581
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	(121,776,340)	(4,466,401)	(35,074,226)
Claims on securities	(2,970,222)	(3,088,940)	-
Derivative assets	9,318,342	(6,140,132)	6,050,288
Investment in securities for trading	19,830,325	(25,257,597)	(11,751,785)
Loans to customers	(67,330,415)	(203,399,450)	(277,197,408)
Properties for sale	10,221,530	8,418,808	6,898,579
Other assets	(2,801,952)	(7,264,601)	(5,677,475)
<i>Increase (decrease) in operating liabilities</i>			
Deposits	69,660,164	206,139,693	435,130,419
Interbank and money market items	22,022,880	12,084,225	56,902,029
Liabilities payable on demand	(968,046)	(1,195,306)	2,664,741
Liabilities to deliver security	2,970,222	3,088,940	-
Derivative liabilities	(4,336,263)	21,843,225	(3,838,874)
Short-term debt issued and borrowings	(5,265,966)	(40,744,318)	(197,228,504)
Other liabilities	1,198,099	(2,045,986)	6,847,205
Net cash from (used in) operating activities	(17,128,410)	16,454,378	31,664,570

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (BANK ONLY)
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

(in Baht thousand)

	2014	2013	2012 (Restated)
<i>Cash flows from investing activities</i>			
Purchases of available-for-sale securities	(335,417,562)	(375,075,415)	(376,440,680)
Proceeds from sales of available-for-sale securities	344,751,568	377,152,044	276,391,614
Purchases of held-to-maturity securities	(942,000)	(1,146,832)	(1,048,364)
Proceeds from redemption of held-to-maturity securities	3,526,579	5,686,003	9,122,904
Purchases of general securities	(1,463)	(1,688)	(45,180)
Proceeds from sales of general securities	55,909	567,935	20,375
Purchases of investments in subsidiaries and/or associates	(365,590)	(60,659)	(420,596)
Proceeds from sales of investments in subsidiaries and/or associates	3,744,239	-	135,735
Proceeds from decrease in capital of subsidiary	2,979,420	-	-
Purchases of premises and equipment	(1,233,927)	(2,065,815)	(2,915,024)
Proceeds from sales of premises and equipment	179,582	259,665	133,590
Purchases of intangible assets	(361,698)	(408,164)	(645,266)
Net cash from (used in) investing activities	16,915,057	4,907,074	(95,710,892)
<i>Cash flows from financing activities</i>			
Proceeds from long-term debt issued and borrowings	24,397,500	-	73,693,000
Dividend paid to equity holders of the Bank	(17,845,759)	(16,995,961)	(11,897,173)
Net cash from (used in) financing activities	6,551,741	(16,995,961)	61,795,827
Net increase (decrease) in cash	6,338,388	4,365,491	(2,250,495)
Cash at January 1	35,583,930	31,218,439	33,468,934
Cash at December 31	41,922,318	35,583,930	31,218,439
Supplementary disclosures of cash flow information			
Significant non-cash items were as follows:			
Change in revaluation surplus *	(23,185)	-	(3,092)
Gain (loss) on remeasuring available-for-sale investments *	1,235,868	417,505	2,104,459
Properties for sale from loan payment	10,083,919	9,180,968	4,724,762

* Net of deferred revenue

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31

(in Baht thousand)

Assets	2014		2013		2012 (Restated)	
Cash	42,131,800	1.56%	35,755,178	1.41%	31,322,453	1.38%
Interbank and money market items, net	291,614,750	10.80%	171,521,721	6.77%	162,754,864	7.17%
Claims on security	6,059,162	0.22%	3,088,940	0.12%	-	0.00%
Derivative assets	43,629,965	1.62%	46,227,997	1.82%	28,759,539	1.27%
Investments, net	502,111,054	18.60%	504,187,762	19.90%	458,296,782	20.19%
Investments in subsidiaries and associate, net	696,829	0.03%	684,835	0.03%	646,652	0.03%
Loans to customers and accrued interest receivables, net						
Loans to customers	1,797,561,397	66.58%	1,758,963,941	69.41%	1,568,784,504	69.11%
Accrued interest receivables	3,814,239	0.14%	4,132,477	0.16%	3,463,427	0.15%
Total loans to customers and accrued interest receivables	1,801,375,636	66.72%	1,763,096,418	69.57%	1,572,247,931	69.26%
Less deferred revenue	(20,426,639)	-0.76%	(23,683,011)	-0.93%	(21,298,794)	-0.94%
Less allowance for doubtful accounts	(59,014,088)	-2.19%	(59,942,281)	-2.37%	(51,510,103)	-2.27%
Less revaluation allowance for debt restructuring	-	0.00%	(374,330)	-0.01%	(445,628)	-0.02%
Total loans to customers and accrued interest receivables, net	1,721,934,909	63.78%	1,679,096,796	66.26%	1,498,993,406	66.03%
Customers' liabilities under acceptances	47,747	0.00%	119,241	0.00%	192,219	0.01%
Properties for sale, net	9,720,839	0.36%	9,649,522	0.38%	9,455,896	0.42%
Premises and equipment, net	33,775,729	1.25%	35,374,687	1.40%	35,392,512	1.56%
Goodwill and other intangible assets, net	11,406,133	0.42%	11,453,899	0.45%	11,420,142	0.50%
Reinsurance receivables and assets	-	0.00%	919,670	0.04%	3,770,019	0.17%
Assets pending transfer	4,104,157	0.15%	4,708,520	0.19%	12,660,556	0.56%
Deferred tax assets	67,694	0.00%	561,564	0.02%	471,020	0.02%
Other assets, net	32,402,317	1.20%	30,855,462	1.22%	15,930,813	0.70%
Total assets	2,699,703,085	100.00%	2,534,205,794	100.00%	2,270,066,873	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)

STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31 (continued)

(in Baht thousand)

Liabilities and equity	2014		2013		2012 (Restated)	
Liabilities						
Deposits	1,895,343,384	70.21%	1,822,910,994	71.93%	1,614,059,199	71.10%
Interbank and money market items	140,285,606	5.20%	119,126,611	4.70%	107,063,207	4.72%
Liabilities payable on demand	7,400,145	0.27%	8,406,273	0.33%	9,602,881	0.42%
Liabilities to deliver security	6,063,117	0.22%	3,088,940.00	0.12%	-	0.00%
Derivative liabilities	42,413,034	1.57%	46,826,492	1.85%	24,972,679	1.10%
Debt issued and borrowings	113,916,834	4.22%	95,011,869	3.75%	132,576,966	5.84%
Bank's liabilities under acceptances	47,747	0.00%	119,241	0.00%	192,219	0.01%
Provisions	7,210,567	0.27%	6,704,276	0.26%	6,154,980	0.27%
Liabilities under insurance contracts	151,757,056	5.62%	129,203,893	5.10%	107,302,084	4.73%
Liabilities pending transfer	14,267,471	0.53%	13,094,312	0.52%	13,442,623	0.59%
Deferred tax liabilities	3,562,997	0.13%	3,058,719	0.12%	3,996,214	0.18%
Other liabilities	31,137,083	1.15%	38,614,099	1.52%	35,361,331	1.56%
Total liabilities	2,413,405,041	89.40%	2,286,165,719	90.21%	2,054,724,383	90.51%
Equity						
Share capital						
Authorised share capital						
3,584,237,376 preference shares of Baht 10 each	35,842,374	1.33%	35,845,084	1.41%	35,849,680	1.58%
3,415,762,624 ordinary shares of Baht 10 each	34,157,626	1.27%	34,154,916	1.35%	34,150,320	1.50%
Issued and paid-up share capital						
4,880,212 preference shares of Baht 10 each	48,802	0.00%	51,817	0.00%	54,558	0.00%
3,394,311,986 ordinary shares of Baht 10 each	33,943,120	1.26%	33,940,105	1.34%	33,937,364	1.49%
Premium on share capital						
Premium on preference shares	19,084	0.00%	20,263	0.00%	21,335	0.00%
Premium on ordinary shares	11,105,107	0.41%	11,103,928	0.44%	11,102,856	0.49%
Other reserves	21,914,917	0.81%	18,586,678	0.73%	19,639,340	0.87%
Retained earnings						
Appropriated						
Legal reserve	7,000,000	0.26%	7,000,000	0.28%	7,000,000	0.31%
Unappropriated	211,301,429	7.83%	175,569,326	6.93%	142,033,737	6.26%
Total shareholders' equity	285,332,459	10.57%	246,272,117	9.72%	213,789,190	9.42%
Non-controlling interests	965,585	0.04%	1,767,958	0.07%	1,553,300	0.07%
Total equity	286,298,044	10.60%	248,040,075	9.79%	215,342,490	9.49%
Total liabilities and equity	2,699,703,085	100.00%	2,534,205,794	100.00%	2,270,066,873	100.00%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2014		2013		2012 (Restated)	
Interest income	123,381,101	96.29%	120,691,136	97.70%	103,399,392	100.40%
Interest expense	42,281,297	33.00%	47,682,348	38.60%	41,294,910	40.10%
Net interest income	81,099,804	63.30%	73,008,788	59.10%	62,104,482	60.30%
Fees and service income	31,524,645	24.60%	29,574,330	23.94%	24,826,040	24.11%
Fees and service expense	5,215,834	4.07%	5,098,273	4.13%	4,369,820	4.24%
Net fees and service income	26,308,811	20.53%	24,476,057	19.81%	20,456,220	19.86%
Net trading income	7,303,791	5.70%	9,079,223	7.35%	7,511,370	7.29%
Net gain on investments	2,563,133	2.00%	2,276,601	1.84%	1,292,525	1.26%
Share of (loss) profit of associates	(78,950)	-0.06%	(7,169)	-0.01%	1,457	0.00%
Dividend income	1,182,555	0.92%	3,781,790	3.06%	962,094	0.93%
Net earned insurance premiums	49,187,862	38.39%	49,061,214	39.72%	44,471,860	43.18%
Other operating income	595,669	0.46%	726,649	0.59%	1,338,117	1.30%
Total operating income	168,162,675	131.24%	162,403,153	131.47%	138,138,125	134.13%
Net insurance claims	40,032,843	31.24%	38,871,499	31.47%	35,153,266	34.13%
Net operating income	128,129,832	100.00%	123,531,654	100.00%	102,984,859	100.00%
Other operating expenses						
Staff costs	21,954,351	17.13%	21,391,116	17.32%	18,735,657	18.19%
Directors' remuneration	93,421	0.07%	97,387	0.08%	105,145	0.10%
Premises and equipment expenses	9,766,012	7.62%	9,554,902	7.73%	9,148,354	8.88%
Taxes and duties	4,240,704	3.31%	4,026,165	3.26%	3,681,998	3.58%
Others	12,034,114	9.39%	12,247,290	9.91%	10,730,417	10.42%
Total operating expenses	48,088,602	37.53%	47,316,860	38.30%	42,401,571	41.17%
Impairment loss of loans and debt securities	13,214,064	10.31%	13,641,290	11.04%	9,396,164	9.12%
Profit before tax	66,827,166	52.16%	62,573,504	50.65%	51,187,124	49.70%
Income tax expense	13,175,226	10.28%	11,821,413	9.57%	11,667,108	11.33%
Net profit	53,651,940	41.87%	50,752,091	41.08%	39,520,016	38.37%
Other comprehensive income						
Change in revaluation surplus	(28,982)	-0.02%	350,713	0.28%	(3,865)	0.00%
Gain (loss) on remeasuring available-for-sale investments	4,654,400	3.63%	(1,464,863)	-1.19%	4,120,913	4.00%
Foreign currency translation differences	3,993	0.00%	116,726	0.09%	(58,157)	-0.06%
Actuarial losses on defined benefit plans	-	0.00%	-	0.00%	(507,938)	-0.49%
Share of other comprehensive income (loss) of associates	2,075	0.00%	(33,096)	-0.03%	(40,940)	-0.04%
Income tax on other comprehensive income	(896,703)	-0.70%	196,988	0.16%	(779,558)	-0.76%
Total other comprehensive income, net of income tax	3,734,783	2.91%	(833,532)	-0.67%	2,730,455	2.65%
Total comprehensive income	57,386,723	44.79%	49,918,559	40.41%	42,250,471	41.03%

