

**Press Release: April 17, 2014**

## **SCB ANNOUNCES FIRST QUARTER PROFIT OF BAHT 13.1 BILLION**

**Bangkok:** Siam Commercial Bank announced today its first quarter, 2014 **net profit** of Baht 13,129 million, flat year-on-year (and 11.7% higher than the preceding quarter). Despite a sluggish economic environment, the Bank reported year-on-year growth in both net interest income and net fee and insurance premium income. At the same time, in line with its announced strategy, operating expense growth was sharply contained. This improvement was offset by the year-on-year decline in dividend income mainly due to a large exceptional dividend in the first quarter of 2013 as well as the substantially higher prudential provisions in the current quarter. In fact, although the underlying loan portfolio quality remained stable during the quarter, the provisions were 27% higher year-on-year.

Commenting on the results, **Dr. Vichit Suraphongchai**, chairman of the Bank's executive committee, noted that “ *The solid first quarter results speak to the speed and agility with which the Bank has aligned its strategy to fit the changed market place and meet its customer expectations. Also, the strong results reflect the soundness of the Bank's core franchise and the effectiveness of its on-going transformational change agenda.*”

**Net interest income** rose by 12.4% year-on-year, primarily as a result of the loan growth of 8.8% over this period, although loans were relatively flat over the first quarter. Also, the Bank benefitted from successfully reducing, in line with its announced strategy, its cost of deposits compared to the preceding quarter.

**Non-interest income** decreased 6.5% year-on-year in 1Q, 2014, which was the result of lower dividend income mainly due to an exceptional large dividend from an investment in the Bank's equity portfolio, booked in the first quarter of 2013. This reduction was partially offset by the healthy growth of net fee and insurance premium of 9.1% year-on-year, mainly from premium income and corporate finance fees.

With the steady growth in income and the effective containment of operating expenditure, the **cost-to-income** ratio dropped to a record low of 35.7%.

The Bank set aside Baht 3.2 billion of **loan loss provisions** in the current quarter, 27% more than the provisions in the first quarter of last year. The ratio of NPL-to-loans stood at 2.11% at the end of March 2014, up from 2.06% at the end of March 2013 and has remained relatively stable since the end of 2013.

Commenting on the results, the Bank president, **Khun Kannikar Chalitaporn** stated that “*while the reported record financial results would be good at any time, they are particularly creditable in the current economic environment. This achievement is made possible not only due to effectiveness of our business strategies but also because of our unrelenting drive to deliver the highest level of customer service in Thailand through motivating and engaging with all our staff as well as the communities in which we operate.*”

*Siam Commercial Bank PCL is one of Thailand's leading universal banks. Established by Royal Charter in 1906 as the first Thai bank, it has the highest market capitalization among Thai financial institutions as of March 31, 2014 (Baht 535 billion). It offers the nation's largest network of branches (1,179), exchange booths (107), and ATMs (9,233), attesting to its dominant position in the retail financial services marketplace. Its clientele includes a diverse range of corporate, SME, private, and retail customers nationwide. The Bank's total asset size is Baht 2,517 billion as of March 31, 2014. Further information is available on the Bank's website, at [www.scb.co.th](http://www.scb.co.th).*

**Corporate Communications**

**Tel :** 02-544-4501-2

**Email:** [corp.communications@scb.co.th](mailto:corp.communications@scb.co.th)

**Website:** [www.scb.co.th](http://www.scb.co.th)

**Facebook:** [www.facebook.com/scb.thailand](http://www.facebook.com/scb.thailand)

**Twitter:** [www.twitter.com/scb\\_thailand](http://www.twitter.com/scb_thailand)

## SCB – Results at a Glance

Unit: Million Baht	1Q14	1Q13	% yoy	4Q13	% qoq
<b>Income</b>	<b>30,878</b>	<b>29,549</b>	4.5%	<b>31,980</b>	-3.4%
NII	19,369	17,237	12.4%	19,003	1.9%
Non NII	11,509	12,312	-6.5%	12,977	-11.3%
<b>Non Interest expenses</b>	<b>11,024</b>	<b>10,825</b>	1.8%	<b>12,792</b>	-13.8%
<b>Operating Profit</b>	<b>19,854</b>	<b>18,724</b>	6.0%	<b>19,188</b>	3.5%
Impairment loss of loans and debt securities	3,207	2,518	27.3%	4,245	-24.5%
Income tax expenses	3,341	2,979	12.1%	3,062	9.1%
Non-controlling interest	178	111	60.9%	129	38.0%
<b>Net Profit</b>	<b>13,129</b>	<b>13,116</b>	0.1%	<b>11,752</b>	11.7%
Loans	1,734,909	1,594,517	8.8%	1,735,281	0.0%
Total Assets	2,517,578	2,364,519	6.5%	2,534,206	-0.7%
Deposits	1,789,505	1,656,140	8.1%	1,822,911	-1.8%
Deposits + B/E	1,794,726	1,680,011	6.8%	1,828,133	-1.8%
Loan to Deposit Ratio	96.9%	96.3%	0.6%	95.2%	1.7%
Loan to Deposit + B/E Ratio	96.7%	94.9%	1.8%	94.9%	1.8%
Cost to Income Ratio	35.7%	36.6%	-0.9%	40.0%	-4.3%
NIM on Earning Assets	3.21%	3.11%	0.10%	3.21%	0.00%
NPL%	2.11%	2.06%	0.05%	2.14%	-0.03%
NPL	40,258	36,823	9.3%	39,992	0.7%
ROE	20.7%	23.7%	-3.0%	19.5%	1.2%
ROA	2.1%	2.3%	-0.2%	1.9%	0.2%
CAR (Bank only) <sup>1/</sup>	15.52%	15.80%	-0.28%	15.27%	0.25%

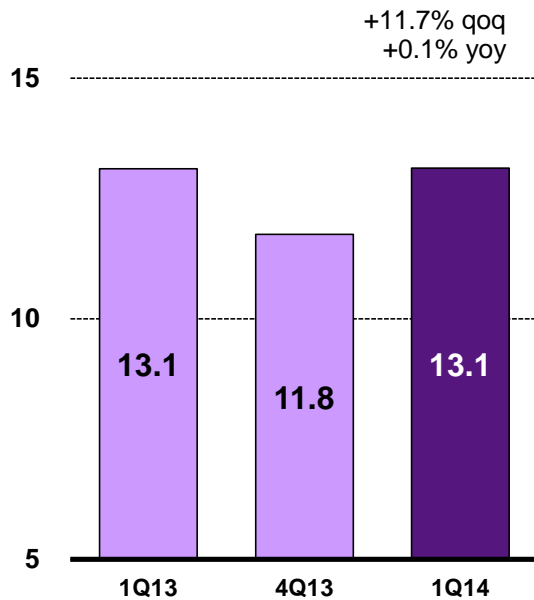
<sup>1/</sup> Basel III basis

# 1Q14 RESULTS - HIGHLIGHT

## PROFITABILITY

**Strong net profit growth driven by higher NII and strong net fee and insurance premium growth**

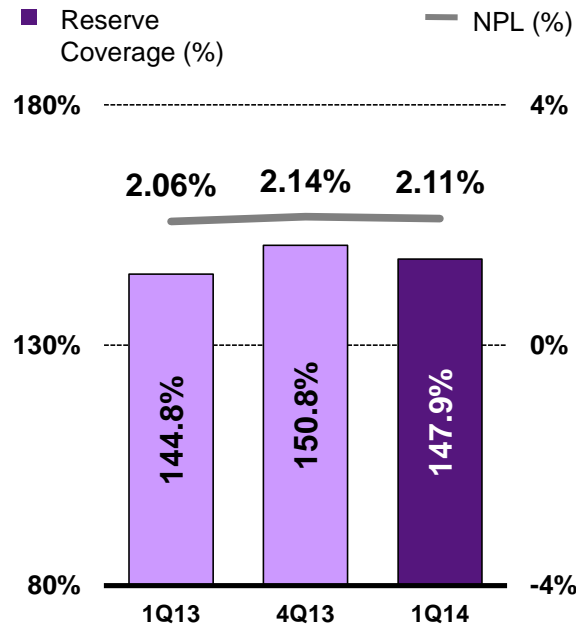
**Net Profit**  
(Consolidated, Baht billion)



