

Management Discussion and Analysis

For the third quarter and first nine months ending September 30, 2015

The Siam Commercial Bank Public Company Limited



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Siam Commercial Bank PCL reported (reviewed) consolidated **net profit** of Baht 9,018 million for the third quarter of 2015 – a 32.0% decrease yoy from Baht 13,252 million recorded in 3Q14.

The **year-on-year** decrease in net profit was mainly from the substantial additional provisions for loans made to two large corporate customers (SSI* and SSI-UK*) who were classified as NPL in 3Q15 as well as the lower net interest income from the reversal of accrued interest income for the same two large corporate customers. These reductions were partially offset by large gains from the sale of equity investments which were the outcome of the Bank's initiative to mitigate the impact of the higher provisions this quarter. Excluding the impact arising from the default of SSI and SSI-UK, net interest income was relatively flat yoy and non-NII, excluding the large investment gains, increased at a modest rate.

Operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased by 38.0% yoy to Baht 27,377 million from Baht 19,838 million in 3Q14 due to the higher investment gains as described above. Excluding these large gains on investment in 3Q15, operating profit would have decreased slightly by 0.8% yoy, mainly from the lower net interest income following the reversal of accrued interest income for SSI and SSI-UK.

Total comprehensive income decreased by 85.1% yoy to Baht 2,137 million from Baht 14,324 million in 3Q14 mainly as a result of the lower net profit for the period and the lower gain on the revaluation of its available-for-sale investment portfolio following the sale of the equity investments referred to above.

As a result of the drop in yoy growth in net profit, earnings per share (EPS) decreased 32.0% yoy to Baht 2.65 in 3Q15 from Baht 3.90 in 3Q14. Return on average equity (ROAE) and return on average assets (ROAA) also decreased from 19.8% and 2.0% in 3Q14 to 12.3% and 1.3%, respectively.

On a **quarter-on-quarter** basis, net profit decreased by Baht 4,200 million (31.8% qoq) to Baht 9,018 million in 3Q15 from Baht 13,218 million in 2Q15, largely due to the substantial additional provisions and lower net interest income which was partly offset by large one-time gains on sale of equity investment as explained above. Operating profit (excluding impairment loss and/or provisions on loans and debt securities, income tax and non-controlling interest) increased 27.4% qoq to Baht 27,377 million in 3Q15 from Baht 21,494 million in 2Q15 due to the same reason as the yoy increase explained earlier.

* Sahaviriya Steel Industries PCL (SSI) and its wholly owned subsidiary Sahaviriya Steel Industries (UK) Ltd (SSI-UK)

For the **first nine months of 2015**, net profit stood at Baht 35,388 million, a 13.9% decrease yoy from Baht 41,104 million recorded in 9M14 primarily as a result of the substantial additional provisions booked in 3Q15, the one-time gain on the disposal of the Bank's investment in its non-life subsidiary booked in 2Q14 and a large one-time expense relating to a fraud case, prior to any future recoveries, booked in 1Q15. These drops were partly offset by large gains on the sale of equity investments noted earlier, higher net fee income and higher net interest income. Operating profit (excluding impairment loss on loans and debt securities, income tax and non-controlling interest) increased 12.0% yoy to Baht 68,915 million in 9M15 from Baht 61,504 million in 9M14 mainly due to the large gains on the sale of equity investments in the current quarter and the higher net fee income and higher net interest income over the nine month period. These increases were partly offset by a large one-time expense relating to a fraud case, prior to any future recoveries, booked in 1Q15 and the gain on the disposal of the Bank's investment in its non-life subsidiary recorded in 2Q14.

Sahaviriya Steel Industries Public Company Limited (SSI) and its subsidiary in the United Kingdom, Sahaviriya Steel Industries (UK) Limited (SSI-UK)

Siam Commercial Bank, together with the other 2 banks, had made loans to SSI-UK in 2011 to buy a large steel plant in the UK. The aggregate loans SCB has given to SSI and its UK subsidiary amount to just over Baht 22 billion. The acquired plant had been mothballed by the seller, Tata Steel, and it took more time than anticipated to restart steel production at this plant. Just as the plant resumed operations, the global steel industries started its sharp downturn, culminating in a huge drop in the global price of steel slab in 2015. These factors prevented the plant from reaching profitable operations and the mounting solvency issues forced SSI to place the SSI-UK into official receivership in early October.

SCB had been prepared for this situation, as one of the possible outcomes, for a few months. As SSI and SSI-UK were classed as NPLs in 3Q15, the Bank decided to set aside Baht 11 billion in additional provision, over and above the normal loan provision in this quarter. Also, the Bank sold some of its equity investments and booked Baht 7.7 billion of investment gains to mitigate the impact on net profit from the higher provisioning level.

As SSI-UK has been fully provided without any collateral value, the Bank has written-off this loan at the end of the quarter. For SSI, the Bank has increased provisions and further reduced the value of the existing collateral.

Net Profit and Total Comprehensive Income

Unit: Baht Million

Net Profit and Total Comprehensive Income (Consolidated)	3Q15	% qoq	% yoy	9M15	% yoy
Net interest income	20,070	-3.6%	-3.7%	61,416	1.3%
Non-interest income ^{1/}	19,221	54.4%	75.3%	43,678	22.5%
Non-interest expenses	11,914	1.3%	-0.5%	36,179	4.0%
Operating profit	27,377	27.4%	38.0%	68,915	12.0%
Impairment loss on loans and debt securities	16,002	211.9%	396.6%	24,734	156.3%
Income tax	2,342	-25.2%	-28.7%	8,751	-16.7%
Non-controlling interest	15	4.9%	-81.3%	43	-82.4%
Net profit (attributable to shareholders of the Bank)	9,018	-31.8%	-32.0%	35,388	-13.9%
Other comprehensive income	(6,881)	NM	NM	(6,414)	NM
Total comprehensive income	2,137	-82.9%	-85.1%	28,974	-34.1%
EPS (Baht)	2.65	-31.8%	-32.0%	10.41	-13.9%
ROAE	12.3%			16.4%	
ROAA	1.3%			1.7%	

NM denotes "not meaningful"

^{1/} Includes substantial gains on the sale of equity investments in 3Q15 and the gain on the disposal of the Bank's entire investment in its non-life subsidiary in 2Q14. Stripping out these gains, the 3Q15 yoy% and qoq% change would stand at +5.1% yoy and -7.4% qoq and 9M15 yoy% change would stand at +6.3% yoy.

I. Income Statement for 3Q15 (Consolidated basis)

1. Net interest income

Net interest income decreased 3.7% **yoy** to Baht 20,070 million in 3Q15 from Baht 20,842 million in 3Q14. The decrease in net interest income was mainly the result of the lower interest income from loans due to the reversal of accrued interest income for the two large new NPLs, SSI and SSI-UK, and the lower interest income from interbank and money markets as a result of the policy rate cuts in March 2015 and again at the end of April 2015. This decline was partially offset by lower interest expenses on deposits consistent with both the market trend and the Bank's strategy to proactively reduce its cost of deposits relative to its peer group.

On a **quarter-on-quarter** basis, net interest income decreased 3.6% qoq to Baht 20,070 million in 3Q15 compared with Baht 20,814 million in 2Q15 mainly from the lower interest income from loans due to the reversal of accrued interest income of two large new NPLs, SSI and SSI-UK, and the lower interest income from investments. This drop was partially offset by lower interest expenses on deposits consistent with the Bank's strategy to proactively reduce its cost of deposits relative to its peer group.

In the **first nine months of 2015**, net interest income increased 1.3% yoy to Baht 61,416 million from Baht 60,640 million in 9M14 primarily due the substantially lower interest expenses in line with the market trend and the Bank's strategy to proactively reduce the cost of deposits. This increase was partially offset by the

reversal of accrued interest on SSI and SSI-UK and the progressively lower interbank and investment returns following the policy rate cuts.

	Unit: Baht Million				
Net Interest Income and Yield (Consolidated)	3Q15	% qoq	% yoy	9M15	% yoy
Interest income	29,911	-3.7%	-3.5%	91,988	-0.2%
- Loans	23,409	-3.5%	-2.3%	71,672	0.4%
- Interbank and money markets	821	-3.7%	-36.7%	2,847	-13.0%
- Automobile and financial lease income	2,532	-0.7%	-2.8%	7,574	-4.6%
- Investments	3,122	-7.6%	-0.7%	9,844	3.0%
- Other	27	119.0%	620.9%	49	144.1%
Interest expenses	9,840	-3.9%	-3.1%	30,572	-3.2%
- Deposits	6,566	-4.7%	-4.4%	20,647	-5.0%
- Interbank and money markets	233	-26.5%	-42.4%	880	-28.4%
- Borrowings	892	3.6%	5.2%	2,583	3.2%
- Contribution to the Deposit Protection Agency/FIDF	2,147	-1.0%	5.3%	6,459	6.1%
- Other	2	199.3%	409.5%	3	410.6%
Net interest income	20,070	-3.6%	-3.7%	61,416	1.3%
Net interest margin	3.07%	-0.12%	-0.28%	3.17%	-0.12%
Yield on earning assets	4.57%	-0.19%	-0.42%	4.75%	-0.25%
Yield on loans	5.72%	-0.19%	-0.42%	5.88%	-0.24%
Yield on interbank	1.12%	-0.12%	-0.64%	1.29%	-0.53%
Yield on investment	2.45%	-0.15%	-0.28%	2.66%	0.07%
Cost of funds*	1.83%	-0.08%	-0.13%	1.90%	-0.14%
Cost of deposits**	1.82%	-0.10%	-0.15%	1.89%	-0.14%
Spread (yield on earning assets – cost of funds)	2.74%	-0.12%	-0.29%	2.84%	-0.12%