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(in Baht thousand)

	2014	2013	2012 (Restated)
<i>Cash flows from operating activities</i>			
Profit before tax	66,827,166	62,573,504	51,187,124
<i>Adjustments for</i>			
Depreciation and amortisation	2,786,909	2,261,555	2,771,764
Impairment loss on loans and debt securities	14,799,454	14,744,534	11,629,690
Loss (reversal) on impairment of assets	-	19,308	(27,387)
(Reversal) loss on impairment of properties for sale	(213,289)	563,794	(39,510)
Gain on sales of premises and equipment	(25,426)	(8,377)	(2,099)
Net trading income	(7,303,791)	(9,079,223)	(7,511,370)
Net gain on investments	(2,563,133)	(2,276,601)	(1,292,525)
Share of loss (profit) of associate	78,950	7,169	(1,457)
	74,386,840	68,805,663	56,714,230
Net interest income	(81,099,804)	(73,008,788)	(62,104,482)
Dividend income	(1,182,555)	(3,781,790)	(962,094)
Proceeds from interest	123,126,122	119,042,376	104,074,385
Interest paid	(46,362,822)	(44,195,655)	(38,098,442)
Proceeds from dividend	1,185,693	3,778,116	973,759
Income tax paid	(13,107,624)	(10,945,828)	(10,867,670)
Income from operations before changes in operating assets and liabilities	56,945,850	59,694,094	49,729,686
<i>(Increase) decrease in operating assets</i>			
Interbank and money market items	(120,039,576)	(7,981,506)	(38,762,970)
Claims on securities	(2,970,222)	(3,088,940)	-
Derivative assets	9,222,461	(5,883,868)	6,052,310
Investment in securities for trading	19,784,581	(25,377,958)	(11,586,707)
Loans to customers	(68,158,773)	(204,719,201)	(264,400,118)
Properties for sale	10,225,890	8,920,007	7,353,673
Reinsurance receivables and assets	919,670	2,850,349	7,228,341
Other assets	(2,949,131)	(6,675,114)	(8,720,505)
<i>Increase (decrease) in operating liabilities</i>			
Deposits	72,432,390	208,851,795	429,671,397
Interbank and money market items	21,158,995	12,063,404	53,631,909
Liabilities payable on demand	(1,006,128)	(1,196,608)	2,697,862
Liabilities to deliver security	2,974,177	3,088,940	-
Derivative liabilities	(4,413,458)	21,853,813	(3,845,936)
Short-term debt issued and borrowings	(12,880,639)	(40,787,697)	(196,679,131)
Other liabilities	21,086,445	20,090,350	27,307,429
Net cash from operating activities	2,332,532	41,701,860	59,677,240

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31 (continued)

(in Baht thousand)

	2014	2013	2012 (Restated)
<i>Cash flows from investing activities</i>			
Purchases of available-for-sale securities	(355,646,130)	(393,826,567)	(414,779,318)
Proceeds from sales of available-for-sale securities	348,531,279	393,954,898	305,940,454
Purchases of held-to-maturity securities	(51,418,050)	(96,066,018)	(12,109,116)
Proceeds from redemption of held-to-maturity securities	47,002,356	77,099,680	41,111
Purchases of general securities	-	(1,688)	(108,341)
Proceeds from sales of general securities	55,909	567,935	53,985
Purchases of investments in subsidiaries and/or associate	(88,868)	(60,659)	-
Proceeds from sales of investments in subsidiaries and/or associate	3,744,239	-	767,907
Proceeds from decrease in capital of subsidiary	-	-	-
Purchases of premises and equipment	(1,282,154)	(1,588,656)	(3,150,709)
Proceeds from sales of premises and equipment	195,972	263,190	322,516
Purchases of intangible assets	(472,758)	(567,617)	(657,177)
Net cash (used in) from investing activities	(9,378,205)	(20,225,502)	(123,678,688)
<i>Cash flows from financing activities</i>			
Proceeds from long-term debt issued and borrowings	31,397,500	-	73,693,000
Dividend paid to equity holders of the Bank	(17,845,759)	(16,995,961)	(11,897,173)
Dividend paid to non-controlling interests	(133,439)	(164,398)	(115,026)
Net cash from (used in) financing activities	13,418,302	(17,160,359)	61,680,801
Foreign currency translation differences	3,993	116,726	(58,157)
Net increase (decrease) in cash	6,376,622	4,432,725	(2,378,804)
Cash at January 1	35,755,178	31,322,453	33,701,257
Cash at December 31	42,131,800	35,755,178	31,322,453
Supplementary disclosures of cash flow information			
Significant non-cash items were as follows:			
Change in revaluation surplus *	(23,185)	225,450	(3,092)
Gain (loss) on remeasuring available-for-sale investments *	3,624,952	(1,020,888)	3,156,236
Foreign currency translation differences	3,993	116,726	(58,157)
Share of other comprehensive income (loss) of associates	2,075	(33,096)	(40,940)
Properties for sale from loan payment	10,083,919	9,677,427	5,005,009

* Net of deferred revenue

THE SIAM COMMERCIAL BANK PUBLIC COMPANY LIMITED (CONSOLIDATED)
FINANCIAL RATIOS

	2014	2013	2012 (Restated)
PROFITABILITY RATIO			
Operating Profit Margin ⁽¹⁾	55.04%	52.00%	51.07%
Net Profit Margin	41.63%	40.66%	38.10%
Return on Equity	20.07%	21.84%	19.74%
Yield ⁽²⁾	6.21%	6.67%	6.61%
Cost of Funds ⁽³⁾	2.01%	2.44%	2.46%
Spread ⁽⁴⁾	4.19%	4.23%	4.16%
Return on Investment	3.11%	3.22%	3.27%
EFFICIENCY RATIO			
Cost Income Ratio	37.53%	38.30%	41.17%
Net Interest Income to Asset	3.10%	3.04%	3.02%
Return on Asset	2.04%	2.09%	1.91%
Asset Turnover Ratio (times)	0.05	0.05	0.05
FINANCIAL POLICY RATIO			
Liability to Total Equity (Times)	8.43	9.22	9.54
Loan to Borrowing Ratio	88.12%	90.08%	88.11%
Loan to Deposit Ratio	93.76%	95.19%	95.88%
Deposit to Liability Ratio	78.53%	79.74%	78.55%
Dividend payout ⁽⁵⁾	38.24%	35.53%	38.99%
Total Capital Funds (Bank only) ⁽⁶⁾	16.90%	15.27%	16.47%
ASSET QUALITY RATIO			
Allowance for Doubtful Account to Loan and Accrued Interest Receivables	3.31%	3.45%	3.32%
Credit Cost ⁽⁷⁾	0.75%	0.83%	0.66%
% Non-Performing Loan to Total Loans ⁽⁸⁾	2.11%	2.14%	2.13%
Accrued Interest Receivables to Loan and Accrued Interest Receivables	0.21%	0.24%	0.22%

Remark:

(1) Operating Profit Margin = (Net interest income + net fee income + net insurance premium - tax and duties) / (Total interest income + gross fee income + gross insurance premium)

(2) Yield = Total interest income / (avg. loans + avg. interbank and money market assets)

(3) Cost of Funds = Total interest expense / (avg. deposits + avg. borrowings + avg. liability payable on demand + avg. interbank and money market liabilities)

(4) Spread = Yield - Cost of Funds

(5) Dividend payment in 2014 was Baht 6.00 per share (ordinary and preferred shares) as proposed to the Annual General Meeting of Shareholders in April 2015. (Interim dividend Baht 1.50 per share)

(6) Total capital funds in 2012 were derived using the Basel II standardized approach

(7) Credit cost = Provision / avg. loans

(8) % Non-Performing Loan to Total Loans used the guidelines specified in the BoT's notification

14. Management Discussion and Analysis

Management Discussion and Analysis

For year ended December 31, 2014

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 it is sourced from outside the Bank. In addition, any forward looking statements are subject to change as a result of market conditions and the actual outcome may be different to that expected. 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 53,335 million for 2014 - a 6.2% yoy increase of Baht 3,102 million from the Baht 50,233 million recorded in 2013. The **year-on-year** increase in net profit was mainly attributable to: substantially higher net interest income mainly from a significant decline in interest expenses as well as from loan growth and higher net fee income. This yoy increase was partly offset by lower dividend income (as two exceptional dividends were recorded in 1Q13 and 3Q13) and lower net trading and FX income.

Operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased by 5.0% yoy to Baht 80,041 million from Baht 76,215 million in 2013 due to the substantial increase in net interest income as described above.

Total comprehensive income increased 15.0% yoy to Baht 56,942 million from Baht 49,517 million in 2013 mainly as a result of the higher net profit and gain on the revaluation of the available-for-sale investment portfolio for the period.

Following the higher net profit, earnings per share (EPS) rose 6.2% yoy to Baht 15.69 in 2014 from Baht 14.78 in 2013. However, return on average equity (ROAE) and return on average assets (ROAA) decreased from 21.8% and 2.1% in 2013 to 20.1% and 2.0%, respectively as the increase in average equity and average assets was proportionately higher than the increase in net profit.

Net Profit and Total Comprehensive Income

Unit: Baht Million

Net Profit and Total Comprehensive Income (Consolidated)	2014	2013	%yoy
Net interest income	81,100	73,009	11.1%
Non-interest income ^{1/}	47,030	50,523	-6.9%
Non-interest expenses	48,089	47,317	1.6%
Operating profit	80,041	76,215	5.0%
Impairment loss on loans and debt securities	13,214	13,641	-3.1%
Income tax	13,175	11,822	11.5%
Non-controlling interest	317	519	-38.9%
Net profit (attributable to shareholders of the Bank)	53,335	50,233	6.2%
Other comprehensive income	3,607	(716)	NM
Total comprehensive income	56,942	49,517	15.0%
EPS (Baht)	15.69	14.78	6.2%
ROAE	20.1%	21.8%	
ROAA	2.0%	2.1%	

NM denotes "not meaningful"

^{1/} Includes the gain on the disposal of the Bank's investment in its non-life subsidiary in 2Q14, a large exceptional dividend in both 1Q13 and 3Q13 on an equity investment in the Bank investment portfolio and a one-time gain on the redemption of the Vayupak Fund in 4Q13. Excluding these one-time items, the 2014 yoy% ratio would be -3.9% yoy (vs. -6.9%).

I. Income Statement for 2014 (Consolidated basis)**1. Net interest income**

Net interest income rose 11.1% **yoy** to Baht 81,100 million in 2014 from Baht 73,009 million in 2013. The increase in interest income was mainly the result of the lower interest expenses on deposits consistent with the Bank's strategy to proactively reduce its cost of deposits relative to its peer group as well as the higher interest income from modest loan growth.

Unit: Baht Million

Net Interest Income and Yield (Consolidated)	2014	2013	%yoy
Interest income	123,381	120,691	2.2%
- Loans	95,357	91,753	3.9%
- Interbank and money markets	4,380	5,028	-12.9%
- Automobile and financial lease income	10,489	10,668	-1.7%
- Investments	13,127	13,226	-0.7%
- Other	28	16	67.4%
Interest expenses	42,281	47,682	-11.3%
- Deposits	29,171	33,943	-14.1%
- Interbank and money markets	1,605	1,839	-12.8%
- Borrowings	3,339	3,914	-14.7%
- Contribution to the Deposit Protection Agency/FIDF	8,165	7,980	2.3%
- Other	1	6	-78.6%
Net interest income	81,100	73,009	11.1%
Net interest margin	3.26%	3.19%	0.07%
Yield on earning assets	4.95%	5.27%	-0.32%
Yield on loans	6.03%	6.24%	-0.21%
Yield on interbank	1.89%	3.01%	-1.12%
Yield on investment	2.61%	2.75%	-0.14%
Cost of funds*	2.02%	2.45%	-0.43%
Cost of deposits**	2.01%	2.44%	-0.43%
Spread (yield on earning assets – cost of funds)	2.93%	2.82%	0.11%

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) / average interest-bearing liabilities.

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

Interest income in 2014 was reported at Baht 123,381 million, a 2.2% **yoy** increase of Baht 2,690 million from Baht 120,691 million in 2013. Major highlights were as follows:

- **Interest income from loans** increased 3.9% yoy to Baht 95,357 million from loan growth of 2.4% yoy;
- **Automobile and financial lease** income fell 1.7% yoy to Baht 10,489 million following the 11.4% drop in the volume of automobile loans – in line with the contraction in demand for new automobiles and its disruptive impact on the used cars segment;
- **Interest income from interbank and money markets** decreased 12.9% yoy mainly due to the lower interbank rate in 2014 following the policy rate cuts in 2013 and 1Q14;
- **Interest income from investments** decreased slightly by 0.7% yoy to Baht 13,127 million, mainly from lower investment return following the policy rate cuts which was partly offset by an increase in the average investment volume.

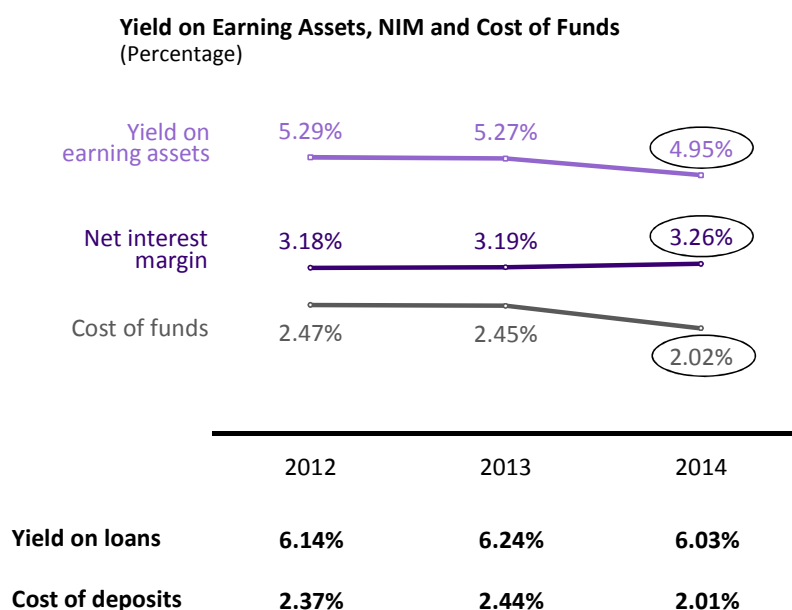
At the same time, **interest expenses** decreased significantly by 11.3% yoy to Baht 42,281 million in 2014, mainly from the decline in deposit costs (-14.1% yoy) consistent with the Bank's strategy to

proactively reduce cost of deposits relative to its peer group. Interest expenses from borrowing decreased 14.7% yoy mainly due to the decline in the volume of Bills of Exchange (B/E) and the early redemption of non-qualifying subordinated debt (under Basel III) of Baht 20 billion in May 2013 which was partly offset by the issuance of 5-year bonds under the Bank's Global Medium Term Notes (GMTN) program of USD 750 million in 2Q14. The cost of deposits fell as maturing high cost deposits (mostly acquired through higher return campaigns) were offered a significantly lower interest rate with an option to migrate to better yielding alternate investments offered by the Bank's asset management subsidiary. Broadly, these changes were in line with the interest rate trend in the market given both the accommodative monetary policy and lackluster loan demand across the sector.

SCB Interest Rates	Jan 28, 14	Mar 13, 14	Mar 19, 14	May 16, 14	Jun 6, 14	Jun 26, 14	Aug 5, 14	Sep 30, 14	Dec 12, 14
Lending rate (%)									
MLR	6.875	6.75	6.75	6.75	6.75	6.75	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	7.975	8.10	8.10	8.10	8.10	8.10	8.10	8.10
Deposit rate* (%)									
Savings rate	0.625	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	1.40-1.65	1.15-1.25	1.10-1.15	1.10-2.15	1.10-2.35	1.10-2.45	1.10-2.45	1.10-2.45	1.10-2.45
6-month deposits	1.70-1.85	1.40-1.60	1.35-1.40	1.35-2.05	1.35-1.40	1.35-2.50	1.35-2.60	1.35-1.75	1.35-1.40
12-month deposits	2.10-2.15	1.80-1.85	1.70	1.70	1.70	1.70	1.70-2.80	1.70	1.70

Policy rate (%)	Jun 1, 11	Jul 13, 11	Aug 24, 11	Nov 30, 11	Jan 25, 12	Oct 17, 12	May 29, 13	Nov 27, 13	Mar 12, 14
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* Excludes special campaigns which are generally at significantly higher rates but with different terms and other conditions to the 3, 6, 12 month term deposits.