## ASSET QUALITY

**Stable NPL ratio with solid NPL coverage**

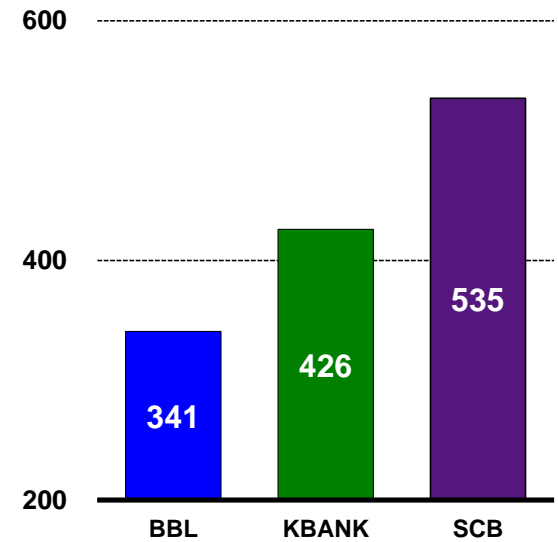
**Non-performing Loans (%) and Reserve Coverage (%)**  
(Consolidated)



## MARKET CAPITALIZATION

**Maintains the highest market capitalization among the Thai financial institutions**

**Market Capitalization\***  
(Baht billion)



\* As at March 31, 2014

## Management Discussion and Analysis

For the first quarter ending March 31, 2014 (based on unreviewed results and subject to change)

**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. In addition, the information provided is **preliminary and subject to change** following the audit review of the financial results for the first quarter ending March 31, 2014.*

Siam Commercial Bank PCL reported (unreviewed) consolidated **net profit** of Baht 13,129 million for the first quarter of 2014. This result was relatively flat year-on-year (yoy) from the Baht 13,116 million recorded in 1Q13; higher net interest income and higher net fee and insurance premium were offset by the drop in dividend income and substantially higher prudential provisions. The sharp drop in dividend was due to an exceptional dividend in 1Q13 and the higher provisions (+27.3% yoy) were booked despite stable loan quality. Finally, in line with the Bank's announced strategy, the growth in non-interest expenses was successfully contained, resulting in a cost-to-income ratio of 35.7%.

**Operating profit** (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased by 6.0% yoy to Baht 19,854 million from Baht 18,724 million in 1Q13 due to the increase in both net interest income and net fee and insurance premium income and the sharply lower growth of non-interest expenses.

**Total comprehensive income** was flat yoy at Baht 14,269 million from Baht 14,254 million in 1Q13.

Following the flat yoy net profit, earnings per share (EPS) was unchanged at Baht 3.86 in 1Q14. Return on average equity (ROAE) and return on average assets (ROAA) decreased from 23.7% and 2.3% in 1Q13 to 20.7% and 2.1%, respectively. The decrease in both ROAE and ROAA was mainly due to the larger portion of average equity and average assets in 1Q14.

On a **quarter-on-quarter** (qoq) basis, net profit increased by Baht 1,377 million (11.7% qoq) to Baht 13,129 million in 1Q14 from Baht 11,752 million in 4Q13, largely due to seasonally lower marketing and promotional expenses, the impact of the Bank's cost containment measures and lower provisions as the Bank set aside large additional prudential provisions in 4Q13. However, these increases were partly offset by the lower gain on investment due to a one-time gain on redemption of Vayupak Fund booked in 4Q13. Operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased by 3.5% qoq to Baht 19,854 million in 1Q14 from Baht 19,188 million in 4Q13 mainly due to the lower operating expenses as noted above.

## Net Profit and Total Comprehensive Income

Unit: Baht Million

Net Profit and Total Comprehensive Income (Consolidated)	1Q14	4Q13	% qoq	1Q13	% yoy
Net interest income	19,369	19,003	1.9%	17,237	12.4%
Non-interest income	11,509	12,977	-11.3%	12,312	-6.5%
Non-interest expenses	11,024	12,792	-13.8%	10,825	1.8%
<b>Operating profit</b>	<b>19,854</b>	<b>19,188</b>	<b>3.5%</b>	<b>18,724</b>	<b>6.0%</b>
Impairment loss on loans and debt securities	3,207	4,245	-24.5%	2,518	27.3%
Income tax	3,341	3,062	9.1%	2,979	12.1%
Non-controlling interest	178	129	38.0%	111	60.9%
<b>Net profit</b> (attributable to shareholders of the Bank)	<b>13,129</b>	<b>11,752</b>	<b>11.7%</b>	<b>13,116</b>	<b>0.1%</b>
Other comprehensive income	1,141	(843)	-235.3%	1,137	0.3%
<b>Total comprehensive income</b>	<b>14,269</b>	<b>10,909</b>	<b>30.8%</b>	<b>14,254</b>	<b>0.1%</b>
EPS (Baht)	3.86	3.46	11.7%	3.86	0.1%
ROAE	20.7%	19.5%		23.7%	
ROAA	2.1%	1.9%		2.3%	

### I. Income Statement for 1Q14 (Consolidated basis)

#### 1. Net interest income

Net interest income rose 12.4% **yoy** to Baht 19,369 million in 1Q14 from Baht 17,237 million in 1Q13. The increase in interest income was primarily a result of the loan growth of 8.8% yoy. Interest expenses dropped slightly yoy as the higher interest expenses on deposits from higher volume of deposits (+8.1% yoy) was more than offset by lower interest expenses on borrowings from the redemption of subordinated debt in May 2013 and the decline in the volume of Bills of Exchange (B/E).

On a **qoq** basis, net interest income rose 1.9% qoq to Baht 19,369 million in 1Q14 from Baht 19,003 million in 4Q13. This increase was mainly from the lower interest expenses from deposits, in part due to the Bank's strategy to reduce the cost of deposits relative to its peer group and in part due to the decline of deposit base by 1.8% qoq and the effect of deposit rate cut announced in November 2013 and March 2014. However, lower interest expenses were partly offset by the decrease in interest income of 2.2% qoq mainly due to the said interest rate cut.

Unit: Baht Million

<b>Net Interest Income and Yield (Consolidated)</b>	<b>1Q14</b>	<b>4Q13</b>	<b>% qoq</b>	<b>1Q13</b>	<b>% yoy</b>
Interest income	30,581	31,284	-2.2%	28,519	7.2%
- Loans	23,509	23,965	-1.9%	21,562	9.0%
- Interbank and money markets	1,057	1,102	-4.1%	1,200	-11.9%
- Automobile and financial lease income	2,678	2,781	-3.7%	2,465	8.6%
- Investments	3,326	3,429	-3.0%	3,293	1.0%
- Other	11	7	69.5%	0	NM
Interest expenses	11,213	12,280	-8.7%	11,282	-0.6%
- Deposits	7,975	9,008	-11.5%	7,720	3.3%
- Interbank and money markets	419	354	18.5%	509	-17.7%
- Borrowings	771	789	-2.3%	1,218	-36.7%
- Contribution to the Deposit Protection Agency/FIDF	2,048	2,130	-3.8%	1,832	11.8%
- Other	0	0	55.3%	3	-97.7%
<b>Net interest income</b>	<b>19,369</b>	<b>19,003</b>	<b>1.9%</b>	<b>17,237</b>	<b>12.4%</b>
<b>Net interest margin</b>	<b>3.21%</b>	<b>3.21%</b>	<b>0.00%</b>	<b>3.11%</b>	<b>0.10%</b>
Yield on earning assets	5.07%	5.28%	-0.21%	5.14%	-0.07%
Yield on loans	6.04%	6.27%	-0.23%	6.12%	-0.08%
Yield on interbank	2.17%	2.42%	-0.25%	2.47%	-0.30%
Yield on investment	2.74%	2.85%	-0.11%	2.91%	-0.17%
Cost of funds*	2.22%	2.46%	-0.24%	2.40%	-0.18%
Cost of deposits**	2.22%	2.48%	-0.26%	2.34%	-0.12%
Spread (yield on earning assets – cost of funds)	2.85%	2.82%	0.03%	2.74%	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) / interest-bearing liabilities.

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

NM denotes “not meaningful”

**Interest income** in 1Q14 was Baht 30,581 million, a 7.2% **yoy** increase of Baht 2,062 million from Baht 28,519 million in 1Q13. Major highlights are as follows:

- **Interest income from loans** increased 9.0% yoy to Baht 23,509 million from the loan growth of 8.8% yoy;
- **Automobile and financial lease** income increased 8.6% yoy to Baht 2,678 million mainly from a 1.1% yoy growth in automobile loans and better average yield within this portfolio;
- **Interest income from interbank and money markets** decreased 11.9% yoy due to both the reduction of the interbank interest rate and the lower volume of interbank and money market balance in 1Q14 compared to a year earlier;
- **Interest income from investments** increased slightly by 1.0% yoy to Baht 3,326 million, mainly from the higher amount of liquid assets - comprised largely of government bonds.