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 3Q15 was reported at Baht 29,911 million, a 3.5% **yoy** decrease of Baht 1,091 million from Baht 31,002 million in 3Q14. Major highlights were as follows:

- **Interest income from loans** decreased 2.3% yoy to Baht 23,409 million as the result of the reversal of accrued interest income on SSI and SSI-UK and a reduction in the average loan yield due to both the market trend and the Bank's shift away from the higher risk/higher yield segments although loans grew 5.2% yoy. Excluding the reversal of accrued interest income, interest income from loans was relatively flat yoy;
- **Automobile and financial lease** income fell 2.8% yoy to Baht 2,532 million following the 3.4% yoy drop in the volume of automobile loans – in line with the continued contraction in demand for new automobiles in Thailand over the past two years following the cessation of the Government's

incentive scheme for new car sales. Nevertheless, as the price disruption in the used car market has stabilized, this segment has seen more recovery and growth in this quarter;

- **Interest income from interbank and money markets** decreased 36.7% yoy mainly due to the lower interbank rate following two policy rate cuts in 1Q15 and 2Q15 as well as from the lower volume of interbank and money market portfolios in 3Q15 compared to a year earlier;
- **Interest income from investments** decreased slightly by 0.7% yoy to Baht 3,122 million due to lower investment return following the policy rate cuts in 1Q15 and 2Q15 which was to a large extent offset by a larger investment portfolio.

At the same time, **interest expenses** decreased by 3.1% yoy to Baht 9,840 million in 3Q15, largely from the decline in interest expenses on deposits consistent with the market trend and the Bank's strategy to proactively reduce cost of deposits relative to its peer group, the lower interest expenses from interbank and money markets following the policy rate cuts in 1Q15 and 2Q15 and, in addition, the lower volume of interbank and money market portfolios in 3Q15.

The cost of deposits fell yoy as many maturing high cost deposits were rolled-over at significantly lower interest rate although some customers opted to migrate to higher yielding alternate investments products offered by the Bank's asset management subsidiary. Broadly, the lower deposit rates were in line with the interest rate trend in the market given an accommodative monetary policy.

SCB Interest Rates	Jun 26, 14	Aug 5, 14	Sep 30, 14	Dec 12, 14	Mar 12, 15	Mar 25, 15	Apr 29, 15	May 21, 15	Jul 20, 15
Lending rate (%)									
MLR	6.75	6.75	6.75	6.75	6.55	6.625	6.625	6.525	6.525
MOR	7.425	7.425	7.425	7.425	7.425	7.425	7.50	7.40	7.37
MRR	8.10	8.10	8.10	8.10	8.10	8.10	8.12	7.82	7.87
Deposit rate* (%)									
Savings rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month deposits	1.10-2.45	1.10-2.45	1.10-2.45	1.10-2.45	0.90-0.95	0.90-0.95	0.90-0.95	0.90	0.90
6-month deposits	1.35-2.50	1.35-2.60	1.35-1.75	1.35-1.40	1.15-1.20	1.15-1.20	1.15-1.20	1.15	1.15
12-month deposits	1.70	1.70-2.80	1.70	1.70	1.50	1.50	1.50	1.50	1.50
Aug 24, 11 Nov 30, 11 Jan 25, 12 Oct 17, 12 May 29, 13 Nov 27, 13 Mar 12, 14 Mar 11, 15 Apr 29, 15									
Policy rate (%)	3.50	3.25	3.00	2.75	2.50	2.25	2.00	1.75	1.50

* 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.

On a **quarter-on-quarter** basis, interest income fell 3.7% qoq to Baht 29,911 million in 3Q15 from Baht 31,049 million in 2Q15. The highlights were as follows:

- **Interest income from loans** decreased 3.5% qoq due to the reversal of accrued interest income of SSI and SSI-UK and the Bank's shift away from the higher risk/higher yield segments;

- **Interest income from interbank and money markets** decreased 3.7% qoq due to the lower average volume of interbank and money market portfolios in 3Q15 compared to the previous quarter and, to a lesser extent, the full quarter impact of the rate cut at the end of April 2015;
- **Automobile and financial lease** income decreased slightly by 0.7% qoq following the 1.1% drop in the volume of automobile loans – in line with the contraction in demand for new automobiles. To some extent, this decline was offset by an improvement in the conditions of the used car market where prices seemed to have stabilized;
- **Interest income from investments** decreased 7.6% qoq largely due to the smaller investment portfolio and lower investment return following the policy rate cuts in April 2015.

Interest expenses decreased 3.9% qoq to Baht 9,840 million in 3Q15 from Baht 10,235 million in 2Q15 largely from the decline in deposit interest expense consistent with the market trend and the Bank's strategy to proactively reduce cost of deposits relative to its peer group. Interest expenses from interbank and money markets decreased 26.5% qoq due to lower volume of interbank and money market portfolios in 3Q15 compared to the previous quarter as well as the full quarter impact of the policy rate cut in late April 2015.

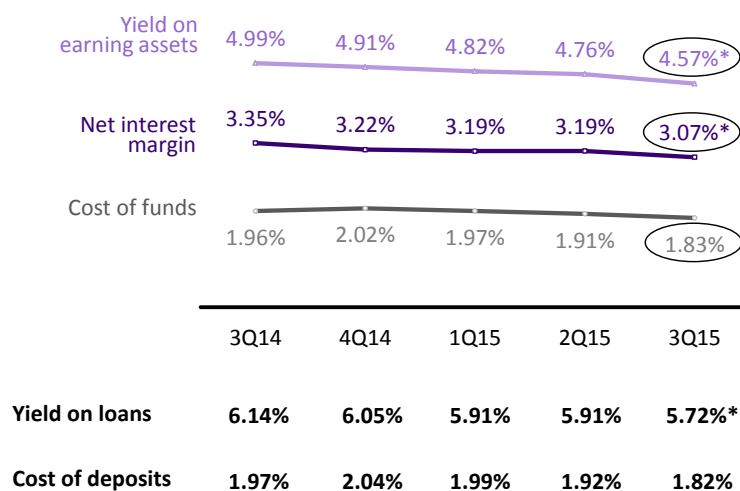
In the **first nine months of 2015**, interest income was relatively flat at Baht 91,988 million in 9M15 from Baht 92,206 million in 9M14. Details are as follows:

- **Interest income from loans** was relatively flat yoy at Baht 71,672 million, as loan growth of 5.2% yoy was offset by a reduction in the average loan yield due to the cuts in interest rates, the shift away from the higher risk/higher yield segments and the reversal of accrued interest income of SSI and SSI-UK in 3Q15;
- **Interest income from interbank and money markets** decreased 13.0% yoy to Baht 2,847 million due to the lower volume of interbank and money market portfolios in 9M15 compared to a year earlier and lower interbank rates following the policy rate cuts in March 2014, March 2015 and April 2015;
- **Automobile and financial lease** income decreased 4.6% yoy to Baht 7,574 million as a result of the 3.4% drop in the volume of automobile loans – in line with the continued contraction in demand for new automobiles in Thailand over the past two years following the cessation of the Government's incentive scheme for new car sales;
- **Interest income from investments** increased 3.0% yoy to Baht 9,844 million mainly from a larger investment portfolio which was to a large extent offset by the lower average investment return following the policy rate cuts in March 2014, March 2015 and April 2015

Interest expenses decreased 3.2% yoy to Baht 30,572 million in 9M15 from Baht 31,566 million in 9M14 largely due to a 5.0% yoy decrease in interest expenses on deposits in line with the market trend and the Bank's strategy to proactively reduce cost of deposits relative to its peer group. Interest expenses from interbank and money markets decreased 28.4% yoy due to the lower volume of interbank and money market

portfolios in 9M15 compared to a year earlier and the lower interbank rates following the three policy rate cuts. Contribution to the Deposit Protection Agency/FIDF increased 6.1% yoy in line with the expansion of deposit base by 5.1% yoy.

Yield on Earning Assets, NIM and Cost of Funds
(Percentage)



* The drop in yield and NIM was mostly the result of the reversal of interest on two large new NPLs (SSI and SSI-UK).

On a year-on-year basis, the net interest margin (NIM) for 3Q15 of 3.07% was 28bps lower than 3.35% recorded in 3Q14 as a result of the lower yield on earning assets following the policy rate cuts in 1Q15 and 2Q15, the reversal of accrued interest income for SSI and SSI-UK and the Bank's shift away from the higher risk/higher yield segments. This fall in yield was partly offset by the lower cost of deposits driven by the market trend and the Bank's strategy to proactively reduce its cost of deposit relative to its peers. On a **quarter-on-quarter** basis, NIM fell 12bps to 3.07% as a result of the lower yield on loan due to the reversal of accrued interest income for SSI and SSI-UK and the Bank's shift away from the higher risk/higher yield segments offset by the reduction in cost of deposit. Annualized NIM for 9M15 was 3.17% which was in line with the Bank's revised full year target range of 3.0-3.2% for 2015. As the reversal of interest on SSI and SSI-UK is a one-time impact, the Bank anticipates a more normalized NIM in subsequent quarters.