The net interest margin (NIM) for 2014 of 3.26% was 7 bps higher than the 3.19% recorded in 2013. This NIM was at the higher end of the Bank's full year revised target range of 3.1-3.3% for 2014. The improvement in NIM was a result of the lower cost of deposits in line with the Bank's strategy to proactively reduce cost of deposits.

2. Non-interest income

Non-interest income decreased 6.9% **yoy** to Baht 47,030 million in 2014, which was the result of lower dividend income (mainly from two exceptional dividends recorded in 1Q13 and 3Q13), lower net trading and FX income and lower net insurance premium. However, net fee income has continued to grow. Additional details of non-interest income yoy were as follows:

- **Net fee and insurance premium income** (net of claims) increased 2.3% yoy driven by higher net fee income (7.5% yoy) from bancassurance fees (non-life premiums were booked under net insurance premium prior to 2Q14 before the Bank sold its equity interest in this subsidiary), mutual fund fees and card-related fees. However, net insurance premium dropped 10.2% yoy due to the sale of the non-life subsidiary in 2Q14 and the significantly lower premium from credit life products following lackluster new loans growth;
- **Net trading and FX income** decreased 19.6% yoy, mainly due to the lower customer transaction flow and volatility in the financial markets and thus lower gains from large transactions compared to a year earlier;
- **Dividend income** decreased significantly by 68.7% yoy mainly as a result of a substantial and exceptional dividend from an investment in the Bank's equity portfolio in both 1Q13 and 3Q13 and the regular dividend income from the Vayupak Fund (which was redeemed in November 2013) recorded in 2013. Excluding the exceptional dividends, this income would have decreased by 13.9% yoy; and
- **Gain on investments** increased 12.6% yoy largely due to the substantial gain from sale of the Bank's equity holding in its non-life insurance subsidiary recorded in 2Q14 which was partly offset by a one-time gain on the redemption of the Vayupak Fund recorded in 4Q13.

Unit: Baht Million

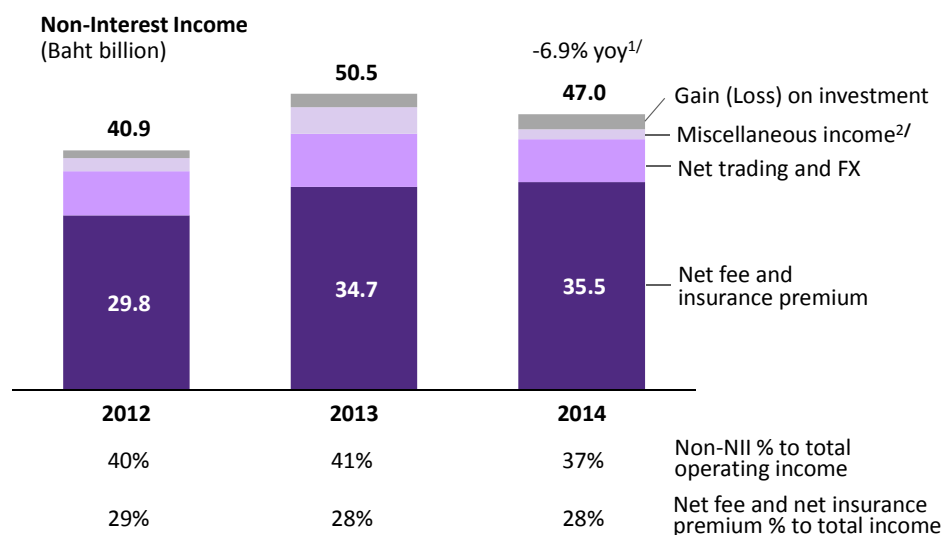
Non-Interest Income (Consolidated)	2014	2013	%yoy
<i>Fee and service income</i>	31,525	29,574	6.6%
<i>Less fee and service expenses</i>	5,216	5,098	2.3%
Net fee and service income	26,309	24,476	7.5%
<i>Net earned insurance premiums</i>	49,188	49,061	0.3%
<i>Less net insurance claims</i>	40,033	38,872	3.0%
Net insurance premiums	9,155	10,189	-10.2%
Net fee and insurance premium	35,464	34,665	2.3%
Net trading and FX income	7,304	9,079	-19.6%
Share of profit of associates	(79)	(7)	NM
Dividend income ^{1/}	1,182	3,782	-68.7%
Other income	596	727	-18.0%
Non-interest income excluding gain on investments	44,467	48,246	-7.8%
Gain on investments ^{2/}	2,563	2,277	12.6%
Total non-interest income^{3/}	47,030	50,523	-6.9%

NM denotes "not meaningful"

^{1/} Includes exceptional dividend income booked in 1Q13 and 3Q13. Stripping out these dividends, the 2014 change would stand at -13.9% yoy (vs. -68.7%).

^{2/} Includes the gain on the disposal of the Bank's investment in its non-life subsidiary in 2Q14 and gain on the redemption of the Vayupak Fund in 4Q13. Stripping out these gains, the 2014 change would stand at -36.8% yoy (vs. 12.6%).

^{3/} Excluding the exceptional items in note 1 & 2 above, the change in non-interest income for 2014 would stand at -3.9% yoy (vs. -6.9%).



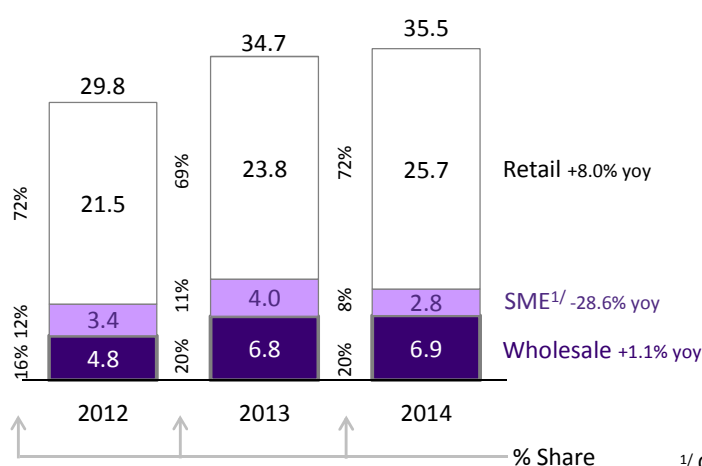
^{1/} Excluding the exceptional dividend and gain on the redemption of the Vayupak Fund in 2013 and investment gain from the sale of the Bank's non-life insurance stake in 2014, the 2014 yoy change would stand at -3.9%.

^{2/} Miscellaneous income includes income from the equity interest in affiliated companies, dividends, and other income. This includes two exceptional dividends booked in 1Q13 and 3Q13 aggregating Baht 2.4 billion.

In 2014, **non-interest income** accounted for 37% of total income, while net fee and net insurance premium income made up 28% of total income. The retail segment contributed about 72% of total net fee and insurance premium income in 2014 up from 69% in 2013 while the net fee and insurance

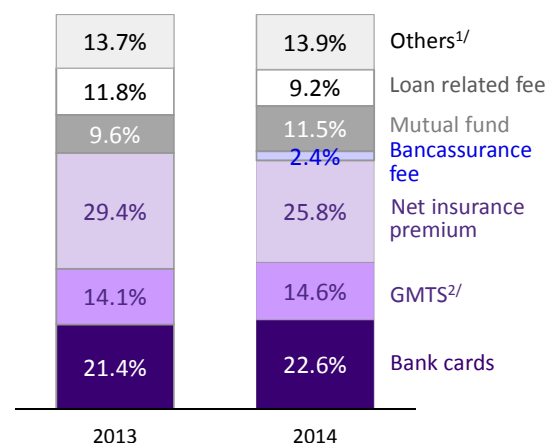
premium income from wholesale segment was relatively flat at 20% in 2014. The contribution from SME segment fell from 11% in 2013 to 8% in 2014 mainly due to the sharp drop in loan-related fees in this segment. The Bank maintains its strategy to increase the aggregate fee income contribution from both the wholesale and SME segments through a sharper focus on fee-based activities in these two business segments and, as a result, 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 (Baht billion)



^{1/} Mainly from the reduction of loan related fee given lackluster loan growth during the year.

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 slightly by 1.6% yoy to Baht 48,089 million in 2014 from Baht 47,317 million in 2013. The small increase in operating expenses was the direct result of the Bank's strategic thrust of containing the growth of discretionary expenditure through, among others, better resource deployment and process optimization. Additional details of non-interest expenses yoy were as follows:

- **Staff costs** increased 2.6% yoy as a result of annual salary adjustments, these increases were offset by the strong drive to contain the growth of discretionary expenses in this category and the better deployment of staff;
- **Premises and equipment expenses** increased 2.2% yoy due to the continued investments in network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** increased 5.3% yoy as the higher interest income from loans resulted in a corresponding increase in special business tax;
- **Other expenses:** This is explained as follows:
 - **Loss on sale of NPAs** increased by 42.2% yoy to Baht 1,712 million in 2014 from Baht 1,204 million in 2013. The higher loss was driven by both the higher number of cars repossessed and the higher loss per car;

- **Other expenses** decreased 6.5% yoy mainly due to the Bank's strategy to contain the growth of operating expenses through more stringent control of discretionary expenses.