At the same time, **interest expenses** decreased slightly by 0.6% yoy to Baht 11,213 million in 1Q14, mainly due to the decline in the volume of B/E and the redemption of subordinated debt. The decrease in interest expenses was partly offset by higher interest expense on deposits following the growth of the deposit base by 8.1% yoy (which includes the progressive migration of some of the maturing B/E to term deposits) and higher contribution to the FIDF and Deposit Protection Agency (DPA) fee, in line with the increase to the Bank's deposit base over the year.

SCB Interest Rates	Jan 17, 13	Mar 8, 13	May 17, 13	Nov 29, 13	Dec 2, 13	Dec 23, 13	Dec 27, 13	Jan 28, 14	Mar 13, 14
<b>Lending rate (%)</b>									
MLR	7.00	7.00	7.00	6.75	6.75	6.75	6.875	6.875	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	8.00	8.00	8.00	8.10	8.10	7.975
<b>Deposit rate* (%)</b>									
Savings rate	0.75	0.75	0.75	0.625	0.625	0.625	0.625	0.625	0.50
3-month deposits	1.60-2.00	1.60-2.75	1.60-3.00	1.55-2.85	1.55-2.50	1.50-2.50	1.50-2.50	1.40-1.65	1.15-1.25
6-month deposits	2.00-2.80	2.00-2.80	2.00-3.00	1.85-2.85	1.85-2.10	1.80-2.00	1.80-2.00	1.70-1.85	1.40-1.60
12-month deposits	2.35-2.50	2.35-2.85	2.35-3.20	2.20-3.05	2.20-2.75	2.15-2.25	2.15-2.25	2.10-2.15	1.80-1.85
<b>Policy rate (%)</b>									
	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
	3.00	3.25	3.50	3.25	3.00	2.75	2.50	2.25	2.00

\* 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.

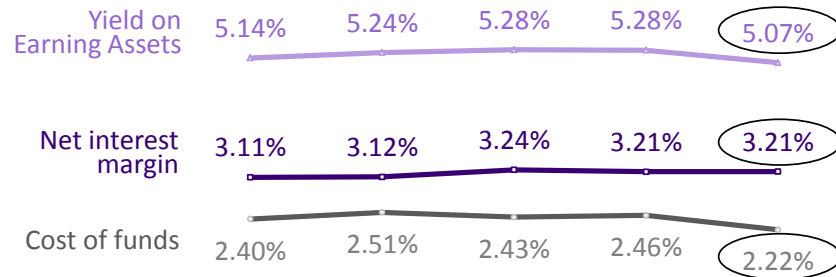
On a **qoq** basis, interest income decreased 2.2% qoq to Baht 30,581 million in 1Q14 from Baht 31,284 million in 4Q13. The highlights are as follows:

- **Interest income from loans** decreased 1.9% qoq as a result of the reduction of lending rate in the tail end of last year and the current quarter, while loan growth was relatively flat qoq;
- **Interest income from interbank and money markets** decreased 4.1% qoq due to the lower interbank rates following the policy rate cuts between November 2013 and March 2014;
- **Automobile and financial lease** income decreased 3.7% qoq mainly due to the contraction of auto loans portfolio by 2.5% qoq following the sharp slowdown in auto sales;
- **Interest income from investments** decreased 3.0% qoq to Baht 3,326 million from the lower volume of liquid assets compared to the last quarter and lower return from investment portfolio following the policy rate cuts between November 2013 and March 2014.

Interest expenses decreased 8.7% qoq to Baht 11,213 million in 1Q14 from Baht 12,280 million in 4Q13 largely from the Bank's strategy to reduce the cost of deposits relative to its peer group by reducing special deposit campaigns/higher cost fixed deposits, the decline of deposit base by 1.8% qoq and the effect of deposit rate cuts between November 2013 and March 2014. Contribution to the Deposit Protection Agency/FIDF also decreased 3.8% qoq in line with the reduction of the Bank's deposit base. Interest

expenses from interbank and money markets increased 18.5% qoq mainly due to the higher volume of interbank and money market balance in 1Q14 compared to the previous quarter.

### Yield on Earning Assets, NIM and Cost (Percentage)



	1Q13	2Q13	3Q13	4Q13	1Q14
<b>Yield on Loans</b>	<b>6.12%</b>	<b>6.23%</b>	<b>6.33%</b>	<b>6.27%</b>	<b>6.04%</b>
<b>Cost of Deposits</b>	<b>2.34%</b>	<b>2.49%</b>	<b>2.44%</b>	<b>2.48%</b>	<b>2.22%</b>

The net interest margin (NIM) for 1Q14 of 3.21% was 10bps higher than the NIM of 3.11% in 1Q13 as a result of the lower cost of deposits, consistent with the Bank's strategy. On a **quarter-on-quarter** basis, NIM was flat qoq as the reduction in deposit cost was offset by lower loan yield as the higher average loan balance was skewed by a large loan booked towards the end of 1Q14. NIM of 3.21% in 1Q14 was, however, in line with the Bank's full year revised target range of 3.1-3.3% for 2014.

## 2. Non-interest income

Non-interest income decreased 6.5% **yoy** to Baht 11,509 million in 1Q14, which was the result of lower dividend income. This gap arose from a substantial dividend from an investment in the Bank's equity portfolio booked in 1Q13 and to a lesser extent the absence of the Vayupak dividend in 1Q14 (the Vayupak fund was redeemed on maturity in 4Q13). However, the growth in net fee and insurance premium income was robust at 9.1% yoy. Additional details of non-interest income yoy are as follows:

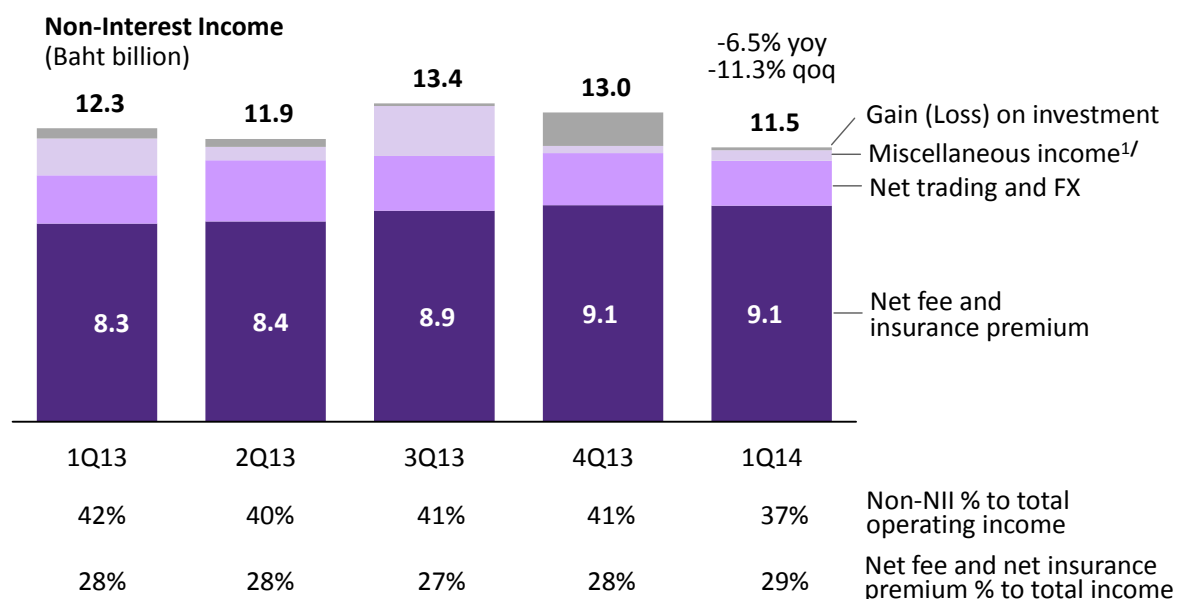
- **Net fee and insurance premium income** (net of claims) increased 9.1% yoy due to higher sales of both life and non-life products, and higher net fee income (+5.0% yoy) from corporate finance fee while loan related fees dropped significantly given stagnant loan growth;
- **Net trading and FX income** decreased 7.2% yoy, mainly as a result of the lower customer transaction flow during the quarter and lower volume of activities in the financial markets;

- **Dividend income** decreased significantly by 88.2% yoy primarily as the result of an exceptional dividend from an investment in the Bank's equity portfolio booked in 1Q13 and to a lesser extent the absence of dividend income from the Vayupak fund following its maturity in 4Q13; and
- **Gain on investments** decreased 72.5% yoy due to lower gains from investment sales by the Bank's subsidiary.