2. Non-interest income

Non-interest income increased 75.3% **yoy** to Baht 19,221 million in 3Q15, largely due to higher gain on investment (as the Bank booked large gains on the sale of equity investments in 3Q15 mainly to partly offset the impact of the substantial additional provisions). Excluding these investment gains, non-interest income would have increased by 5.1% yoy. Additional details of non-interest income yoy were as follows:

- **Net fee and insurance premium income** (net of claims) was relatively flat yoy as a slight increase in net fee income (0.6% yoy) mainly from mutual fund fees and business cash management product

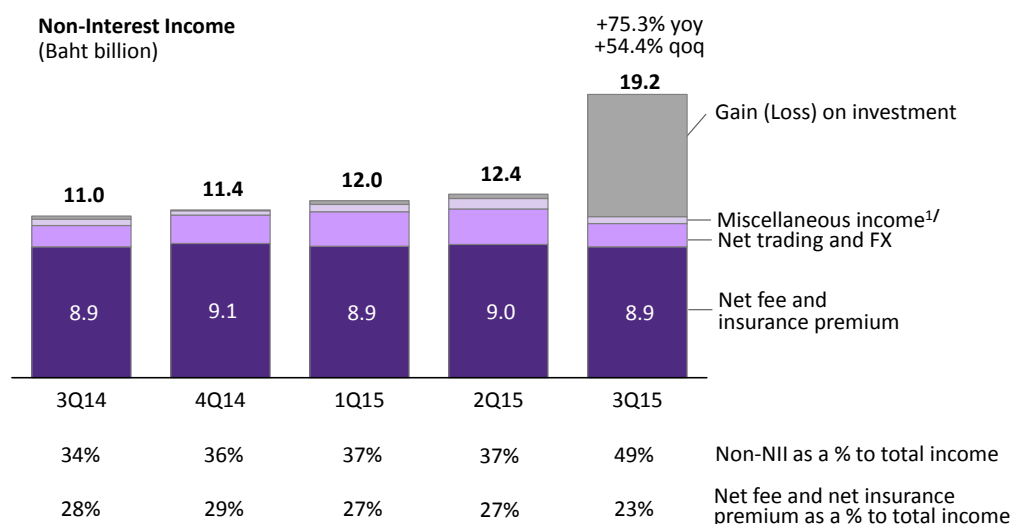
was offset by a 1.7% decline in net insurance premium from the increase in the premium reserves due to the mix of products sold;

- **Net trading and FX income** increased by 8.9% yoy due to gains arising from the ongoing volatility in the financial markets and the nature and scale of customer transactions;
- **Dividend income** increased 14.9% yoy mainly from the higher dividend income from the Bank's investment portfolio;
- **Gain on investments** stood at Baht 8,294 million, up significantly yoy mainly due to the gains on the sale of equity investments in 3Q15 which was initiated to mitigate the impact from the substantial additional provisions.

Unit: Baht Million					
Non-Interest Income (Consolidated)	3Q15	% qoq	% yoy	9M15	% yoy
<i>Fee and service income</i>	8,179	-0.7%	2.7%	24,460	6.0%
<i>Less fee and service expenses</i>	1,402	-1.4%	14.5%	4,237	9.0%
Net fee and service income	6,777	-0.6%	0.6%	20,223	5.4%
<i>Net earned insurance premiums</i>	13,865	-7.4%	14.6%	42,336	13.3%
<i>Less net insurance claims</i>	11,767	-7.8%	18.1%	35,729	18.3%
Net insurance premiums	2,099	-5.6%	-1.7%	6,606	-7.8%
Net fee and insurance premium	8,876	-1.8%	0.0%	26,829	1.8%
Net trading and FX income	1,576	-34.7%	8.9%	6,332	17.8%
Share of profit of associates	(28)	NM	NM	(79)	NM
Dividend income	406	1.3%	14.9%	1,175	21.3%
Other income	97	-72.3%	-16.0%	587	18.5%
Non-interest income excluding gain on investments	10,927	-10.1%	1.6%	34,845	5.2%
Gain on investments ^{1/}	8,294	2,787.2%	3,774.0%	8,833	251.9%
Total non-interest income	19,221	54.4%	75.3%	43,678	22.5%

NM denotes "not meaningful"

^{1/} Includes gains on the sale of equity investment in 3Q15 to partly offset the impact of substantial additional provisions in the quarter and the gain on the disposal of the Bank's investment in its non-life subsidiary in 2Q14.



On a **quarter-on-quarter basis**, non-interest income increased 54.4% qoq to Baht 19,221 million in 3Q15 from Baht 12,447 million in 2Q15 largely due to higher gain on investment which was partly offset by lower net trading and FX income. Additional analysis is as follows:

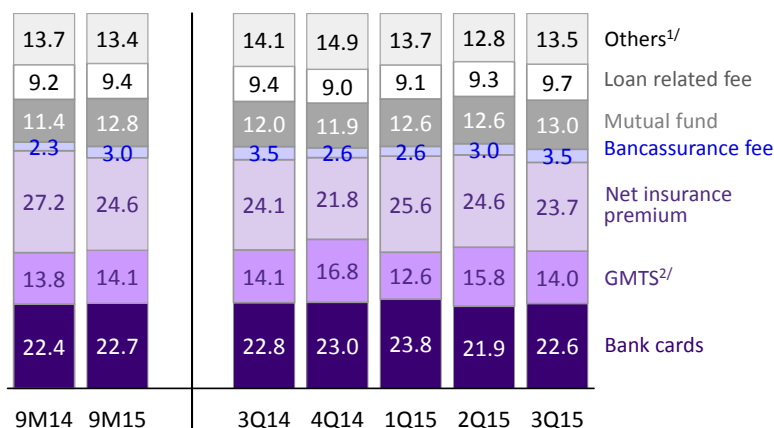
- **Net fee and insurance premium income** (net of claims) decreased 1.8% qoq due to lower net fee income (-0.6% qoq) mainly from lower corporate finance fee. This was partly offset by higher bancassurance fees (from the sale of third-party bancassurance products). However, net insurance premium dropped 5.6% qoq from the lower volume of premium income in the current quarter ;
- **Net trading and FX income** decreased 34.7% qoq mainly due to the volatility in the financial markets;
- **Dividend income** increased slightly by 1.3% qoq from higher dividend income from the Bank's equity investment portfolio;
- **Other income** decreased significantly by 72.3% qoq as the Bank's recorded a profit from the gain sharing agreement in 2Q15 on the resolution of NPLs sold by a subsidiary of the Bank; and
- **Gain on investments** increased significantly to Baht 8,294 million mainly due to the large gains on sale of equity investments in 3Q15 as has been explained earlier.

In the **first nine months of 2015**, non-interest income increased 22.5% yoy to Baht 43,678 million, principally from a higher gain on investment as the Bank booked large investment gains on sale of equity investments in 3Q15 to mitigate the impact of higher provisions relating to SSI and SSI-UK (which on a yoy basis was partly offset by gain on the disposal of the Bank's investment in its non-life subsidiary in 2Q14), higher net fee income and higher net trading and FX income. Excluding the large investment gains and the gain on the disposal of the Bank's investment in its subsidiary in the prior year, the non-interest income for the first nine months of 2015 would have increased by 6.3% yoy. Additional details of non-interest income yoy are provided below:

- **Net fee and net insurance premium income (net of claims)** rose 1.8% yoy, driven by higher net fee income (5.4% yoy) from higher mutual fund fees, bancassurance fee (from the sale of third-party bancassurance products), card-related fees and corporate finance fees, while net insurance premium dropped 7.8% yoy. The latter was due, in part, to the sale of non-life insurance company in 2Q14 (and non-consolidation of its results from 2Q14) which contributed to the lower net insurance premium income compared to 2014 as well as higher premium reserves due to the change in the mix of products sold;
- **Net trading and FX income** increased 17.8% yoy mainly due to gains from the ongoing volatility in the financial markets;
- **Dividend income** increased 21.3% yoy mainly as a result of higher dividend income from the Bank's equity investment portfolio; and
- **Gain on investments** increased significantly by 251.9% yoy to Baht 8,833 million in 9M15 from Baht 2,510 million in 9M14 as the Bank recorded large investment gains on sale of equity investments in 3Q15 (to mitigate the impact of higher provisions) which were substantially higher than the gain on the disposal of the Bank's investment in its non-life subsidiary in 2Q14.

In the **first nine months of 2015**, non-interest income accounted for 42% of total income due to large gains on sale of the equity investments, while net fee and net insurance premium income made up 26% of total income. The net fee and net insurance premium from the retail, corporate and SME business segments were relatively flat yoy at 73%, 19% and 8%, respectively in 9M15. The Bank maintains its strategy to increase the aggregate fee income contribution from both the corporate 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.