Unit: Baht Million

Non-Interest Expenses (Consolidated)	2014	2013	%yoy
Staff costs	21,954	21,391	2.6%
Premises and equipment expenses	9,766	9,555	2.2%
Tax and duties	4,241	4,026	5.3%
Director remuneration	94	98	-4.1%
Other expenses	12,034	12,247	-1.7%
- Loss on sale of NPAs*	1,712	1,204	42.1%
- Others	10,322	11,043	-6.5%
Total non-interest expenses**	48,089	47,317	1.6%
Cost to income ratio	37.5%	38.3%	

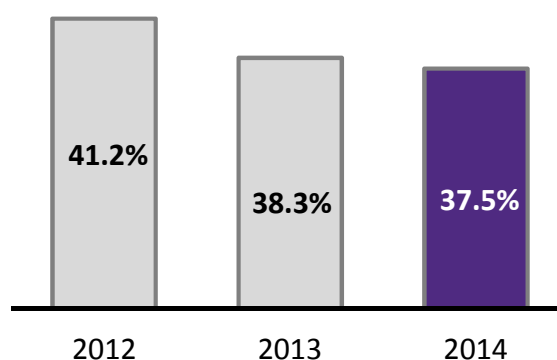
* Including loss on the sale of repossessed cars amounted to Baht 2,154 million in 2014 and Baht 1,589 million in 2013.

** Excluding loss on sale of NPAs, non-interest expenses growth in 2014 would be 0.6% yoy.

In 2014, the cost-to-income ratio was 37.5%, an improvement from the 38.3% level in 2013. The yoy improvement of cost-to-income ratio was a result of the positive jaw: total income grew at 3.7% in 2014 compared with the 1.6% growth in operating expenses. Also, this ratio was better than the 2014 full year revised target of 38-40% announced in early 2014.

While the Bank's strategy in 2014 was to decelerate the growth rate of operating expenses through more stringent oversight of discretionary expenses, this reduction was not at the cost of its strategic outlays required for future business expansion. 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 term.

**Cost-to-Income Ratio
(Percentage)**



4. Loan loss provisions

The Bank's provisioning guidance for 2014 was to set aside annualized loan loss provisions of approximately 80-85bps of total loans outstanding on a bank-only basis. These annualized credit costs incorporate a reasonable quantum of prudential provisions given the relatively bleak economic landscape for 2014 at the start of the year. However, toward the second-half of 2014, business and consumer sentiment started to improve and this recovery tempered the anticipated provisioning level. On a **bank only** basis, the Bank has set aside Baht 13,239 million of impairment loss provision for 2014. On a **consolidated** basis, the provision was Baht 13,214 million in 2014 or 75 bps of total loans, which was lower than provisions on a bank-only basis, mainly due to a clawback of provisions at the Bank's subsidiaries.

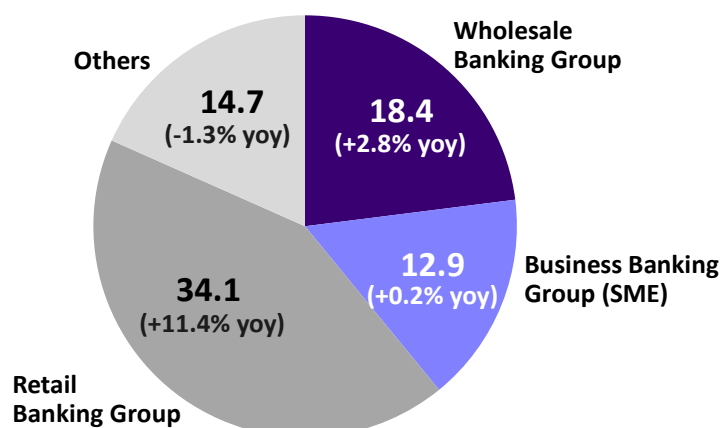
The Bank's total allowance for doubtful accounts at the end of December 2014 stood at Baht 59,014 million, a decrease from Baht 60,317 million at the end of December 2013. Total NPLs increased 6.9% yoy to Baht 42,743 million at the end of December 2014. The ratio of NPL-to-loans stood at 2.11% at the end of December 2014, down from 2.14% at the end of December 2013, while the coverage level for NPLs excluding any collateral consideration has decreased to 138.1% at the end of December 2014, from 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 business; and the Special Business Group (SBG) which is responsible for all 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^{1/}; 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." 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.

^{1/} **Note:** On April 28, 2014, the Siam Commercial Bank PCL sold all of its shareholding of 135,660,824 shares in the Siam Commercial Samaggi Insurance PCL "SCSMG", representing 60.86% of the total number of SCSMG's issued shares, at Baht 27.60 per share, with a total value of Baht 3,744 million in accordance with the resolution of the Annual General Meeting of Shareholders No. 191 dated April 3, 2014. As a result, the financial results of SCSMG are no longer consolidated with effect from 2Q14.

2014 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 2014, 43% of the Bank’s operating profit was contributed by Retail Banking Group followed by Wholesale Banking Group (23%), Business Banking Group (16%) and “Others” (18%). Key explanations are as follows:

- Operating profit from Retail Banking Group increased by 11.4% yoy to Baht 34.1 billion as a result of higher interest income from the significant decline in interest expenses coupled with loan growth (2.8% yoy), especially housing loans of 9.3% yoy, as well as higher fee from the card-related business.
- Operating profit from Wholesale Banking Group stood at Baht 18.4 billion, an increase of 2.8% yoy mainly from higher interest income from the significant decline in interest expenses coupled with loan growth of 4.6% yoy which was partly offset by lower net trading and FX income from large corporates.
- Operating profit from Business Banking Group was relatively flat yoy at Baht 12.9 billion despite the higher interest income from the significant reduction of interest expenses as this increase was offset by the decline in loan growth (-2.4% yoy) and lower fee income from the sharply lower level of loan-related fees given stagnant loan growth during the period.
- Operating profit from “Others” decreased 1.3% to Baht 14.7 billion due to the lower dividend income (as two exceptional dividends were recorded in 2013) and a large one-time gain on the redemption of the Vayupak Fund was recorded in 4Q13. This reduction was partly offset by the substantial gain from sale of the Bank’s equity holding in its non-life insurance subsidiary in 2Q14 as well as the higher interest income from investments held by the Bank’s subsidiary (SCB Life Assurance).

II. Balance Sheet as of December 31, 2014 (Consolidated basis)

As of December 31, 2014, the Bank's total assets stood at Baht 2,700 billion, an increase of Baht 166 billion (+6.5%) yoy from Baht 2,534 billion at the end of December 2013. This increase was mainly the outcome of business growth over this period. Details of the consolidated balance sheet are provided below:

1. Loans

As at December 31, 2014, total outstanding loans stood at Baht 1,777 billion, an increase of Baht 42 billion (+2.4% yoy) from Baht 1,735 billion at the end of December 2013. On a yoy basis, loan growth was mainly from the housing loan and wholesale segments.

The loan growth of 2.4% yoy in 2014 was below the Bank's revised full year target of 5-7% due to the lackluster loan demand on a sector-wide basis, mirroring the sharply lower economic growth over the year. Given an improving economic outlook for 2015, the Bank's target loan growth is set at 5-7% for 2015, broadly in line with the expected industry loan growth.

1.1 Loans by segment

Unit: Baht Million			
Loans by Segment (Consolidated)	Dec 31, 14	Dec 31, 13	%yoy
Wholesale*	658,185	629,525	4.6%
SME*	340,547	348,908	-2.4%
Retail	778,403	756,848	2.8%
- Housing loans**	530,354	485,097	9.3%
- Automobile	168,175	189,794	-11.4%
- Other loans	79,874	81,957	-2.5%
Total loans	1,777,135	1,735,281	2.4%

* Some of the SME customers have increased their annual sales turnover beyond the SME category, thus their loans were reclassified as Wholesale loans. The comparative figures for Dec 31, 2013 have been restated accordingly.

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

Details of the loan growth by customer segment was as follows:

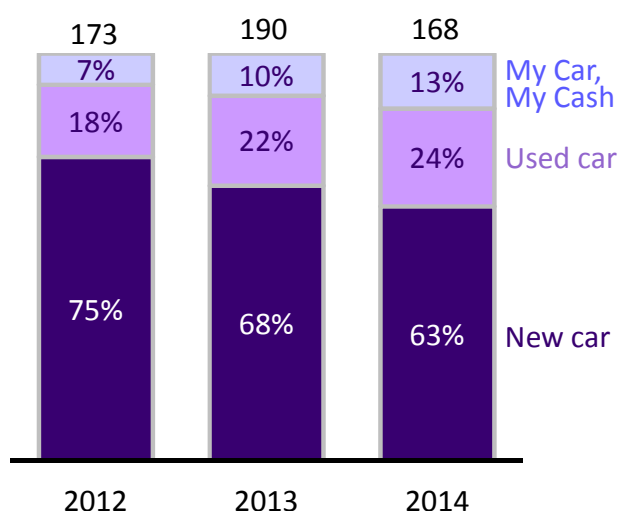
- **Wholesale** loans increased by 4.6% yoy. Most of yoy loan growth was booked in the last quarter of the year (further skewed toward the end of the quarter) as a result of seasonal loan demand;
- **SME** loans decreased 2.4% yoy. The yoy decline was a result of the sharp slowdown in GDP growth, the negative business sentiment for much of the year, as well as the more stringent underwriting criteria adopted for selected segments of SME customers given the adverse economic climate in 2014;

- **Retail loans** grew 2.8% yoy:
 - **Housing loans** grew by 9.3% yoy. The yoy growth was driven by SCB's strong presence in the housing loan market and the increasingly effective customer segmentation approach adopted by the Bank.
 - **Automobile loans** fell 11.4% yoy as the sale of new cars in Thailand dropped sharply after the incentive scheme for first-time new car buyers ended in 4Q12 and the remaining deliveries of new cars under the scheme were completed by 2Q13. This already negative situation was aggravated by the cooling of consumer sentiment during the period of political turmoil from November 2013 through to end May 2014. The negative yoy growth in auto loans was in line with the general drop in the market for new car sales and the more stringent underwriting criteria in use by the Bank in certain segments of used car market.