Unit: Baht Million

<b>Non-Interest Income (Consolidated)</b>	<b>1Q14</b>	<b>4Q13</b>	<b>% qoq</b>	<b>1Q13</b>	<b>% yoy</b>
<i>Fee and service income</i>	7,678	7,841	-2.1%	7,305	5.1%
<i>Less fee and service expenses</i>	1,388	1,272	9.1%	1,314	5.7%
Net fee and service income	6,290	6,568	-4.2%	5,991	5.0%
<i>Net earned insurance premiums</i>	12,897	12,284	5.0%	11,788	9.4%
<i>Less net insurance claims</i>	10,116	9,761	3.6%	9,466	6.9%
Net insurance premiums	2,780	2,523	10.2%	2,322	19.7%
<b>Net fee and insurance premium</b>	<b>9,070</b>	<b>9,091</b>	<b>-0.2%</b>	<b>8,314</b>	<b>9.1%</b>
Net trading and FX income	1,882	2,181	-13.7%	2,028	-7.2%
Share of profit of associates	(1)	(1)	NM	6	NM
Dividend income	160	135	18.6%	1,358	-88.2%
Other income	281	168	66.7%	178	58.0%
<b>Non-interest income excluding gain on investments</b>	<b>11,392</b>	<b>11,576</b>	<b>-1.6%</b>	<b>11,884</b>	<b>-4.1%</b>
Gain on investments	117	1,401	-91.6%	428	-72.5%
<b>Total non-interest income</b>	<b>11,509</b>	<b>12,977</b>	<b>-11.3%</b>	<b>12,312</b>	<b>-6.5%</b>

NM denotes "not meaningful"



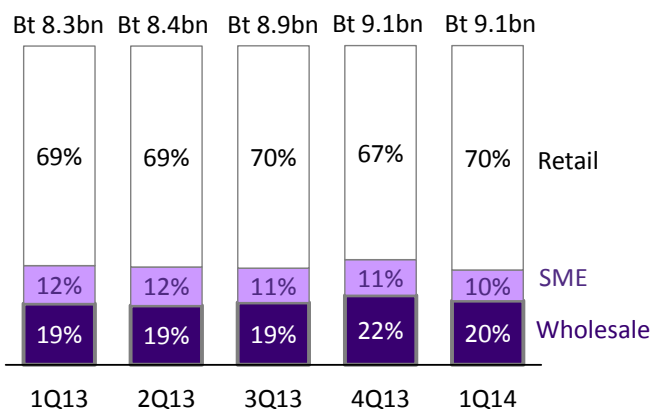
<sup>1/</sup> Miscellaneous income includes income from the equity interest in affiliated companies, dividends, and other income.

On a **qoq** basis, non-interest income decreased 11.3% qoq to Baht 11,509 million in 1Q14 from Baht 12,977 million in 4Q13 largely due to lower gain on investment, lower net trading and FX income and flat net fee and insurance premium. Additional analysis is as follows:

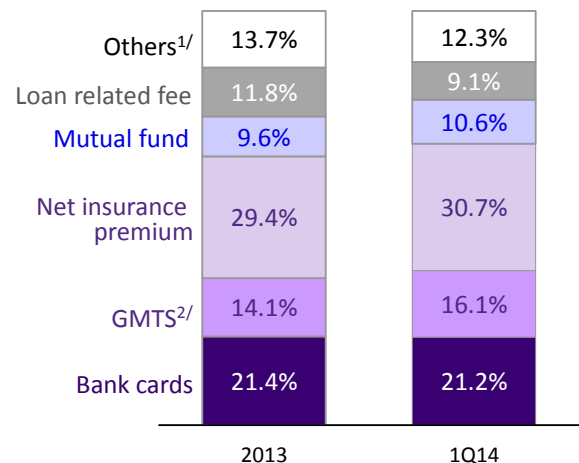
- **Net fee and insurance premium income** (net of claims) was relatively flat qoq. While net insurance premium income rose 10.2% qoq due to higher sales of both life and non-life products, **this** was offset by the lower net fee income (-4.2% qoq) mainly due to the lower corporate finance fee and loan-related fee compared to the preceding quarter;
- **Net trading and FX income** decreased 13.7% qoq in part as a result of the lower volume of customer initiated financial market transactions compared to the previous quarter;
- **Dividend income** increased 18.6% qoq as a result of higher dividend income earned by a Bank's subsidiary; and
- **Gain on investments** decreased significantly by 91.6% qoq to Baht 117 million from Baht 1,401 million in 4Q13 mainly due to the one-time gain on the redemption of Vayupak Fund booked in 4Q13.

In 1Q14, **non-interest income** accounted for 37% of total income, while net fee and net insurance premium income made up 29% of total income. The Retail Banking segment contributed about 70% of total net fee and insurance premium income in 1Q14 up from 69% in 1Q13 while net fee and insurance premium income from Wholesale Banking rose to 20% in 1Q14 from 19% in 1Q13. The contribution from SME Banking fell from 12% in 1Q13 to 10% in 1Q14 due to a drop in loan-related fee. The Bank maintains its strategy to increase aggregate fee income contribution from wholesale banking and SME banking through a sharper focus on fee-based activities in these business segments and this will, over the medium term, increase the proportion of fee-based income for the Bank as a whole.

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



**Net Fee and Insurance Premium Breakdown (Percentage)**



<sup>1/</sup> Others include brokerage fee, fund transfer, remittance, etc.

<sup>2/</sup> 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 slightly increased 1.8% yoy to Baht 11,024 million in 1Q14 from Baht 10,825 million in 1Q13. This lower growth rate was a direct result of the Bank's strategic focus on containing the growth of discretionary expenditure. The increase in expenses is attributable to the following factors:

- **Staff costs** increased 3.9% yoy mainly as a result of the annual salary adjustments during the quarter and the increase in the number of employees over this period which was partly offset by the reversal of a surplus in the accrued performance bonus for 2013;
- **Premises and equipment expenses** increased 5.5% yoy as a result of the continued investments in network expansion and the on-going systems enhancement initiatives;
- **Taxes and duties** increased 19.8% yoy as the higher interest income from loans required a corresponding increase in special business tax and the higher special business tax from the sales of NPA;
- **Other expenses:** This is explained as follows:
  - **Loss on sale of NPA** increased slightly by 0.9% yoy to Baht 222 million in 1Q14 from Baht 220 million in 1Q13. The higher loss was driven by the sale of repossessed cars due to the increased volume of higher rate/higher risk loans in the used car segment; the impact of the economic slowdown on the borrowers repayment ability; and the relatively higher loss on disposal of used cars given the drop in their resale value. However, this loss was offset by the higher gain from sale of non- car NPA in 1Q14;
  - **Other expenses** decreased 12.6% yoy mainly due to the Bank's strategy to contain growth of operating expenses through more stringent control of discretionary expenses together with seasonally low marketing and promotion expenses.

Unit: Baht Million					
Non-Interest Expenses (Consolidated)	1Q14	4Q13	% qoq	1Q13	% yoy
Staff costs	5,236	5,242	-0.1%	5,037	3.9%
Premises and equipment expenses	2,354	2,500	-5.8%	2,232	5.5%
Tax and duties	1,150	1,051	9.4%	960	19.8%
Director remuneration	24	24	-0.6%	45	-46.8%
Other expenses	2,260	3,976	-43.1%	2,551	-11.4%
- Loss on sale of NPA*	222	577	-61.5%	220	0.9%
- Others	2,038	3,399	-40.0%	2,331	-12.6%
Total non-interest expenses**	11,024	12,792	-13.8%	10,825	1.8%
<b>Cost to income ratio</b>	<b>35.7%</b>	<b>40.0%</b>		<b>36.6%</b>	

\* Including repossessed cars.