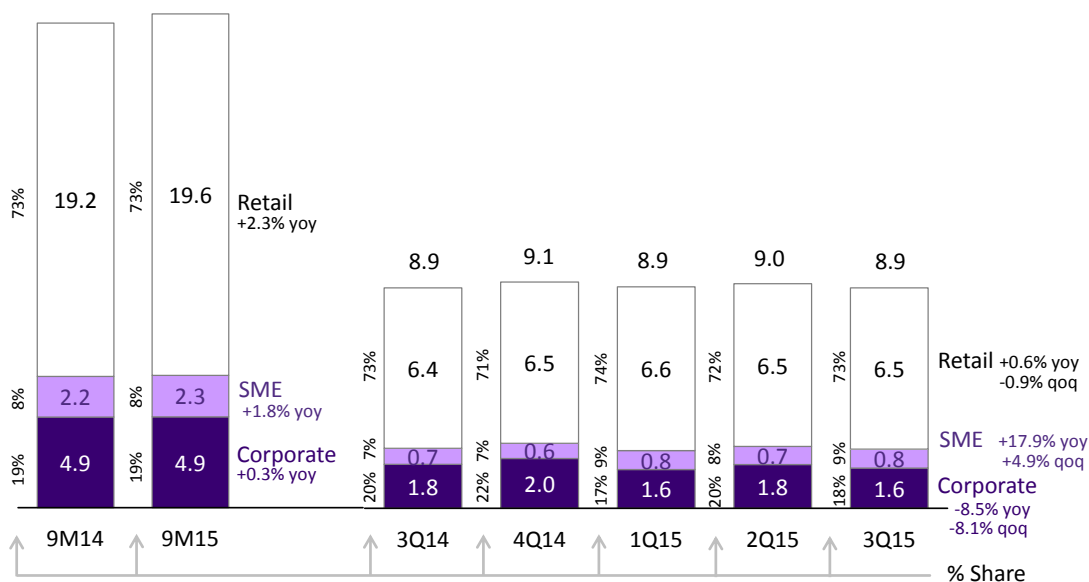
Net Fee and Insurance Premium Breakdown
(Percentage)



^{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.

Net Fee and Insurance Premium Breakdown by Business Unit
(Baht billion)



3. Non-interest expenses

Non-interest expenses were relatively flat yoy at Baht 11,914 million in 3Q15 as a result of the Bank's efforts to contain the growth of discretionary expenditure through, among others, better resource deployment and process optimization. This was achieved despite considerable ongoing outlays on the Bank's new strategic and transformative initiatives. Additional details of non-interest expenses yoy were as follows:

- **Staff costs** increased 2.5% yoy as a result of annual salary adjustments which were partly offset by the strong drive to contain the growth of discretionary expenses in this category as well as through productivity gains from better staff deployment;

- **Premises and equipment expenses** increased 5.3% yoy from the continued investments in network expansion and on-going systems enhancement initiatives;
- **Taxes and duties** were relatively flat yoy;
- **Other expenses:** This is explained as follows:
 - **Loss on sale of NPA** decreased by 70.4% yoy to Baht 178 million in 3Q15 from Baht 602 million in 3Q14 from the lower loss per car sold (indicating, as noted earlier, that prices in the used car market are stabilizing) and the higher gain from the sale of non-car NPA booked in 3Q15 compared to a year earlier;
 - **Other expenses** increased 4.1% yoy mainly from the Bank's charitable donations and CSR activities.

	Unit: Baht Million				
Non-Interest Expenses (Consolidated)	3Q15	%qoq	%yoy	9M15	%yoy
Staff costs	5,688	1.7%	2.5%	16,716	2.6%
Premises and equipment expenses	2,514	2.5%	5.3%	7,509	4.3%
Tax and duties	1,043	-1.6%	0.5%	3,184	-1.0%
Director remuneration	25	9.6%	11.4%	72	-0.5%
Other expenses	2,644	0.3%	-11.0%	8,697	8.8%
- Loss on sale of NPA*	178	-30.6%	-70.4%	577	-51.1%
- Others	2,466	3.6%	4.1%	8,120	19.2%
Total non-interest expenses**	11,914	1.3%	-0.5%	36,179	4.0%
Cost to income ratio	30.3%			34.4%	

* Including loss on the sale of repossessed cars of Baht 290 million in 3Q15, Baht 285 million in 2Q15 and Baht 664 million in 3Q14.

** Excluding loss on the sale of NPA, non-interest expenses growth in 3Q15 would be +2.0% qoq and +3.2% yoy.

On a **quarter-on-quarter** basis, non-interest expenses increased 1.3% to Baht 11,914 million in 3Q15 from Baht 11,766 million in 2Q15. Key explanations are as follows:

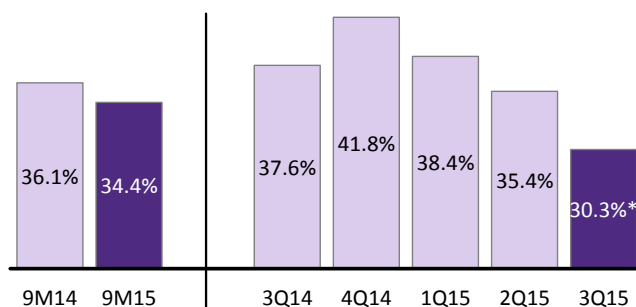
- **Staff costs** increased 1.7% qoq to Baht 5,688 million;
- **Premises and equipment expenses** increased 2.5% qoq due to insurance recoveries relating to the fire incident that were booked in the prior quarter;
- **Taxes and duties** decreased 1.6% qoq due to lower signboard tax and lower stamp duty from the auto loans segment; and
- **Other expenses:** Details were as follows:
 - **Loss on the sale of NPA** decreased 30.6% qoq to Baht 178 million in 3Q15 from Baht 256 million in 2Q15 due to the higher gain from sale of non-car NPA booked in 3Q15;
 - **Other expenses** increased 3.6% qoq to Baht 2,466 million with the increase attributable to donations made by the Bank.

In the **first nine months of 2015**, non-interest expenses rose 4.0% yoy to Baht 36,179 million from Baht 34,779 million in 9M14, mainly due to (1) higher other expenses from the large one-time loss relating to a fraud case, prior to any future recoveries, booked in 1Q15; (2) higher staff costs as a result of annual salary adjustments; and (3) higher premises and equipment expenses as a result of the continued investments in network expansion and on-going systems enhancement initiatives.

In 9M15, the cost-to-income ratio was 34.4%, a decline from the 36.1% level in 9M14. The yoy decrease of cost-to-income ratio was a result of the large gains on the sale of equity investment in 3Q15 although the Bank booked a large one-time expense relating to a fraud case in 1Q15. Excluding these two large exceptional items, the cost-to-income ratio would stand at 35.6% which is still significantly below the 2015 full year target of 38-40%.

While the Bank continued to decelerate the growth of operating expenses through more stringent oversight of discretionary expenses, this reduction was not at the detriment to its strategic outlays required for future business expansion. The Bank's capital expenditure continues to be effectively managed and reflects the ongoing investment in new systems enhancement initiatives as well as other outlays to support its strategic transformative initiatives. 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)



* Includes large investment gains from the sale of equities in the Bank's portfolio. Excluding these gains the cost-to-income ratio would stand at 37.7%.

4. Loan loss provisions

The Bank's original provisioning guidance for 2015 was to set aside annualized loan loss provisions of approximately 75-80bps of total loans outstanding on a bank-only basis, largely on the expectation that after a disappointing 2014 the Thai economy was poised to recover. However, as the Thai economy has yet to recover, the level of delinquencies has continued to rise and the Bank revised its credit cost guidance to about 100-110bps in the second quarter. In 3Q15, the Bank decided to set aside substantial additional provisions of Baht 11 billion, over and above the normal loan provision in 3Q15, as a result of SSI and SSI-UK

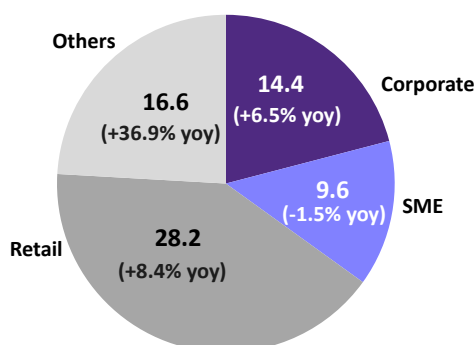
being classified as NPLs at the end of 3Q15 and SSI-UK being placed in official receivership in early October 2015. On a **bank only** basis, the Bank has set aside Baht 15,998 million of impairment loss provision for 3Q15. On a **consolidated** basis, the provision was Baht 16,002 million in 3Q15 or 353bps of total loans.

As a result of the higher provisions, the Bank's total allowance for doubtful accounts at the end of September 2015 stood at Baht 62,753 million, an increase of 5.9% yoy and 1.2% qoq. Total NPLs increased 47.5% yoy and 35.3% qoq to Baht 62,250 million at the end of September 2015 and the ratio of NPL-to-loans rose to 3.02% at the end of September 2015, from 2.11% at the end of September 2014, and 2.22% at the end of June 2015. As loans to SSI's UK subsidiary has been fully provided, assuming no collateral value, the Bank also wrote-off the SSI-UK loans in 3Q15. Thus, the increase in NPLs at the end of the quarter was mainly from SSI Thailand. The coverage level for NPLs, excluding collateral, decreased from 140.4% at the end of September 2014, and 134.8% at the end of June 2015 to 100.8% at the end of September 2015. The Bank will gradually increase this coverage ratio in the coming quarters.

5. Segments analysis

The Bank has four lines of business: the Corporate Segment which serves corporate and commercial customers; the SME Segment which serves SME customers (prior to 2015 referred to as Business Banking); the Retail Segment which serves individuals and small businesses; and Special Business segment which is responsible for NPL resolution. In addition, the Bank has three major subsidiaries: SCB Securities Co., Ltd.; SCB Asset Management Co., Ltd.; and SCB Life Assurance PCL. The results of the three subsidiaries together with the income from the Bank's investments, interbank and money market, that is not allocated to a specific line of business, are presented under the "Others". The results of the Special Business unit are allocated back to the line of business from which the workout assets were transferred. Although the fee income earned by the key subsidiaries is reflected under "Others", this income is allocated back to the appropriate business segment (Corporate Segment, SME Segment or Retail Segment) and disclosed earlier under the Non-interest income section.