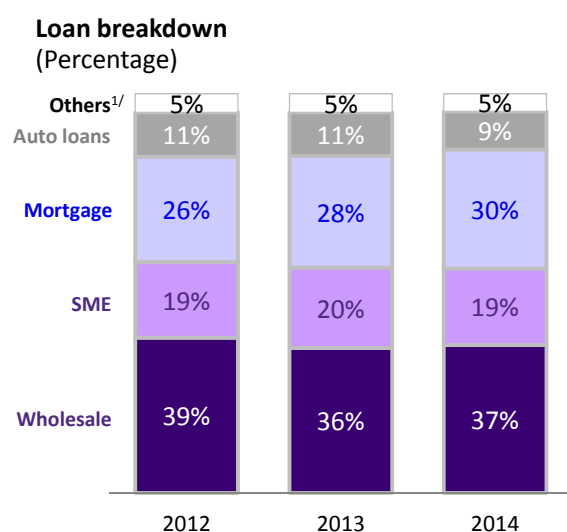
The Bank has, however, focused on growing automobile loans by increasing the portion of the "My Car, My Cash" loan segment which has a higher yield than new cars and is less risky than the used car segment. ("My Car, My Cash" is a personal loan product, structured as a hire-purchase contract, using the borrower's automobile as the underlying collateral).

- **Other loans** (largely personal and credit card loans) decreased 2.5% yoy. The yoy decrease was mainly due to the same depressed economic environment referred to above.

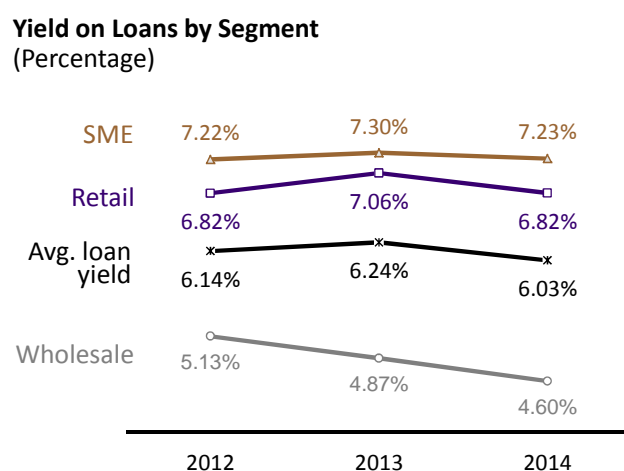
Auto Loans Mix (Baht billion)



As a result of the stronger growth in the wholesale segment, the proportion of wholesale loans increased to 37% in 2014 compared with 36% in 2013, while the proportion in retail remained stable at 44%. In 2014, the average loan yield fell to 6.03%, from 6.24% in 2013, partly due to three rounds of policy interest rate cut (in May 2013, November 2013, and March 2014) and partly due to the Bank's strategy to shift away from higher yield / higher risk products. Also, the average loan yield was pressured by the booking of large-sized loans toward the end of 4Q14, thus distorting the average loan yield downward (particularly, in the wholesale segment).



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



Yield on Selected Retail Products (%)

	2012	2013	2014
Mortgage	6.04%	6.19%	5.95%
Auto Loans	5.65%	5.94%	5.95%

1.2 Loans by sector/product

Unit: Baht Million			
Loans by Sector (Consolidated)	Dec 31, 14	Dec 31, 13	%yoy
Agricultural and mining	18,284	20,137	-9.2%
Manufacturing and commercial	621,314	604,367	2.8%
Real estate and construction	125,249	126,027	-0.6%
Utilities and services	221,131	220,654	0.2%
Housing loans*	463,059	425,065	8.9%
Other loans	328,098	339,031	-3.2%
Total loans	1,777,135	1,735,281	2.4%

* 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). Elsewhere in this report, all housing loans are aggregated under mortgage loans and the balance of these loans at the end of December 31, 2014, and December 31, 2013, was Baht 530 billion, and Baht 485 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-4Q13, the housing loans sector grew by Baht 38 billion (+8.9%) and manufacturing and commercial sectors grew by Baht 17 billion (+2.8%). However, the 'other loans' sector declined Baht 11 billion (3.2%) largely from the sharp decrease in auto loans.

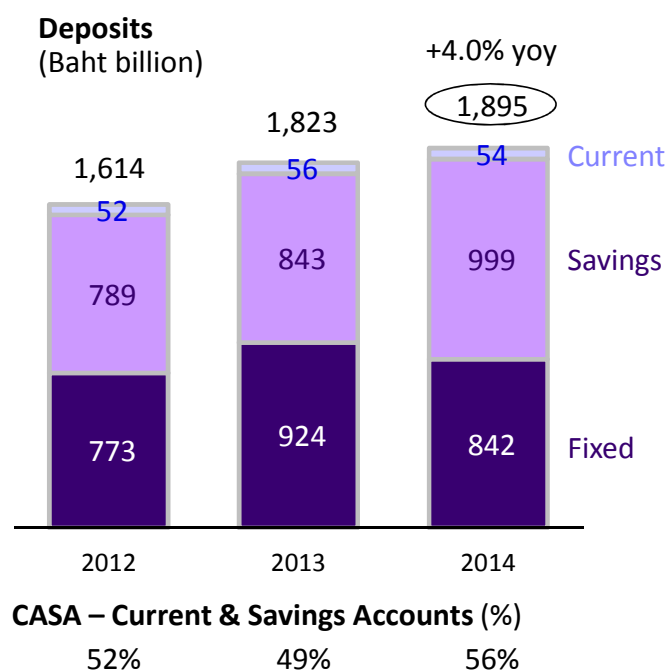
2. Deposits

Unit: Baht Million			
Deposits (Consolidated)	Dec 31, 14	Dec 31, 13	%yoy
Demand	53,853	55,627	-3.2%
Savings	999,410	842,959	18.6%
Fixed	842,080	924,325	-8.9%
- Less than 6 months	139,313	204,192	-31.8%
- 6 months and up to 1 year	269,061	293,528	-8.3%
- Over 1 year	433,706	426,605	1.7%
Total deposits	1,895,343	1,822,911	4.0%
Bills of exchange (B/E)	-	5,222	-100.0%
Total deposits + B/E	1,895,343	1,828,133	3.7%
Gross loans to deposits ratio	93.8%	95.2%	
Gross loans to deposits and B/E	93.8%	94.9%	

As at December 31, 2014, total **deposits** stood at Baht 1,895 billion, up 4.0% yoy from Baht 1,823 billion at the end of December 2013. The yoy growth in deposits was the result of multiple deposit campaigns and the shift of maturing bills of exchange (B/E) to deposit products. As at December 31, 2014, deposits including B/E grew 3.7% yoy to Baht 1,895 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 zero balance by 3Q14. Many of the maturing B/E have been channeled to the Bank's fixed term deposit products upon maturity and/or its asset management products.

As a result of the Bank's strategy to reduce its cost of deposits relative to its market competitors by increasing the proportion of lower-cost deposits, savings deposits increased significantly by 18.6% yoy, which offset the contraction in fixed deposits by 8.9%. Consequently, the proportion of low cost deposit (CASA) rose to 56% in 2014 from 49% in 2013.



As deposit growth yoy was higher than loan growth yoy, the loan-to-deposit ratio on a consolidated basis decreased to 93.8% as at December 31, 2014, from 95.2% in 2013. The 'loan-to-deposit and B/E' ratio of 93.8% also decreased from 94.9% at end of December 2013, which is slightly below 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 of 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, 2014, the liquidity ratio, on a bank-only basis, stood at 28.55% and thus the Bank feels assured that it has adequate 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 2014, the Bank's total net investments on a consolidated basis were relatively flat yoy at Baht 503 billion. Of this amount, 89% were investments in government and state-enterprise securities. The holding of government securities was the result of the Bank's aim to maintain, at a bank-only level, a liquidity ratio (liquid assets/deposits+B/E) of not less than 20%. Other than the Bank's investments, SCB Life Assurance Company held investments of Baht 153 billion, as at December 31, 2014, an increase of 26.4% yoy. A majority of these investments are also in Thai government bonds and are generally acquired to match, to the extent possible, the maturity profile of its insurance product-related liabilities.

At a bank-only level, the total net investments stood at Baht 362 billion, a decrease of 8.5% yoy. These investments are mainly in Thai government bonds and held primarily to provide the Bank with adequate liquidity.

Unit: Baht Million			
Investment (Consolidated)	Dec 31, 14	Dec 31, 13	%yoy
Net investment	502,111	504,188	-0.4%
- Trading securities	27,673	46,215	-40.1%
- Available-for-sale securities	341,695	344,727	-0.9%
- Held-to-maturity securities	132,467	112,959	17.3%
- General investments	276	287	-3.8%
Net investment in associated companies	697	685	1.8%
Total net investments	502,808	504,873	-0.4%
Investment (Bank only)	Dec 31, 14	Dec 31, 13	%yoy
Net investment	340,090	368,168	-7.6%
- Trading securities	27,274	45,988	-40.7%
- Available-for-sale securities	297,472	304,233	-2.2%
- Held-to-maturity securities	15,075	17,669	-14.7%
- General investments	269	278	-3.2%
Net investment in subsidiaries and associated companies	22,129	27,884	-20.6%
Total net investments	362,219	396,052	-8.5%

4. Debt securities in issue and borrowings

Debt securities in issue and borrowings increased by 19.9% yoy to Baht 114 billion at the end of December 2014. This was largely from the issuance of Global Medium Term Notes (GMTN) of USD 750 million in 2Q14, which was partly offset by the decline in the volume of Bills of Exchange (B/E). Although B/E were not rolled over, many of the holders of these instruments were successfully persuaded to migrate to deposit or asset management products offered by the Bank.