\*\* Excluding loss on sale of NPA, non-interest expenses growth in 1Q14 would be -11.6% yoy and 1.9% qoq

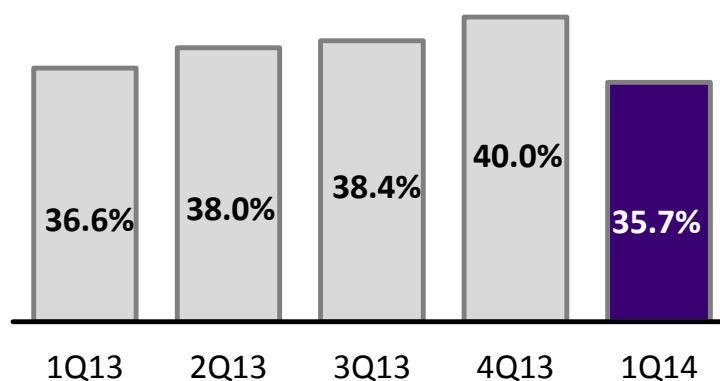
On a **qoq** basis, non-interest expenses decreased 13.8% to Baht 11,024 million in 1Q14 from Baht 12,792 million in 4Q13. Key explanations are as follows:

- **Staff costs** was relatively flat qoq as higher expense from annual salary adjustments was offset by the reversal of the surplus in the accrued performance bonus for 2013 in 1Q14;
- **Premises and equipment expenses** decreased 5.8% qoq due to the Bank's cost containment measures for discretionary expenses. However, the Bank has continued with its strategic investments in network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** increased 9.4% qoq as the higher interest income from loans required a corresponding increase in special business tax and the higher special business tax from sales of NPA;
- **Other expenses:** This is explained as follows:
  - **Loss on sale of NPA** decreased 61.5% qoq to Baht 222 million in 1Q14 from Baht 577 million in 4Q13 from the materially lower loss arising from repossessed cars while the gain from the sale of non-car NPA remained relatively flat;
  - **Other expenses** decreased 40.0% qoq to Baht 2,038 million as a result of seasonally higher marketing and promotion expenses in the last quarter of the year together with the impact of the Bank's cost control measure.

In 1Q14, the cost-to-income ratio was 35.7%, an improvement from the 36.6% in 1Q13 and 40.0% in 4Q13. The yoy improvement of cost-to-income ratio was a result of the growth of total income at 4.5% compared with the 1.8% growth in operating expenses. Also, this ratio was much better than the 2014 full year revised target of 38-40%.

Although the Bank's strategy for this year is to decelerate the growth rate of operating expenses through more stringent oversight of discretionary expenses, this will not be 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 outlook for 2014. On a **bank only** basis, the Bank has set aside Baht 3,224 million of impairment loss provision for 1Q14. On a **consolidated** basis, the provision was Baht 3,207 million in 1Q14 or 74bps 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 March 2014 stood at Baht 59,550 million, a decrease from Baht 60,317 million at the end of December 2013 but an increase from Baht 53,319 million at the end of March 2013. Total NPLs increased 9.3% yoy and 0.7% qoq to Baht 40,258 million at the end of March 2014. The ratio of NPL-to-loans stood at 2.11% at the end of March 2014, up from 2.06% at the end of March 2013 but down from 2.14% at the end of December 2013, while the coverage level for NPLs has increased from 144.8% at the end of March 2013 to 147.9% at the end of March 2014 but decreased from 150.8% at the end of December 2013.

## II. Balance sheet as of March 31, 2014 (Consolidated basis)

As of March 31, 2014, the Bank's total assets stood at Baht 2,518 billion, an increase of Baht 153 billion (+6.5%) yoy from Baht 2,365 billion at the end of March 2013. This increase was mainly the outcome of business growth over the year. However, compared to the end of 2013, the total assets were slightly down (by Baht 17 billion or -0.7% qoq) given the current economic climate and lackluster loan demand. Details of the consolidated balance sheet are as follows:

### 1. Loans

As at March 31, 2014, total outstanding loans stood at Baht 1,735 billion, an increase of Baht 140 billion (+8.8%) yoy from Baht 1,595 billion at the end of March 2013, but flat qoq from the end of 2013. While the loan growth yoy was broadly based across all business segments, the SME and housing loan segments accounted for relatively higher growth. On a qoq basis, much of the growth was from the wholesale segment of the Bank as demand in both the SME and retail segment was sluggish.

The loan growth of 8.8% yoy in 1Q14 was slightly above the Bank's revised full year target of 5-7%. The Bank revised its 2014 targets in 1Q14 (the original targets were announced in December 2013 and set well before the political turmoil started in November 2013) following the sharp cuts in GDP growth forecast as well as the increasingly bleak economic outlook as a result of the prolonged political conflict.

#### 1.1 Loans by segment

Loans by Segment (Consolidated)	Unit: Baht Million				
	Mar 31, 14	Dec 31, 13	% qoq	Mar 31, 13	% yoy
Wholesale*	641,316	629,525	1.9%	597,837	7.3%
SME*	346,082	348,908	-0.8%	309,798	11.7%
Retail	747,511	756,848	-1.2%	686,881	8.8%
- Housing loans**	487,241	485,097	0.4%	433,571	12.4%
- Automobile	185,126	189,793	-2.5%	183,127	1.1%
- Others loans	75,144	81,957	-8.3%	70,184	7.1%
<b>Total loans</b>	<b>1,734,909</b>	<b>1,735,281</b>	<b>0.0%</b>	<b>1,594,517</b>	<b>8.8%</b>

\* Some of the SME customers have grown their annual sales turnover beyond the SME category, thus their loans were reclassified to Wholesale loans. The figures for Dec 31, 2013 and Mar 31, 2013, have been restated.

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

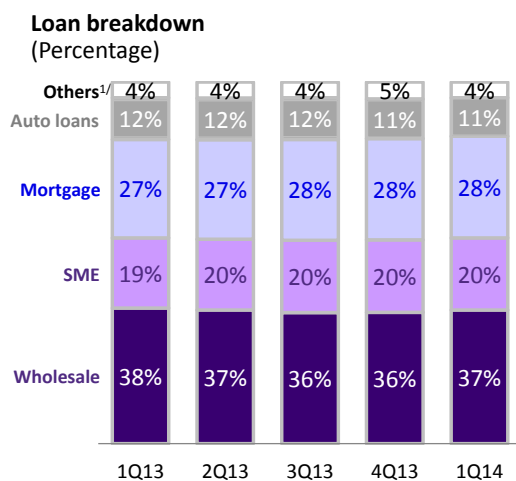
Details of the loan breakdown by customer segment are as follows:

- **Wholesale** loans increased by 7.3% yoy and 1.9% qoq in line with the Bank's focus on growing fee income rather than interest income in this segment;
- **SME** loans rose 11.7% yoy but declined slightly by 0.8% qoq. The yoy growth in SME loans 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 qoq reduction in SME loans

was in line with the general slowdown in GDP growth as well as the relatively more stringent underwriting criteria in selected segments of SME customer base in the current economic climate;

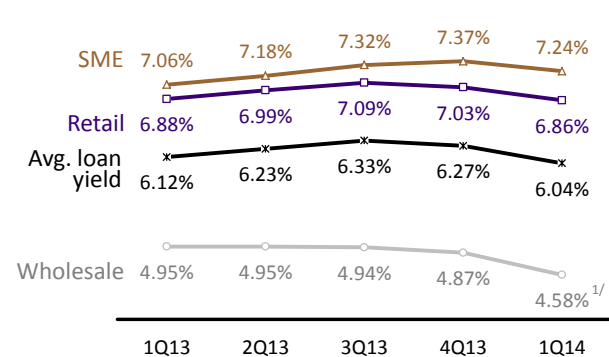
- **Retail** loans grew 8.8% yoy but declined 1.2% qoq:
  - **Housing loans** increased 12.4% yoy and were flat qoq. The yoy growth was driven by the strong SCB brand in the housing loan market and an increasingly effective customer segmentation approach. The flat qoq growth reflects of the general sales slowdown in the mortgage market;
  - **Automobile loans** grew 1.1% yoy but declined 2.5% qoq as deliveries of new cars from the incentive scheme for first-time new car buyers were completed by 2Q13. The negative qoq growth in auto loans was in line with the drop in new car sales and more stringent underwriting criteria in the used car segment;
  - **Other loans** (largely personal and credit card loans) increased 7.1% yoy in line with higher consumer demand and the Bank's strong retail footprint but declined 8.3% qoq. The decline was partly seasonal and partly from the more stringent underwriting for selected unsecured retail products.