9M15 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 line of business in this analysis.
“Operating profit” is net profit excluding impairment loss, provisions on loans and debt securities, income tax and non-controlling interest.

In 9M15, 41% of the Bank’s operating profit was contributed by Retail followed by Corporate (21%), SME (14%) and “Others” (24%). Key explanations are as follows:

- Operating profit from Retail increased by 8.4% yoy to Baht 28.2 billion as a result of higher interest income from the significant decline in interest expenses coupled with loan growth (7.3% yoy), especially housing loans of 11.0% yoy, as well as higher fee from mutual fund business, bancassurance and card-related business.
- Operating profit from Corporate stood at Baht 14.4 billion, an increase of 6.5% yoy mainly from higher net trading and FX income, higher fee from corporate finance and higher interest income from the significant decline in interest expenses coupled with loan growth of 3.2% yoy,
- Operating profit from SME decreased 1.5% yoy to Baht 9.6 billion due to the decline in loan yield from the Bank’s strategy to shift away from higher yield / higher risk in certain SME segments and the drop in lending rate following the decline in policy rate.
- Operating profit from “Others” increased 36.9% to Baht 16.6 billion due to the substantial gains from the sale of equity investments in 3Q15 which was partly offset by a large one-time expense relating to a fraud case, prior to any future recoveries, booked in 1Q15 as well as the comparative gain on the disposal of the Bank’s investment in its non-life subsidiary recorded in 2Q14.

II. Balance sheet as of September 30, 2015 (Consolidated basis)

As of September 30, 2015, the Bank's total assets stood at Baht 2,762 billion, an increase of Baht 140 billion (+5.3% yoy) from Baht 2,622 billion at the end of September 2014, a slight decrease of 0.6% qoq from June 30, 2015 and an increase of 2.3% ytd from December 31, 2014. This increase in assets over the prior year was mainly from business growth and market activities. Details of the consolidated balance sheet are provided in the following sections:

1. Loans

As at September 30, 2015, total outstanding loans stood at Baht 1,815 billion, an increase of Baht 90 billion (+5.2% yoy) from Baht 1,725 billion at the end of September 2014, but a decrease of Baht 1 billion (-0.1% qoq) from the end of June 2015. On a yoy basis, loan growth was broadly based across all business segments but with stronger growth from the housing loan segment given the continued demand in the mortgage market; mainly for new condos and homes purchased directly off-the-plan from the developers over the past two years or so. On a qoq basis, the loan level was flat with loan growth mainly in the housing loan segment but with a decline in corporate loans of 1.8% qoq - mainly due to the write-off of a large NPL (SSI-UK).

In view of the global economic volatility and continued lackluster economic growth in Thailand, the Bank reduced its full year loan growth target to 2.5-3.0%, further revising down its full year guidance.

1.1 Loans by segment

Unit: Baht Million							
Loans by Segment (Consolidated)	Sep 30, 15	Jun 30, 15	% qoq	Sep 30, 14	% yoy	Dec 31, 14	% ytd
Corporate	647,927	660,086	-1.8%	627,699	3.2%	658,185	-1.6%
SME	353,331	350,471	0.8%	338,957	4.2%	340,547	3.8%
Retail	813,556	805,171	1.0%	758,287	7.3%	778,403	4.5%
- Housing loans*	568,849	558,372	1.9%	512,251	11.0%	530,354	7.3%
- Automobile	166,114	167,991	-1.1%	172,010	-3.4%	168,175	-1.2%
- Others loans	78,593	78,808	-0.3%	74,026	6.2%	79,874	-1.6%
Total loans	1,814,814	1,815,728	-0.1%	1,724,943	5.2%	1,777,135	2.1%

* Includes all home mortgage loans, some of which are from segments other than retail. This is different from the sectorial analysis under note 1.2.

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

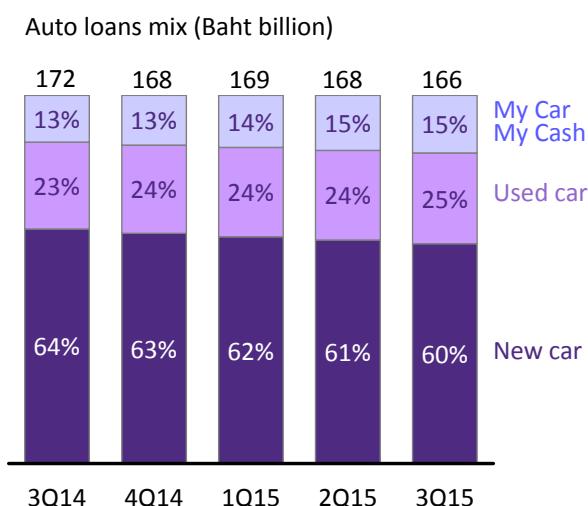
- **Corporate** loans increased by 3.2% yoy. Most of loan growth was from corporate M&A transactions and working capital loans. On qoq basis, corporate loans decreased 1.8% mainly due to the write off of SSI-UK after it had been fully provided for;
- **SME** loans increased 4.2% yoy but were relatively flat qoq. The yoy increase was a result of the Bank's strategy to broaden its customer base in SME segment through linking with the value-chain of corporate customers and better leveraging its nation-wide branch network to seamlessly service

SME customers. During the current quarter demand from SME customers was very subdued and hence the growth was flat;

- **Retail loans** grew 7.3% yoy and 1.0% qoq:
 - **Housing loans** grew by 11.0% yoy and 1.9% qoq. The yoy and qoq growth was driven by the strong SCB presence in the housing loan market, the increasingly effective customer segmentation approach adopted by the Bank and the healthy demand in the mortgage market. This demand is mainly driven from off-the-plan purchases of new condos and homes which are mortgaged on completion of projects, typically 2 year or so after the purchase. However, with more sluggish home sales over the past 18 months or so, the Bank expects this growth rate to slow in the quarters ahead.
 - **Automobile loans** fell 3.4% yoy and 1.1% qoq 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. The negative yoy and qoq growth in auto loans was in line with the general drop in new car sales and the more stringent underwriting criteria in use by the Bank. However, as the impact of price disruption in the used car segment has eased, the Bank has seen a slight recovery in loans within the used car segment.

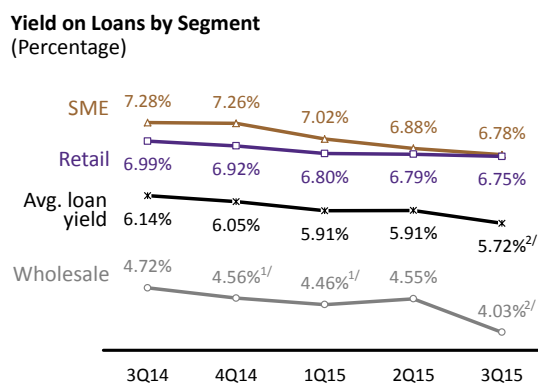
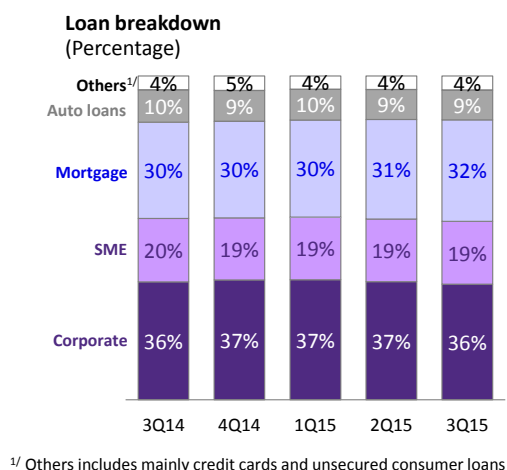
Also, the Bank has focused on growing automobile loans by increasing the portion of the “My Car, My Cash” loan segment which has a higher yield than new cars and is deemed to have lower credit risk than the used car segment. (“My Car, My Cash” is a personal loan product, structured as a hire-purchase contract, using the borrower’s automobile as the underlying collateral).

- **Other loans** (largely personal loans and credit cards receivables) increased 6.2% yoy and was relatively flat qoq in line with the somewhat higher consumer demand.



As a result of the stronger growth in the retail segment, especially in housing loans, the proportion of retail loans increased to 45% in 3Q15 from 44% in 3Q14 while the proportion in corporate segment remained

stable at 36%. In 3Q15, the average loan yield fell from 6.14% in 3Q14 and 5.91% in 2Q15 to 5.72% in 3Q15. The yoy decrease in the average loan yield was due to two rounds of policy interest rate cuts (in March 2015 and April 2015), the reversal of accrued interest income for SSI and SSI-UK and also the result of the Bank's strategy to shift away from higher yield / higher risk segments. On a qoq basis, the fall in average loan yield was from the reversal of accrued interest income of the same two large customers and the full quarterly impact of interest rate cut in late April 2015.



Yield on Selected Retail Products (%)

Product	3Q14	4Q14	1Q15	2Q15	3Q15
Mortgage	6.07%	6.03%	5.93%	5.83%	5.79%
Auto Loans	6.05%	6.10%	6.01%	6.16%	6.21%

^{1/} The yield was lower due to the fact that the quarterly average balance was skewed by the booking of a large loan in last month of the period.

^{2/} The yield was lower due to the reversal of accrued interest income of two large corporate customers SSI and SSI-UK which both turned NPL in 3Q15.