Unit: Baht Million			
Debt Securities in Issue and Borrowings (Consolidated)	Dec 31, 14	Dec 31, 13	%yoy
Short-term debt securities in issue and borrowings	110	5,269	-97.9%
Long-term debt securities in issue and borrowings	113,807	89,743	26.8%
Total debt securities in issue and borrowings	113,917	95,012	19.9%

5. Net goodwill and other intangible assets

Net goodwill and other intangible assets remain relatively unchanged yoy at Baht 11 billion at end December 2014.

6. Shareholders' equity

As at December 31, 2014, shareholders' equity stood at Baht 285 billion, a 15.9% yoy increase of Baht 39 billion from Baht 246 billion at the end of December 2013, 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 12.7 billion (Baht 3.75 per share) in accordance with the resolution of the Annual

General Meeting of Shareholders in April 2014 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 2014.

The book value per share as at December 31, 2014 was Baht 83.94 (3,399 million ordinary and preferred shares at the end of December 2014), up 15.9% from Baht 72.45 at the end of December 2013.

III. Off Balance Sheet: Contingent Liabilities

As at December 31, 2014, the Bank and its subsidiaries had combined contingencies of Baht 363 billion, up by Baht 9 billion (2.5% yoy) from Baht 354 billion at the end of December 2013. The yoy increase in contingencies was mainly from letters of credit and other guarantees as indicated in the table below.

Unit: Baht Million

Contingent Liabilities (Consolidated)	Dec 31, 14	Dec 31, 13	%yoy
Aval to bills	3,434	4,297	-20.1%
Guarantees of loans	220	214	2.9%
Liability under unmatured import bills	6,792	7,434	-8.6%
Letters of credit	35,346	26,898	31.4%
Other contingencies			
Receivables/payables from investments	10,070	11,400	-11.7%
Other guarantees	178,776	173,787	2.9%
Amount of unused bank overdraft	127,028	129,813	-2.1%
Others	899	39	2,205.1%
Total contingent liabilities	362,565	353,882	2.5%

IV. Statutory Capital

The Bank has adopted Basel III on a consolidated basis since January 1, 2013. The impact from adopting Basel III was positive to the Bank's Common Equity Tier 1 (CET1) as under the new regulations the Bank was exempted from capital deductions for qualifying 'investment outside scope' of up to 10% of CET1 (in Basel II there was no such exemption). Furthermore, certain elements within Other Comprehensive Income (OCI) such as revaluation gains on selected investments and properties have been reclassified from Tier 2 under Basel II to CET1 and will be deemed as regulatory capital in accordance with Basel III regulations. (The current minimum regulatory capital requirement under Basel III requires a 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) at end-4Q14 stood at 17% of total risk-weighted assets, comprising CET1 capital of 13.7% and Tier-2 capital of 3.3%. On a bank-only basis, total capital funds stood at 16.9% of total risk-weighted assets, of which CET1 was 13.6% and Tier-2 capital was 3.3%. Appropriation of net profit for 2H14 is not included in this computation as per the BOT regulations. If the 2H14 profit were to be included, the total capital ratio

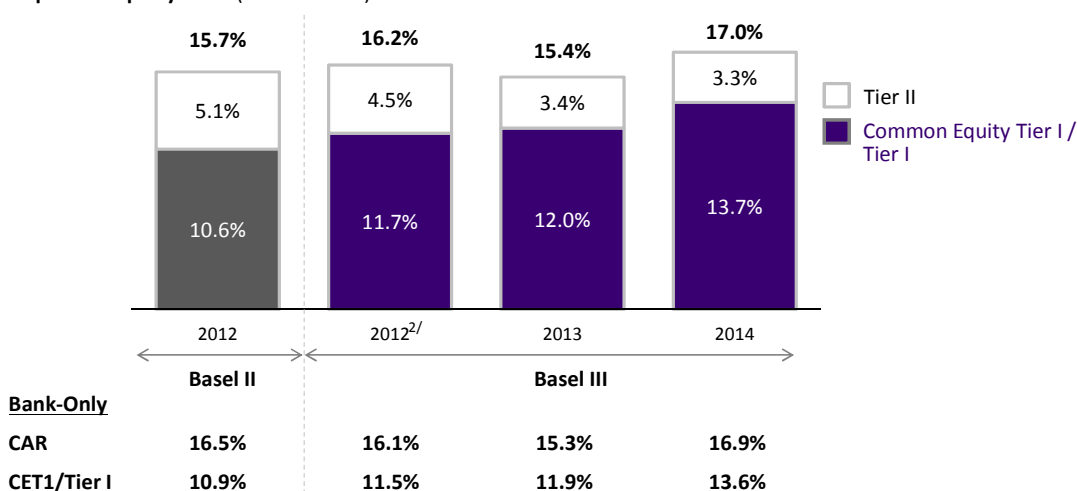
and CET1 capital ratio under Basel III on a consolidated basis would be 18.2% and 14.9% respectively and for the Bank-only would be 18.1% and 14.8% respectively. (The Bank's Tier 1 capital comprises, substantially, of tangible equity only).

The Bank believes this strong capital position, together with its sound loan loss reserve coverage are sufficient to withstand the impact of 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 2015.

Statutory Capital (Consolidated)		Dec 31, 14 (Basel III)	Dec 31, 13 (Basel III)
Common Equity Tier-1 / Tier 1*	Bt, million	243,919	208,719
	% of RWA	13.7%	12.0%
Tier-2 capital	Bt, million	57,835	59,135
	% of RWA	3.3%	3.4%
Total capital	Bt, million	301,754	267,854
	% of RWA	17.0%	15.4%
Risk-weighted assets	Bt, million	1,776,687	1,738,165
Statutory Capital (Bank only)		Dec 31, 14 (Basel III)	Dec 31, 13 (Basel III)
Common Equity Tier-1 / Tier 1* (Regulatory minimum Tier 1 of 6.0%)	Bt, million	236,613	203,369
	% of RWA	13.6%	11.9%
Tier-2 capital	Bt, million	57,835	58,955
	% of RWA	3.3%	3.4%
Total capital (Regulatory minimum CAR of 8.5%)	Bt, million	294,448	262,324
	% of RWA	16.9%	15.3%
Risk-weighted assets	Bt, million	1,742,345	1,717,592

* CET1 under the 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.

^{2/} The 2012 CAR ratio under Basel III is provided for comparison purpose only as the Bank was using Basel II in 2012.

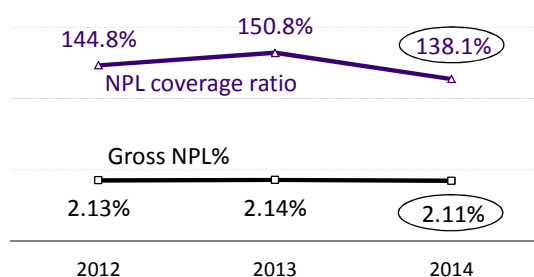
V. Non Performing Assets

Gross NPLs on a consolidated basis decreased to 2.11% of total loans (Baht 42.7 billion) at the end of December 2014, compared to 2.14% of total loans (Baht 40.0 billion) at the end of December 2013. The SME segment faced the most stress yoy, while the NPL level in 2014 was lower yoy in the wholesale segment. Net NPLs rose to 1.09% (Baht 21.8 billion) at the end of December 2014 from 1.06% (Baht 19.5 billion) at the end of December 2013.

Non-Performing Loans and Allowance (Consolidated)		Dec 31, 14	Dec 31, 13
Non-performing loans (gross NPLs)	% of total loans	2.11%	2.14%
	Bt, million	42,743	39,992
Allowance for doubtful accounts*	Bt, million	59,014	59,942
Allowance for revaluation of debt restructuring	Bt, million	-	374
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	59,014	60,317
Total allowance to NPLs		138.1%	150.8%

* Excluding interbank

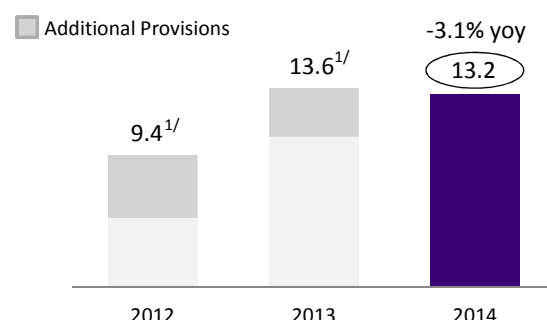
Gross NPL Ratio & NPL Coverage Ratio
(Percentage)



NPL by Segment and by Product

	2012	2013	2014
Wholesale	2.0%	1.6%	1.4%
SME	4.0%	3.7%	4.6%
Retail	1.9%	2.3%	2.3%
Mortgage	2.0%	2.4%	2.4%
Auto Loans	2.1%	2.4%	2.2%

Provisions
(Consolidated, Baht billion)



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

Credit Costs (bps)	66	83	75
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Allowance for doubtful accounts as of December 31, 2014 stood at Baht 59.0 billion, a decrease of Baht 1.3 billion from Baht 60.3 billion at the end of 2013. The coverage ratio (total allowance to non-performing loans) of 138.1% was a decline from 150.8% from end of 2013 but the coverage still remains adequate and well in excess of regulatory requirements.

Gross NPLs on a bank-only basis were flat at 2.06%; Baht 41.6 billion at the end of December 2014 from Baht 38.2 billion at the end of 2013. Net NPLs rose to 1.07% (Baht 21.4 billion) at the end of December 2014 from 1.04% (Baht 19.0 billion) at the end of 2013.