Together, the Retail and SME segments remained relatively stable at about 63% of total loans as compared to end-2013. In 1Q14, average loan yield fell to 6.04%, from 6.12% in 1Q13 and 6.27% in 4Q13, partly due to three rounds of policy interest rate cut (in May and November 2013, and March 2014) and partly due to the Bank's strategy to shift away from higher yield / higher risk products. It should be noted that a large drop in wholesale loan yield in 1Q14 was due to the booking of a large-sized loan towards the end of the quarter; thus, distorting the average loan yield downward by applying the average of the beginning and ending loan balances for the quarter.



<sup>1/</sup> Others includes mainly credit cards and unsecured consumer loans

**Yield on Loans by Segment (Percentage)**



**Yield on Selected Retail Products (%)**

<b>Mortgage</b>	<b>6.05%</b>	<b>6.11%</b>	<b>6.20%</b>	<b>6.15%</b>	<b>5.98%</b>
<b>Auto Loans</b>	<b>5.58%</b>	<b>5.74%</b>	<b>5.87%</b>	<b>5.90%</b>	<b>5.79%</b>

<sup>1/</sup> The yield is significantly lower due to the fact that the quarterly average balance is skewed by the booking of a large loan in late March 2014.

## 1.2 Loans by sector/product

Unit: Baht Million					
Loans by Sector (Consolidated)	Mar 31, 14	Dec 31, 13	% qoq	Mar 31, 13	% yoy
Agricultural and mining	18,917	20,137	-6.1%	19,329	-2.1%
Manufacturing and commercial	607,868	604,367	0.6%	548,853	10.8%
Real estate and construction	130,671	126,027	3.7%	116,956	11.7%
Utilities and services	223,715	220,654	1.4%	217,887	2.7%
Housing loans*	426,789	425,065	0.4%	384,720	10.9%
Other loans	326,949	339,031	-3.6%	306,772	6.6%
<b>Total loans</b>	<b>1,734,909</b>	<b>1,735,281</b>	<b>0.0%</b>	<b>1,594,517</b>	<b>8.8%</b>

\* 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 March 31, 2014, December 31, 2013, and March 31, 2013, were Baht 487 billion, Baht 485 billion, and Baht 434 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-2013, loans to the real estate and construction sectors grew by Baht 4.6 billion (+3.7%), manufacturing and commercial sectors grew by Baht 3.5 billion (+0.6%) while utilities and services sectors grew by Baht 3.1 billion (+1.4%). However, other loans declined Baht 12.1 billion (-3.6%) as a result of some large repayments.

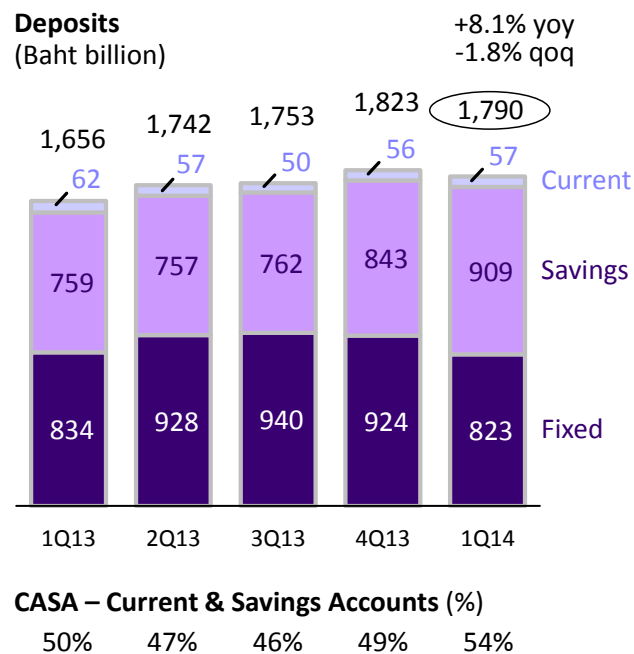
## 2. Deposits

Unit: Baht Million					
Deposits (Consolidated)	Mar 31, 14	Dec 31, 13	% qoq	Mar 31, 13	% yoy
Demand	56,959	55,627	2.4%	62,258	-8.5%
Savings	909,222	842,959	7.9%	759,430	19.7%
Fixed	823,324	924,325	-10.9%	834,453	-1.3%
- Less than 6 months	202,244	204,192	-1.0%	262,996	-23.1%
- 6 months and up to 1 year	200,514	293,528	-31.7%	307,591	-34.8%
- Over 1 year	420,566	426,605	-1.4%	263,866	59.4%
<b>Total deposits</b>	<b>1,789,505</b>	<b>1,822,911</b>	<b>-1.8%</b>	<b>1,656,140</b>	<b>8.1%</b>
Bills of exchange (B/E)	5,221	5,222	0.0%	23,871	-78.1%
<b>Total deposits + B/E</b>	<b>1,794,726</b>	<b>1,828,133</b>	<b>-1.8%</b>	<b>1,680,011</b>	<b>6.8%</b>
Gross loans to deposits ratio	96.9%	95.2%		96.3%	
Gross loans to deposits and B/E	96.7%	94.9%		94.9%	

As at March 31, 2014, total **deposits** stood at Baht 1,790 billion, up 8.1% yoy from Baht 1,656 billion at the end of March 2013. The yoy growth in deposits was the result of multiple deposit campaigns launched over the period and the progressive shift of maturing bills of exchange (B/E) to the deposit products. On a quarter-on-quarter basis, deposits contracted 1.8% following the lower loan demand and the Bank's strategy to control the cost of deposits relative to its peers. As at March 31, 2014, deposits plus B/E grew 6.8% yoy but contracted 1.8% qoq to Baht 1,795 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 78.1% yoy decline and a flat qoq change in B/E in 1Q14. Many of these B/E have been channeled to the Bank's fixed term deposit products upon maturity.

As a result of the Bank's strategy to reduce its cost of deposits relative to market competitors, savings deposits increased significantly by 19.7% yoy, which more than offset the contraction in fixed deposits and demand deposits, both of which declined 1.3% and 8.5%, respectively. Consequently, the proportion of low cost deposit (CASA) rose to 54% in 1Q14 from 50% in 1Q13 and 49% in 4Q13.



As deposit growth yoy was slightly lower than loan growth yoy, the loan-to-deposit ratio on a consolidated basis increased to 96.9% as at March 31, 2014, from 96.3% in 1Q13. The 'loan-to-deposit and B/E' ratio of 96.7% also increased from 94.9% at end 1Q13, which is slightly higher than the Bank's target loan-to-deposit (including B/E) ratio range of 94-96%. Given ample liquidity in the system from the accommodative monetary policy as well as the lackluster loan demand, the Bank views this higher ratio as a temporary expedient over the period that it progressively replaces its higher cost deposits with low cost deposits.

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 March 31, 2014, the liquidity ratio, on a bank-only basis, stood at 23.3% 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 March 2014, the Bank's total net investments on a consolidated basis stood at Baht 466 billion, an increase of 4.5% yoy. Of this amount, 88% 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 345 billion, a decrease of 2.9% yoy. These investments are mainly in Thai government bonds and held primarily to provide the Bank with adequate liquidity. In addition to the Bank, SCB Life Assurance Company held investments of Baht 133 billion at March 31, 2014, an increase of 25.9% 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)	Mar 31, 14	Dec 31, 13	% qoq	Mar 31, 13	% yoy
Net investment	465,806	504,188	-7.6%	445,908	4.5%
- Trading securities	34,587	46,215	-25.2%	31,899	8.4%
- Available-for-sale securities	312,839	344,727	-9.3%	296,502	5.5%
- Held-to-maturity securities	118,095	112,959	4.5%	116,753	1.1%
- General investments	285	287	-0.7%	754	-62.2%
Net investment in associated companies	676	685	-1.2%	625	8.3%
<b>Total net investments</b>	<b>466,482</b>	<b>504,873</b>	<b>-7.6%</b>	<b>446,533</b>	<b>4.5%</b>
Investment (Bank only)	Mar 31, 14	Dec 31, 13	% qoq	Mar 31, 13	% yoy
Net investment	317,541	368,168	-13.8%	328,020	-3.2%
- Trading securities	34,185	45,988	-25.7%	31,805	7.5%
- Available-for-sale securities	265,651	304,233	-12.7%	273,510	-2.9%
- Held-to-maturity securities	17,427	17,669	-1.4%	21,963	-20.7%
- General investments	278	278	0.0%	742	-62.5%
Net investment in associated companies	27,885	27,884	0.0%	27,903	-0.1%
<b>Total net investments</b>	<b>345,426</b>	<b>396,053</b>	<b>-12.8%</b>	<b>355,923</b>	<b>-2.9%</b>

#### 4. Debt securities in issue and borrowings

Debt securities in issue and borrowings decreased by 26.6% yoy to Baht 94 billion at the end of March 2014. This was largely due to the substantial decline in the volume of B/E (-78.1% yoy) and the early redemption of subordinated debt in May 2013 of Baht 20 billion. Although B/E were not rolled over, most of the holders of these instruments were successfully persuaded to migrate to deposit or asset management products offered by the Bank. On a quarterly basis, debt securities in issue and borrowings were relatively flat.