1.2 Loans by sector/product

Unit: Baht Million

Loans by Sector (Consolidated)	Sep 30, 15	Jun 30, 15	%qoq	Sep 30, 14	%yoy	Dec 31, 14	%ytd
Agricultural and mining	15,931	16,640	-4.3%	17,774	-10.4%	18,284	-12.9%
Manufacturing and commercial	603,795	612,265	-1.4%	600,053	0.6%	621,314	-2.8%
Real estate and construction	139,950	143,264	-2.3%	123,437	13.4%	125,249	11.7%
Utilities and services	244,474	239,294	2.2%	216,156	13.1%	221,131	10.6%
Housing loans*	488,378	480,172	1.7%	447,915	9.0%	463,059	5.5%
Other loans	322,286	324,093	-0.6%	319,608	0.8%	328,098	-1.8%
Total loans	1,814,814	1,815,728	-0.1%	1,724,943	5.2%	1,777,135	2.1%

* Classified by sector/product and 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 September 30, 2015, June 30, 2015, December 31, 2014, and September 30, 2014, was Baht 569 million, Baht 558 billion, Baht 530 billion, and Baht 512 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 September 30, 2014, the housing loans sector grew by Baht 40.5 billion (+9.0% yoy), utilities and services sector grew by Baht 28.3 billion (+13.1% yoy) and the real estate and construction sector grew by Baht 16.5 billion (+13.4% yoy) while loans to agricultural and mining declined Baht 1.8 billion (-10.4% yoy).

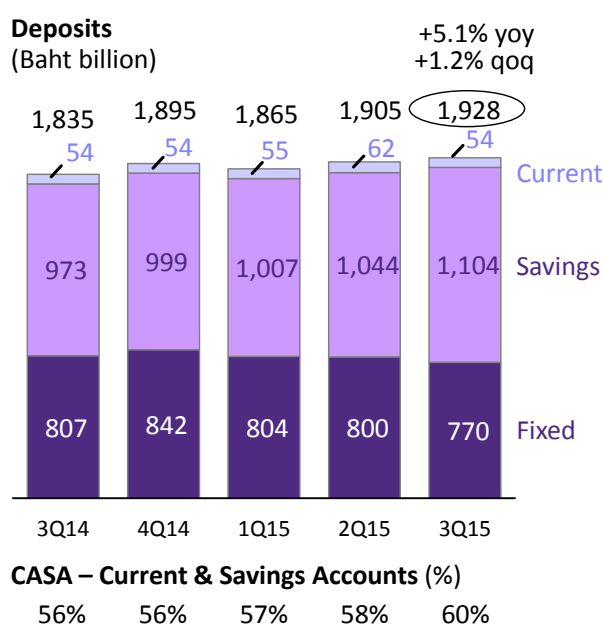
2. Deposits

Unit: Baht Million

Deposits (Consolidated)	Sep 30, 15	Jun 30, 15	% qoq	Sep 30, 14	% yoy	Dec 31, 14	% ytd
Demand	53,762	61,544	-12.6%	54,074	-0.6%	53,853	-0.2%
Savings	1,104,262	1,043,718	5.8%	973,367	13.4%	999,410	10.5%
Fixed	769,944	800,068	-3.8%	807,060	-4.6%	842,080	-8.6%
- Less than 6 months	188,842	209,551	-9.9%	141,898	33.1%	139,313	35.6%
- 6 months and up to 1 year	181,087	183,057	-1.1%	253,457	-28.6%	269,061	-32.7%
- Over 1 year	400,015	407,460	-1.8%	411,705	-2.8%	433,706	-7.8%
Total deposits	1,927,968	1,905,330	1.2%	1,834,501	5.1%	1,895,343	1.7%
Gross loans to deposits ratio	94.1%	95.3%		94.0%		93.8%	

As at September 30, 2015, total **deposits** stood at Baht 1,928 billion, up 5.1% yoy from Baht 1,835 billion at the end of September 2014 and up 1.2% qoq. The yoy and qoq growth in deposits was mainly from saving deposits, in line with the Bank's strategy to reduce its cost of deposits relative to its peer group by increasing the proportion of CASA accounts.

As a result of the Bank's strategy to reduce its cost of deposits relative to its market competitors by increasing the proportion of products with a lower cost of deposit, savings deposits increased by 13.4% yoy while fixed dropped 4.6% yoy. Consequently, the proportion of low cost deposit (CASA) rose to 60% in 3Q15 from 58% in 2Q15 and 56% in 3Q14.



As deposit growth yoy was in line with loan growth yoy, the loan-to-deposit ratio on a consolidated basis was relatively flat yoy at 94.1% as at the end of September 2015. This was well within the Bank's target loan-to-deposit 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. If the ratio falls below 20%, immediate corrective action would be considered. As at September 30, 2015, the liquidity ratio, on a bank-only basis, stood at 28.6% 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 September 2015, the Bank's total net investments on a consolidated basis stood at Baht 487 billion, an increase of 1.5% yoy but a decrease of 8.8% qoq mainly due to the sales from its available-for-sale investment portfolio. Of the Bank's consolidated investments, 88% were investments in government and state-enterprise securities. This holding of government securities arises from the Bank's aim to maintain, at a bank-only level, a liquidity ratio (liquid assets/deposits) of not less than 20%. Other than the Bank's investments, SCB Life Assurance Company held investments of Baht 181 billion as at September 30, 2015, an increase of 24.2% yoy. A majority of these investments are also in Thai government bonds and are generally acquired to match, to the extent feasible, the maturity profile of its insurance product related liabilities.

At a bank-only level, the total net investments stood at Baht 321 billion, a decrease of 7.6% yoy and 15.5% qoq. These investments are mainly in Thai government bonds and held, as noted earlier, primarily to provide the Bank with adequate liquidity.

Unit: Baht Million							
Investment (Consolidated)	Sep 30, 15	Jun 30, 15	% qoq	Sep 30, 14	% yoy	Dec 31, 14	% ytd
Net investment	485,710	532,832	-8.8%	478,606	1.5%	502,111	-3.3%
- Trading securities	31,339	23,681	32.3%	39,109	-19.9%	27,673	13.2%
- Available-for-sale securities	320,666	374,772	-14.4%	310,497	3.3%	341,695	-6.2%
- Held-to-maturity securities	133,150	133,824	-0.5%	128,727	3.4%	132,467	0.5%
- General investments	555	555	0.0%	273	103.3%	276	101.1%
Net investment in associated companies	936	921	1.7%	616	51.9%	697	34.3%
Total net investments	486,646	533,753	-8.8%	479,222	1.5%	502,808	-3.2%
Investment (Bank only)	Sep 30, 15	Jun 30, 15	% qoq	Sep 30, 14	% yoy	Dec 31, 14	% ytd
Net investment	295,728	354,426	-16.6%	323,493	-8.6%	340,090	-13.0%
- Trading securities	30,991	23,170	33.8%	38,321	-19.1%	27,274	13.6%
- Available-for-sale securities	250,535	316,747	-20.9%	267,224	-6.2%	297,472	-15.8%
- Held-to-maturity securities	13,932	14,239	-2.2%	17,680	-21.2%	15,075	-7.6%
- General investments	270	270	0.0%	268	0.7%	269	0.4%
Net investment in subsidiaries and associated companies	25,336	25,379	-0.2%	23,938	5.8%	22,129	14.5%
Total net investments	321,064	379,805	-15.5%	347,431	-7.6%	362,219	-11.4%

4. Debt securities in issue and borrowings

Debt securities in issue and borrowings increased by 7.7% yoy and 4.9% qoq to Baht 121 billion at the end of September 2015. The increase yoy and qoq mainly due to an increase of Global Medium Term Notes (GMTN) value dominated in USD currency, following the depreciation of the Baht to USD.

Unit: Baht Million

Debt Securities in Issue and Borrowings (Consolidated)	Sep 30, 15	Jun 30, 15	% qoq	Sep 30, 14	% yoy	Dec 31, 14	% ytd
Short term debt securities in issue and borrowings	68	129	-46.9%	162	-57.7%	110	-37.8%
Long term debt securities in issue and borrowings	121,274	115,506	5.0%	112,502	7.8%	113,807	6.6%
Total debt securities in issue and borrowings	121,342	115,635	4.9%	112,664	7.7%	113,917	6.5%

5. Net goodwill and other intangible assets

Net goodwill and other intangible assets remain relatively unchanged yoy and qoq at Baht 11 billion at end of September 2015.

6. Shareholders' equity

As at September 30, 2015, shareholders' equity stood at Baht 291 billion, a 7.0% yoy increase of Baht 19 billion from Baht 272 billion at the end of September 2014, 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 15.3 billion (Baht 4.50 per share) in accordance with the resolution of the Annual General Meeting of Shareholders in April 2015 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 2015. Shareholders' equity decreased 1.0% qoq or by Baht 3 billion from the end of June 2015, largely attributable to lower gains on the revaluation of its available-for-sale investment portfolio and interim dividend payment which was partly offset by 3Q15 net profit.

The book value per share as at September 30, 2015 was Baht 85.70 (3,399 million ordinary and preferred shares at the end of September 2015), up 7.0% from Baht 80.13 at the end of September 2014 but a decrease of 1.0% from Baht 86.58 at the end of June 2015, as explained above.