Special mention loans stood at Baht 62.8 billion at the end of December 2014, an increase of Baht 29.2 billion from the end of December 2013. The substantial yoy increase was due to: the significant liquidity issues encountered by one large corporate customer in the manufacturing sector (classified

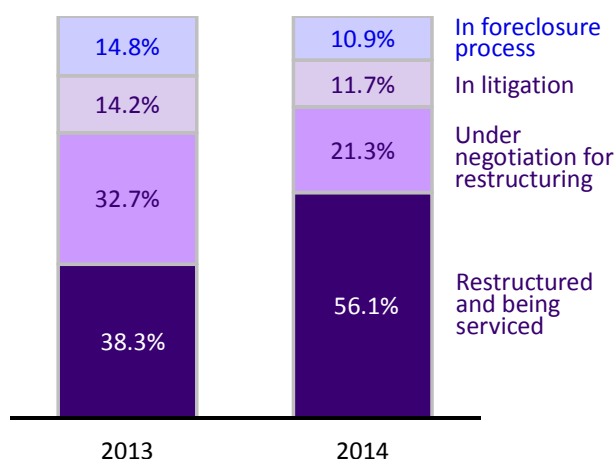
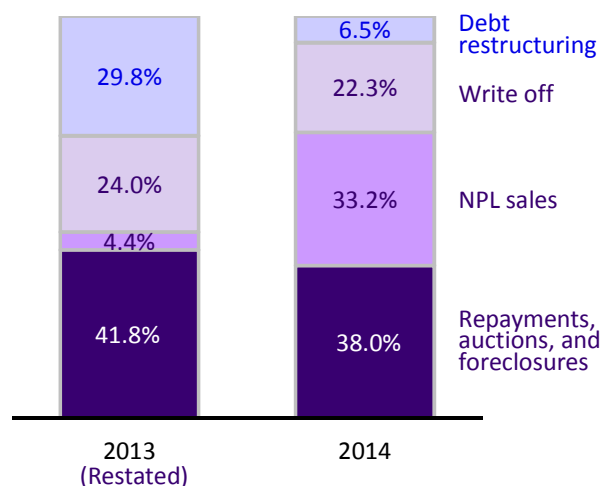
as special mention in 3Q14); and the qualitative classification as a special mention loan of a related large corporate customer, in the same sector, in 4Q14; although this latter borrower was still current in meeting its debt obligations. For both two customers the Bank remains hopeful that the solvency concerns that these two borrowers face may be resolved despite the adverse economic conditions that this industry has encountered. To a much lesser extent, the increase in special mentions reflects the impact of the significant downturn in GDP growth over the period.

Unit: Million Baht

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Dec 31, 14		Dec 31, 13	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Normal	1,675,361	17,102	1,665,762	16,311
Special mention	62,790	2,858	33,588	1,833
Substandard	16,709	7,623	12,035	5,872
Doubtful	8,265	3,074	7,204	2,232
Doubtful loss	17,824	10,432	20,824	12,686
Total	1,780,949	41,089	1,739,413	38,934
Allowance established in excess of BOT regulations		17,925		21,008
Total allowance		59,014		59,942

As shown in the chart below, at the end of December 2014, NPLs that were restructured and being serviced accounted for the largest proportion of the total NPLs, followed by NPLs under negotiation for restructuring, NPLs currently in litigation, and NPLs in the foreclosure process. In 2014, the Bank reduced its NPLs mainly through repayments, auctions and foreclosures, NPL sales (the Bank sold Baht 14.6 billion of NPL in 2014), write-offs, followed by debt restructuring.

In 4Q14, new NPL formation increased qoq and yoy to 0.48% from 0.39% in 3Q14 and 0.40% in 4Q13. The increase in new NPL formation in 4Q14 was a fallout from the continued deterioration in the economic environment and the consequent impact on the borrower's ability to repay, particularly in the SME segment. Further, the more pronounced increase in new NPLs in the SME segment was attributed to the qualitative classification of selected SME customers as well as the lower denominator, as loan growth for the SME segment turned negative in 2014.

NPL Breakdown by Status (Bank only)**NPL Reduction Methodology****New NPL Formation**

	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
New NPLs (Baht Billion)	3.3	2.1	2.8	5.3	6.6	4.6	5.1	6.4	7.5	8.4	8.8	7.7	9.8

^{1/}The increase is attributed to the qualitative reclassification of a few commercial accounts.

^{2/}The increase is attributed to the qualitative reclassification of certain housing loan and auto loan customers.

^{3/} The increase is from a few wholesale banking and SME accounts as a result of customer-specific issues.

^{4/} 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.

New NPLs by Segment and by Product

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Total loans^{1/}	0.26%	0.27%	0.35%	0.40%	0.44%	0.44%	0.39%	0.48%
Wholesale	0.01%	0.00%	0.18%	0.01%	0.00%	0.10%	0.01%	0.14%
SME	0.30%	0.38%	0.41%	0.63%	0.83%	0.82%	0.72%	1.21%
Mortgage	0.30%	0.33%	0.33%	0.42%	0.45%	0.49%	0.48%	0.39%
Auto loans^{1/}	0.73%	0.59%	0.46%	0.43%	0.70%	0.63%	0.57%	0.55%

^{1/} The new NPLs for auto loans in the table above do not include new NPLs where the auto was repossessed before the end of the month in which the customers turned NPL. The loss on sale of repossessed autos is then booked as an expense, as noted under the non-interest expenses section.

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, 2014, the Bank and its financial subsidiaries had outstanding restructured loans amounting to Baht 50.0 billion both in the consolidated and Bank-only financial statements, a Baht 12.9 billion increase from Baht 37.1 billion at the end of 2013. Some of these restructured loans are NPLs and are already included in the NPL level, as noted in the table below.

Restructured Loans (Consolidated)		Dec 31, 14	Dec 31, 13
Loans to restructured debtors	Bt, million	49,969	37,105
- Restructured loans which are classified as NPL	Bt, million	12,226	9,947
- Restructured loans which are not classified as NPL	Bt, million	37,743	27,158

The Bank's properties for sale (also referred to as Non Performing Assets) as at December 2014 stood at Baht 9.7 billion, an increase of Baht 0.1 billion (0.7% yoy) from Baht 9.6 billion level at the end of December 2013.

VI. Others

Sources and Uses of Funds

As at December 31, 2014, deposits accounted for 70.2% of SCB's funding base. Other major sources of funds were: 10.6% from shareholders' equity; 5.6% from liabilities under insurance contracts recorded by the Bank's insurance subsidiaries (SCB Life Assurance PCL); 5.2% from interbank borrowings; and 4.2% from the issuance of debt instruments (excluding B/E). The funds were applied as follows on December 31, 2014: 65.8% was used for loans; 18.6% was applied to net investments in securities; 10.8% was lent in the interbank and money markets; and 1.6% was held in cash.

Foreign currency loans and liabilities

As at December 31, 2014, about 7.2% (USD 3,897 million)^{1/} of SCB's consolidated loans and 7.6% (USD 4,631 million)^{1/} of SCB's consolidated deposits & borrowings were in a currency other than Baht. Also, the Bank has invested around 1.9% (USD 286 million)^{1/} of its consolidated investments in foreign currency instruments.

Foreign currency loans are generally made to SCB's Thai customers who have operations outside Thailand or who are seeking to acquire assets outside Thailand, and for trade finance-related activities; the currency used for the loans is dependent on the customer needs. Most of these loans, but not all, were in USD.

As the Bank is not a natural deposit taker in USD, the above lending activities are funded through USD borrowings in the global capital markets and FX swaps in the local market, in addition to foreign currency deposits.

^{1/} Based on THB/USD exchange rate of 32.96 as at December 30, 2014

Post balance sheet event

In January 2015, the Bank was made aware of a complaint filed with the Royal Thai Police by the King Mongkut Institute of Technology Ladkrabang (KMITL) stating, among others, that funds had been embezzled from its bank accounts with the Bank amounting to about Baht 1.56 billion. The Royal Thai Police has initiated criminal proceedings against the perpetrators of this fraud, who include a former branch manager of the Bank. The extent of the loss suffered by KMITL will be finally determined by the law enforcement authorities. The loss suffered by KMITL will eventually be reduced by the recoveries made in the legal process.

The Bank is investigating this incident. It has, as yet, not determined the full extent of the embezzlement which involved the Bank's former employee.

No provision has been made in the 2014 financial statements of the Bank given the inherent uncertainty surrounding the amount of the loss suffered by KMITL and the magnitude of the loss for which the Bank may eventually be responsible to KMITL. Also, the Bank's insurers have been notified.

Credit Ratings

The Bank's credit ratings by Moody's Investors Service, Standard & Poor's and Fitch Ratings as of December 31, 2014 are shown below.

Credit Ratings of Siam Commercial Bank PCL		December 31, 2014
Moody's Investors Service		
Outlook		Stable
Bank Deposits – Foreign Currency (Long Term/Short Term)		Baa1/P-2
Bank Deposits – Domestic Currency (Long Term/Short Term)		A3/P-2
Bank Financial Strength Rating (BFSR)		C-
Senior Unsecured MTN		(P) A3
Other Short Term		(P) P-2
Standard & Poor's		
Counterparty Credit Rating		BBB+/A-2
ASEAN Regional Scale Rating		axA+/axA-1
Outlook		Stable
Senior Unsecured		BBB+
Fitch Ratings		
Foreign Currency		
Long Term Issuer Default Rating		BBB+
Short Term Issuer Default Rating		F2
Outlook		Stable
Senior Unsecured		BBB+
Viability Rating		bbb+
National		
Long Term Rating		AA (tha)
Short Term Rating		F1+ (tha)
Outlook		Stable
Unsecured Subordinated Debenture		AA-(tha)