Unit: Baht Million

Debt Securities in Issue and Borrowings (Consolidated)				Unit: Baht Million	
	Mar 31, 14	Dec 31, 13	% qoq	Mar 31, 13	% yoy
Short term debt securities in issue and borrowings	5,276	5,269	0.1%	18,816	-72.0%
Long term debt securities in issue and borrowings	89,140	89,743	-0.7%	109,788	-18.8%
<b>Total debt securities in issue and borrowings</b>	<b>94,416</b>	<b>95,012</b>	<b>-0.6%</b>	<b>128,604</b>	<b>-26.6%</b>

#### 5. Net goodwill and other intangible assets

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

#### 6. Shareholders' equity

As at March 31, 2014, shareholders' equity stood at Baht 261 billion, a 14.3% yoy increase of Baht 33 billion from Baht 228 billion at the end of March 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 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. Shareholders' equity increased 5.8% qoq or by Baht 14 billion from the end of 2013, largely attributable to 1Q14 net profit.

Book value per share as at March 31, 2014 was Baht 76.65 (3,399 million ordinary and preferred shares at the end of March 2014), up 14.3% from Baht 67.09 at the end of 1Q13 and an increase of 5.8% from Baht 72.45 at the end of 2013.

### III. Off Balance Sheet: Contingent Liabilities

As at March 31, 2014, the Bank and its subsidiaries had combined contingencies of Baht 355 billion, up by Baht 19 billion (5.7% yoy) from Baht 336 billion at the end of March 2013, but was flat qoq. The yoy increase in contingencies were mainly from other guarantees, letters of credit, undrawn bank overdraft facilities, and others as indicated in the table below.

Unit: Baht Million

Contingent Liabilities (Consolidated)	Mar 31, 14	Dec 31, 13	%qoq	Mar 31, 13	%yoy
Aval to bills	4,174	4,297	-2.9%	4,486	-6.9%
Guarantees of loans	203	214	-5.0%	492	-58.7%
Liability under unmatured import bills	5,907	7,434	-20.5%	9,247	-36.1%
Letters of credit	24,810	26,898	-7.8%	17,956	38.2%
<b>Other contingencies</b>					
Receivables/payables from investments	9,397	11,400	-17.6%	13,319	-29.4%
Other guarantees	175,397	173,787	0.9%	165,382	6.1%
Amount of unused bank overdraft	129,466	129,813	-0.3%	124,645	3.9%
Others	5,260	39	13387.2%	73	7105.5%
<b>Total contingent liabilities</b>	<b>354,614</b>	<b>353,882</b>	<b>0.2%</b>	<b>335,600</b>	<b>5.7%</b>

#### 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 selected 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) at end-1Q14 stood at 15.6% of total risk-weighted assets, comprising CET1 capital of 12.2% and Tier-2 capital of 3.4%. On a bank-only basis, total capital funds stood at 15.5% of total risk-weighted assets, of which CET1 was 12.0% and Tier-2 capital was 3.5%. Appropriation of net profit after dividend distribution for the second half of 2013 is not included in this computation as per the BOT guidelines. If included, the total capital ratio and CET1 capital ratio under Basel III on a consolidated basis would be 16.2% and 12.7% respectively and for the Bank-only would be 16.0% and 12.6% 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 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.

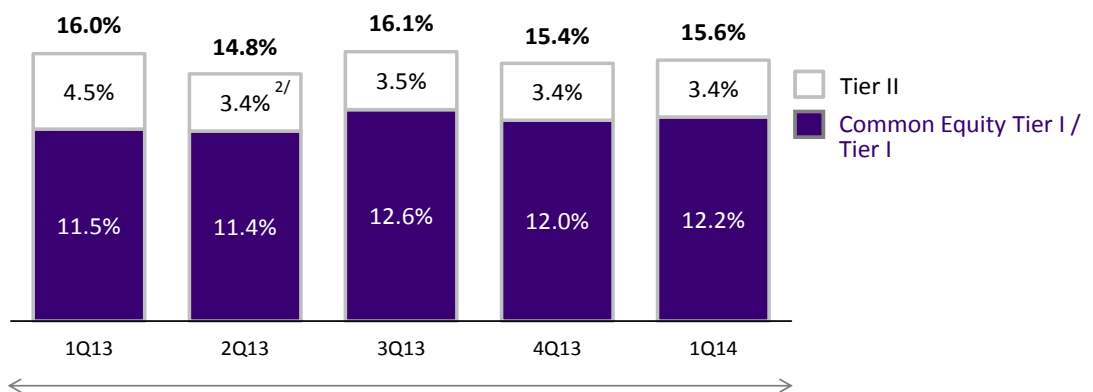
<b>Statutory Capital (Consolidated)</b>		<b>Mar 31, 14</b>	<b>Dec 31, 13</b>	<b>Mar 31, 13</b>
		<b>(Basel III)</b>	<b>(Basel III)</b>	<b>(Basel III)</b>
Common Equity Tier-1 / Tier 1*	Bt, million	209,403	208,719	181,425
	% of RWA	12.2%	12.0%	11.5%
Tier-2 capital	Bt, million	58,887	59,135	71,328
	% of RWA	3.4%	3.4%	4.5%
Total capital	Bt, million	268,290	267,854	252,753
	% of RWA	15.6%	15.4%	16.0%
Risk-weighted assets	Bt, million	1,714,337	1,738,165	1,580,232

<b>Statutory Capital (Bank only)</b>		<b>Mar 31, 14</b>	<b>Dec 31, 13</b>	<b>Mar 31, 13</b>
		<b>(Basel III)</b>	<b>(Basel III)</b>	<b>(Basel III)</b>
Common Equity Tier-1 / Tier 1*	Bt, million	203,232	203,369	176,090
	% of RWA	12.0%	11.8%	11.3%
Tier-2 capital	Bt, million	58,632	58,955	71,203
	% of RWA	3.5%	3.4%	4.5%
Total capital	Bt, million	261,863	262,324	247,293
	% of RWA	15.5%	15.3%	15.8%
Risk-weighted assets	Bt, million	1,687,374	1,717,592	1,564,974

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

#### Capital Adequacy Ratio (Consolidated)<sup>1/</sup>



#### Bank-Only

	1Q13	2Q13	3Q13	4Q13	1Q14
<b>CAR</b>	15.8%	14.5%	15.9%	15.3%	15.5%
<b>CET1/Tier I</b>	11.3%	11.1%	12.4%	11.8%	12.0%

<sup>1/</sup> 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.

<sup>2/</sup> The Bank redeemed non-compliant Basel III Tier 2 subordinated debenture amounting to Bt 20bn in May 2013.

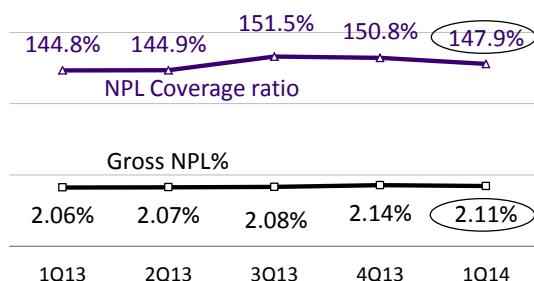
## V. Non Performing Assets

Gross NPLs on a consolidated basis rose slightly to 2.11% of total loans (Baht 40.3 billion) at the end of March 2014, compared to 2.06% of total loans (Baht 36.8 billion) at the end of March 2013 but improved from 2.14% of total loans (Baht 40.0 billion) at the end of 2013. Net NPLs rose to 1.10% (Baht 20.7 billion) at the end of March 2014 from 0.94% (Baht 16.7 billion) at the end of March 2013.