III. Off Balance Sheet: Contingent Liabilities

As at September 30, 2015, the Bank and its subsidiaries' combined contingencies of Baht 370 billion was relatively flat yoy but reflected a decrease of 13.2% qoq from Baht 427 billion at the end of June 2015. The qoq decrease in contingencies was mainly from other guarantees, miscellaneous contingencies and receivables/payables from investments as indicated in the table below.

Unit: Baht Million

Contingent Liabilities (Consolidated)	Sep 30, 15	Jun 30, 15	% qoq	Sep 30, 14	% yoy	Dec 31, 14	% ytd
Aval to bills	4,527	3,777	19.9%	3,865	17.1%	3,434	31.8%
Guarantees of loans	351	283	24.0%	167	109.7%	220	59.6%
Liability under unmatured import bills	12,503	8,836	41.5%	6,182	102.3%	6,792	84.1%
Letters of credit	35,156	32,759	7.3%	37,710	-6.8%	35,346	-0.5%
Other contingencies							
Receivables/payables from investments	21,331	30,427	-29.9%	18,493	15.3%	10,070	111.8%
Other guarantees	141,513	180,964	-21.8%	175,755	-19.5%	178,776	-20.8%
Amount of unused bank overdraft	152,521	149,473	2.0%	127,565	19.6%	127,028	20.1%
Miscellaneous	2,548	20,189	-87.4%	899	183.4%	899	183.4%
Total contingent liabilities	370,450	426,708	-13.2%	370,636	-0.1%	362,565	2.2%

IV. Statutory Capital

The Bank has adopted Basel III on a consolidated basis since January 1, 2013. The current minimum regulatory capital requirement under Basel III requires a Common Equity Tier 1 (CET1) ratio of not less than 4.5%, a 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-3Q15 stood at 17.5% of total risk-weighted assets, comprising CET1 capital of 14.3% and Tier-2 capital of 3.2%. On a bank-only basis, total capital funds stood at 17.3% of total risk-weighted assets, of which CET1 was 14.0% and Tier-2 capital was 3.3%. The net profit for 3Q15 is not included in this computation as per the BOT regulations. If included, the total capital ratio and CET1 capital ratio under Basel III on a consolidated basis would be 17.9% and 14.7% respectively and on the Bank-only would be 17.7% and 14.5% respectively. (The Bank's Tier 1 capital comprises, substantially, of tangible equity only).

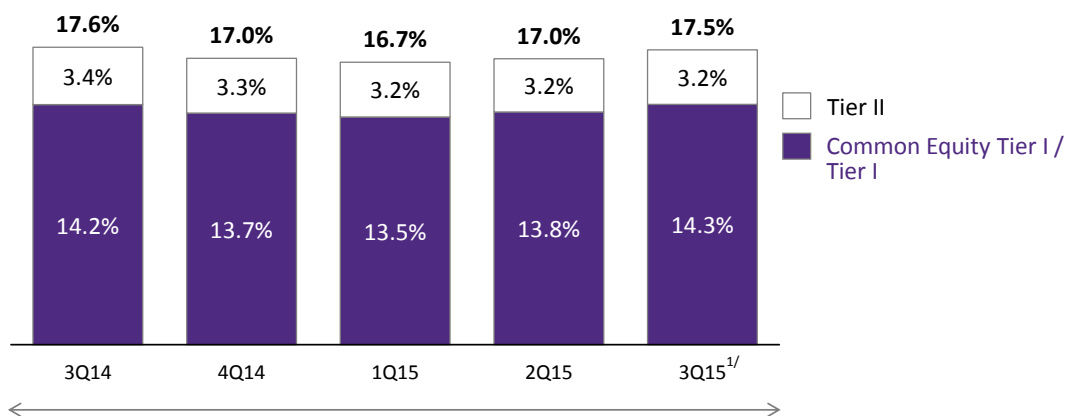
The Bank believes this strong capital position, together with adequate loan loss reserve coverage are sufficient to withstand the impact of potential shocks which may arise if the Thai economic growth is hampered by unexpected adverse events. This solid capital position also provides the Bank with flexibility 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)		Sep 30, 15	Dec 31, 14	Sep 30, 14
		(Basel III)	(Basel III)	(Basel III)
Common Equity Tier-1 / Tier 1*	Bt, million	265,112	243,919	243,814
	% of RWA	14.3%	13.7%	14.2%
Tier-2 capital	Bt, million	60,187	57,835	58,353
	% of RWA	3.2%	3.3%	3.4%
Total capital	Bt, million	325,299	301,754	302,167
	% of RWA	17.5%	17.0%	17.6%
Risk-weighted assets	Bt, million	1,861,515	1,776,687	1,713,686

Statutory Capital (Bank only)		Sep 30, 15	Dec 31, 14	Sep 30, 14
		(Basel III)	(Basel III)	(Basel III)
Common Equity Tier-1 / Tier 1*	Bt, million	256,602	236,613	236,434
(Regulatory minimum Tier 1 of 6.0%)	% of RWA	14.0%	13.6%	14.0%
Tier-2 capital	Bt, million	59,888	57,835	58,086
	% of RWA	3.3%	3.3%	3.5%
Total capital	Bt, million	316,490	294,448	294,520
(Regulatory minimum CAR of 8.5%)	% of RWA	17.3%	16.9%	17.5%
Risk-weighted assets	Bt, million	1,828,566	1,742,345	1,685,507

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

Capital Adequacy Ratio (Consolidated)



Bank-Only

	Basel III				
CAR	17.5%	16.9%	16.7%	16.7%	17.3%
CET1/Tier I	14.0%	13.6%	13.4%	13.5%	14.0%

^{1/}Excluding net profit for 3Q15 in accordance with regulatory requirements. If included, the CET1/Tier 1 would stand at 14.7% and CAR would be 17.9%

V. Non Performing Assets

Gross NPLs on a consolidated basis increased to 3.02% of total loans (Baht 62.2 billion) at the end of September 2015, from 2.11% of total loans (Baht 42.2 billion) at the end of September 2014. In 3Q15, two large corporate customers (SSI and SSI-UK), whose loans collectively amount to about Baht 22 billion, were classified as NPLs. The Bank set aside a 100% provision for SSI-UK, assuming no collateral value, and

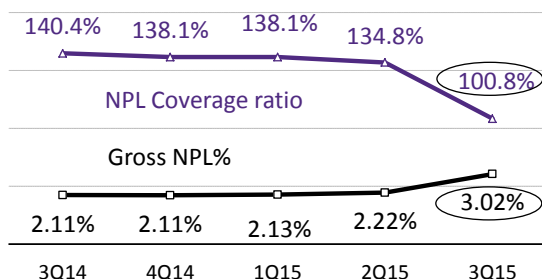
subsequently has written off this loan at the end of 3Q15. For the loan to SSI Thailand, the Bank made 100% provisions after collateral (assuming a further reduction to existing collateral value). Thus, the increase in NPLs in this quarter was mainly from SSI Thailand. Net NPLs (gross NPL less specific loan loss provisions) rose to 1.34% (Baht 27.1 billion) at the end of September 2015 from 1.10% (Baht 21.7 billion) at the end of September 2014.

Non-Performing Loans and Allowance (Consolidated)		Sep 30, 15	Jun 30, 15	Dec 31, 14	Sep 30, 14
Non-Performing Loans (Gross NPLs) ¹	% of total loans	3.02%	2.22%	2.11%	2.11%
	Bt, million	62,250 ¹	46,003	42,743	42,215
Allowance for doubtful accounts ²	Bt, million	62,694	61,955	59,014	59,071
Allowance for revaluation of debt restructuring	Bt, million	59	61	-	178
Total allowance for doubtful accounts and revaluation of debt restructuring	Bt, million	62,753	62,016	59,014	59,250
Total allowance to NPLs		100.8%	134.8%	138.1%	140.4%

¹ The large increase in NPL arises mainly from the classification of SSI as NPL in 3Q15. Although, SSI-UK was also NPL it was fully provided for and written off in 3Q15.

² Excluding interbank

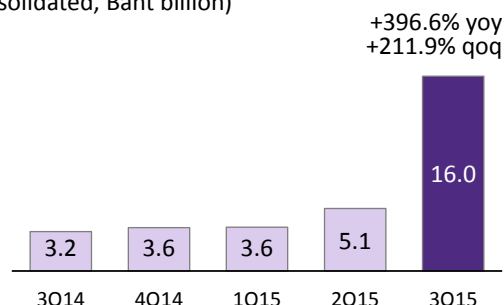
Gross NPL ratio & NPL Coverage ratio (Percentage)



NPL by Segment and by Product

Corporate	1.5%	1.4%	1.3%	1.6%	3.9%
SME	4.5%	4.6%	4.8%	5.0%	5.1%
Retail	2.3%	2.3%	2.2%	2.3%	2.4%
Mortgage	2.5%	2.4%	2.3%	2.4%	2.6%
Auto Loans	2.1%	2.2%	2.2%	2.0%	2.0%

Provisions (Consolidated, Baht billion)



Credit Costs (bps) 75 81 80 113 353

Allowance for doubtful accounts as of September 30, 2015 stood at Baht 62.8 billion, an increase of Baht 3.7 billion from Baht 59.0 billion at the end of 2014. Due to the significant increase in NPLs, the coverage ratio (total allowance to non-performing loans) fell to 100.8% from 138.1% at the end of 2014. However, the ratio remains adequate and the bank plans to gradually increase the coverage ratio over the next few quarters.