Non-Performing Loans and Allowance (Consolidated)		Mar 31, 14	Dec 31, 13	Mar 31, 13
Non-Performing Loans (Gross NPLs)	% of total loans	2.11%	2.14%	2.06%
	Bt, million	40,258	39,992	36,823
Allowance for doubtful accounts*	Bt, million	59,362	59,942	52,868
Allowance for revaluation of debt restructuring	Bt, million	188	374	451
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	59,550	60,317	53,319
Total allowance to NPLs		147.9%	150.8%	144.8%

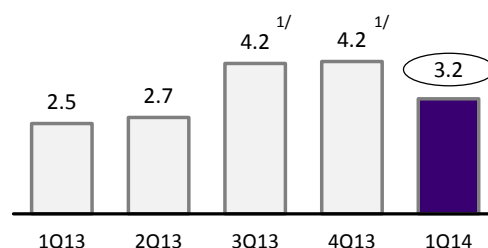
\* Excluding interbank

**Gross NPL ratio & NPL Coverage ratio**  
(Percentage)



**Provisions**  
(Consolidated, Baht billion)

+27.3% yoy  
-24.5% qoq



<sup>1/</sup> Includes additional provisions of Baht 1.5 billion in 3Q13 and Baht 1.6 billion in 4Q13, on a bank basis.

**NPL by Segment and by Product**

Wholesale	1.9%	1.9%	1.8%	1.6%	1.5%
SME	3.7%	3.6%	3.6%	3.7%	4.0%
Retail	2.0%	2.1%	2.1%	2.3%	2.3%
Mortgage	2.0%	2.1%	2.1%	2.4%	2.3%
Auto Loans	2.2%	2.3%	2.3%	2.4%	2.5%

Credit	64	66	101	99	74
Costs (bps)					

Allowance for doubtful accounts as of March 31, 2014 stood at Baht 59.6 billion, a decrease of Baht 0.7 billion from Baht 60.3 billion at the end of 2013. The coverage ratio (total allowance to non-performing loans) of 147.9% was a slight decline from 150.8% from end of 2013.

Gross NPLs on a bank-only basis fell to 2.04% (Baht 38.7 billion) at the end of March 2014 from 2.06% (Baht 38.2 billion) at the end of 2013. Net NPLs rose to 1.08% (Baht 20.3 billion) at the end of March 2014 from 1.04% (Baht 19.0 billion) at the end of 2013.

Special mention loans stood at Baht 32.7 billion at the end of March 2014, an increase of Baht 6.0 billion from the end of March 2013 but a decline of Baht 0.9 billion from Baht 33.6 billion at the end of 2013. The yoy increase arises mainly because of the Bank's shift to higher yield/higher risk retail products (auto and home equity loans) but the Bank has sharply curtailed the growth in this segment since the second half of 2013, and to a lesser extent, the impact of deteriorating economic climate on borrower repayment

Unit: Million Baht

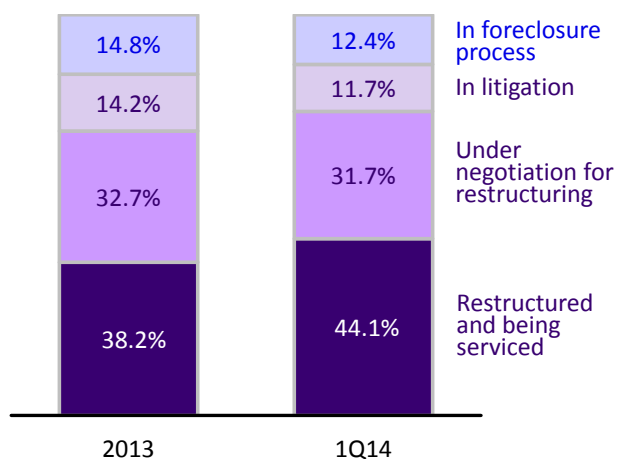
Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Mar 31, 14		Dec 31, 13		Mar 31, 13	
	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans	Loan and accrued interest	Allowance for classified loans
Normal	1,665,594	16,379	1,665,762	16,311	1,534,528	14,746
Special mention	32,659	1,790	33,588	1,833	26,652	1,236
Substandard	12,057	5,487	12,035	5,872	8,596	3,666
Doubtful	9,042	2,936	7,204	2,232	5,747	1,923
Doubtful loss	19,213	11,277	20,824	12,686	22,540	14,367
<b>Total</b>	<b>1,738,565</b>	<b>37,869</b>	<b>1,739,413</b>	<b>38,934</b>	<b>1,598,063</b>	<b>35,938</b>
Allowance established in excess of BOT regulations		21,493		21,008		16,930
Total allowance		59,362		59,942		52,868

capabilities.

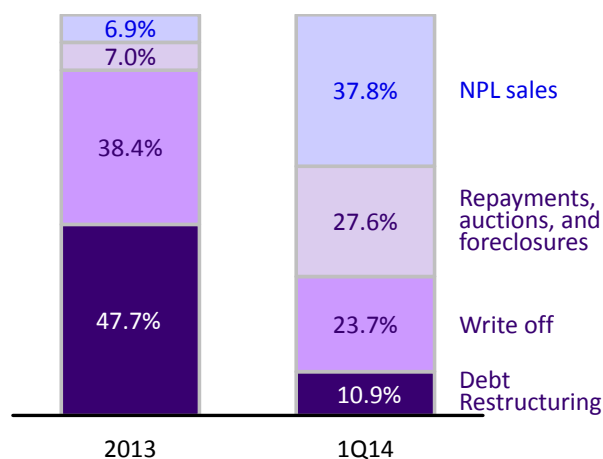
As shown in the chart below, at the end of 1Q14, NPLs that were restructured and being serviced accounted for the largest proportion of the total NPLs, followed by NPLs under negotiation for restructuring, NPLs in the foreclosure process, and NPLs under litigation. In 1Q14, the Bank reduced its NPLs mainly through NPL sales (the Bank sold Baht 3.7 bn of NPL in 1Q14), repayments, auctions and foreclosures, write-offs, followed by debt restructuring.

In 1Q14, new NPL formation rose to 0.44%, from 0.40% in 4Q13 and the 0.26% recorded in 1Q13. The yoy increase in new NPL formation in 1Q14 was 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, lastly, the impact of the deteriorating economic climate.

### NPL Breakdown by Status (Bank only)



### NPL Reduction Methodology



### New NPLs Formation



**New NPLs**  
(Baht Billion)

2Q11 3Q11 4Q11 1Q12 2Q12 3Q12 4Q12 1Q13 2Q13 3Q13 4Q13 1Q14

1.8 5.7 3.3 2.1 2.8 5.3 6.6 4.6 5.1 6.4 7.5 8.4

<sup>1/</sup>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.

<sup>2/</sup>The increase is attributed to the qualitative reclassification of a few commercial accounts.

<sup>3/</sup>The increase is attributed to the qualitative reclassification of certain housing loan and auto loan customers.

<sup>4/</sup> The increase is from a few wholesale banking and SME accounts as a result of customer-specific issues.

<sup>5/</sup> 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 March 31, 2014, the Bank and its financial subsidiaries have outstanding restructured loans amounting to Baht 37.8 billion both in the consolidated and Bank-only financial statements, a Baht 0.6 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.

<b>Restructured Loans (Consolidated)</b>		<b>Mar 31, 14</b>	<b>Dec 31, 13</b>	<b>Mar 31, 13</b>
Loans to restructured debtors	Bt, million	37,752	37,105	33,457
- Restructured loans which are classified as NPL	Bt, million	9,050	9,947	7,853
- Restructured loans which are not classified as NPL	Bt, million	28,702	27,158	25,604

The Bank's foreclosed properties available for sale as at March 2014 stood at Baht 8.8 billion, a slight decrease of Baht 0.7 billion (6.8% yoy) from Baht 9.5 billion level at the end of March 2013.

## VI. Sources and Uses of Funds

As at March 31, 2014, deposits accounted for 71.1% of SCB's funding base. Including bills of exchange (or B/E) which are akin to uninsured deposits, deposits and B/Es accounted for 71.3% of the funding base. Other major sources of funds were: 10.3% from shareholders' equity; 5.4% from liabilities under insurance contracts recorded by the Bank's insurance subsidiaries (SCB Life Assurance PCL and Siam Commercial Samaggi Insurance PCL); 5.1% from interbank borrowings; and 3.5% from the issuance of debt instruments (excluding B/E). The funds were applied as follows on March 31, 2014: 68.9% was used for loans; 18.5% was applied to net investments in securities; 8.7% was lent in the interbank and money markets; and 1.3% was held in cash.