Gross NPLs on a bank-only basis increased to 2.99% (Baht 61.1 billion) at the end of September 2015 from 2.06% (Baht 41.6 billion) at the end of 2014. Net NPLs also increased to 1.33% (Baht 26.7 billion) at the end of September 2015 from 1.07% (Baht 21.4 billion) at the end of 2014.

Special mention loans stood at Baht 33.9 billion at the end of September 2015, a decrease of Baht 15.9 billion from the end of September 2014 and a decrease of Baht 27.7 billion from the end of June 2015 due to the classification of two large special mention corporate customers (SSI and SSI-UK) to NPLs.

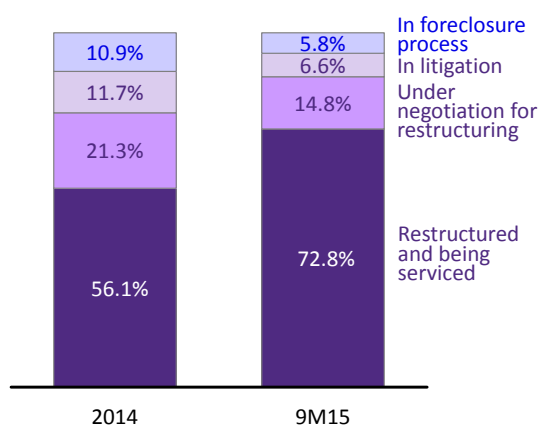
Unit: Million Baht

Classified Loans and Allowance for Doubtful Accounts (Consolidated)	Sep 30, 15		Jun 30, 15		Dec 31, 14		Sep 30, 14	
	Loan and accrued interest	Allowance for classified loans	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	1,722,363	17,705	1,712,473	17,583	1,675,361	17,102	1,636,548	16,393
Special mention	33,911	2,471	61,647	2,973	62,790	2,858	49,798	2,524
Substandard	29,926	18,222	15,786	7,976	16,709	7,623	13,751	6,660
Doubtful	12,350	4,992	11,811	4,481	8,265	3,074	8,231	2,689
Doubtful loss	20,026	12,031	18,448	11,316	17,824	10,432	20,276	11,317
Total	1,818,576	55,421	1,820,165	44,329	1,780,949	41,089	1,728,604	39,583
Allowance established in excess of BOT regulations		7,273		17,626		17,925		19,488
Total allowance		62,694		61,955		59,014		59,071

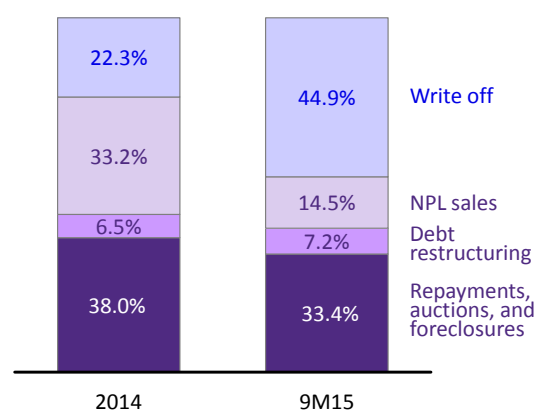
As shown in the following below, at the end of September 2015, NPLs that were restructured and being serviced accounted for the largest proportion of the total NPLs, followed by NPLs under negotiation for restructuring, NPLs currently in litigation, and NPLs in the foreclosure process. In 9M15, the Bank reduced its NPLs mainly through write-offs, repayments, auctions and foreclosures, NPL sales (the Bank sold Baht 6.5 billion of NPL in 9M15), followed by debt restructuring.

In 3Q15, new NPL formation increased yoy and qoq to 1.18% (excluding SSI-UK which has been written off) from 0.39% in 3Q14 and 0.40% in 2Q15. The yoy and qoq increase was due to SSI being classified as NPL at the end of the quarter, the lapse of a mid-sized corporate customer from special mention to NPL and increasing NPLs in both SME and the mortgage segment. Most of the growth in new NPLs in SME arises due to the economic situation in Thailand and the growth of NPLs in mortgages arises from specific self employed segments where customers have high level of leverage and relatively high loan-to-value. The Bank had tightened its underwriting rules in both areas since early 2014 and thus expects the situation to normalize in the near future.

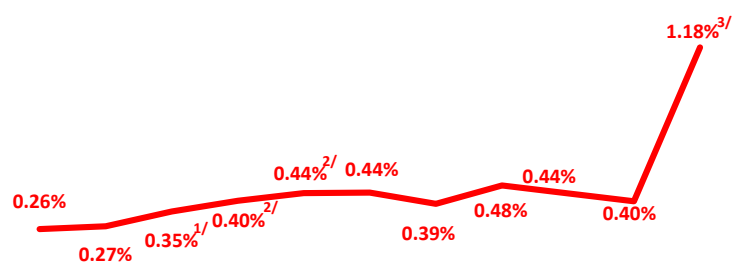
NPL Breakdown by Status (Bank only)



NPL Reduction Methodology



New NPL Formation



	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15
New NPLs (Baht Billion)	4.6	5.1	6.4	7.5	8.4	8.8	7.7	9.8	8.8	8.3	24.3^{3/}

^{1/} The increase is from a few wholesale banking and SME accounts as a result of customer-specific issues.

^{2/} 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.

^{3/} Excluding SSI-UK which was classified as an NPL in September 2015 and immediately written off. If included new NPL formation in 3Q15 would be Baht 36.9 billion and 1.79%.

New NPLs by Segment and by Product

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15
Total loans	0.26%	0.27%	0.35%	0.40%	0.44%	0.44%	0.39%	0.48%	0.44%	0.40%	1.18% ^{3/}
Corporate	0.01%	0.00%	0.18%	0.01%	0.00%	0.10%	0.01%	0.14%	0.24%	0.05%	2.28% ^{3/}
SME	0.30%	0.38%	0.41%	0.63%	0.83%	0.82%	0.72%	1.21%	0.78%	1.03%	0.94%
Mortgage ^{1/}	0.30%	0.33%	0.33%	0.42%	0.45%	0.49%	0.48%	0.39%	0.29%	0.35%	0.68%
Auto loans ^{2/}	0.73%	0.59%	0.46%	0.43%	0.70%	0.63%	0.57%	0.55%	0.70%	0.60%	0.58%

^{1/} Most of the growth in new NPLs in mortgages arose from specific segments where customers are self-employed, have high level of leverage and a relatively high loan-to-value. The Bank had tightened its underwriting rules in this segments since early 2014 and thus expects the situation to normalize in the near future.

^{2/} 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.

^{3/} Excluding new NPL of SSI-UK which has been written off in September 2015. If included new NPL formation for total loans in 3Q15 would be 1.79% and for corporate would be 4.21%.

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 September 30, 2015, the Bank and its financial subsidiaries had outstanding restructured loans amounting to Baht 44.3 billion both in the consolidated and Bank-only financial statements, a Baht 7.3 billion increase from Baht 37.0 billion at the end of June 2015 and an increase of Baht 8.0 billion from Baht 36.3 billion at the end of September 2014. The increase in restructured loans both yoy and qoq was mainly from the mortgage segment. Some of these restructured loans are NPLs and are already included in the NPL level, as noted in the table below.

Restructured Loans (Consolidated)*		Sep 30, 15	Jun 30, 15	Dec 31, 14	Sep 30, 14
			(Revised)*	(Revised)*	(Revised)*
Restructured loans	Bt, million	44,275	36,987	35,866	36,342
- Restructured loans which are classified as NPL ^{1/}	Bt, million	11,481	10,292	10,183	11,444
- Restructured loans which are not classified as NPL ^{1/}	Bt, million	32,794	26,695	25,683	24,898

^{1/} The figures for June 30, 2015, December 31, 2014 and September 30, 2014 were reclassified as noted below.

* In line with regulations, troubled debt restructured does not include loans that are rescheduled at regular market rates, typically the interest rate at the time a loan was booked. Rescheduled loans at regular market rates which were previously disclosed under restructured loans as at June 30, 2015, December 31, 2014 and September 30, 2014 amounted to Baht 26,783 million, Baht 14,103 million and Baht 8,604 million, respectively at both the consolidated and the Bank level. These amounts have been excluded in the revised amounts in the table above. As a result, the revised disclosure on restructured loans will facilitate better market comparisons.

Properties for sale

The Bank's properties for sale (also referred to as Non Performing Assets) as at September 2015 stood at Baht 10.2 billion, an increase of Baht 0.3 billion (3.1% yoy) from the Baht 9.9 billion level at the end of September 2014.

VI. Others

Sources and Uses of Funds

As at September 30, 2015, deposits accounted for 69.8% of SCB's funding base. Other major sources of funds were: 10.5% from shareholders' equity; 6.5% from liabilities under insurance contracts recorded by the Bank's insurance subsidiaries (SCB Life Assurance PCL); 4.4% from the issuance of debt instruments and 3.3% from interbank borrowings. The funds were applied as follows on September 30, 2015: 65.7% was used for loans; 17.6% was applied to net investments in securities; 10.8% was lent in the interbank and money markets; and 1.1% was held in cash.

Foreign currency loans and liabilities

As at September 30, 2015, about 6.9% (USD 3,451 million)^{1/} of SCB's consolidated loans and 7.8% (USD 4,380 million)^{1/} of SCB's consolidated deposits & borrowings were in a currency other than Baht. Also, the Bank has invested around 3.4% (USD 450 million)^{1/} of its consolidated investments in foreign currency instruments.

Foreign currency loans are generally made to the Bank'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 customer needs and 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 36.37 as at September 30, 2015