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Management Discussion and Analysis

For the quarter and six-month period ended
June 30, 2014

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Executive Summary:

For the first half of 2014, loans grew 0.3%, representing an additional Baht 2,521 million in new loans compared to the December 2013 balance. The modest growth observed in the first half of the year resulted from prolonged political uncertainty, slower economic growth and Krungsri's prudential portfolio quality focus.

Total **loans** outstanding at the end of the first half of 2014 were Baht 946,023 million. Year to date, retail loans grew by 1.5%, driven by demand for mortgage and auto hire purchase. Meanwhile, SME recorded a 2.0% growth across all key SME segments. Corporate loans contracted 3.2% due to repayments in working capital-related loans in the first half of the year.

Deposits totaled Baht 783,779 million, an increase of Baht 19,729 million, or 2.6%, from December 2013. The growth in deposits was driven by the launch of Krungsri's "8-month Step Up Time Deposit" in June 2014 and the continued successful growth in "Mee Tae Dai"- high yield savings - and "Jad Hai"- special benefits savings – products with total balances exceeding Baht 188,000 million as of June 2014.

For the first half of 2014, net profit registered at Baht 6,804 million, representing a 4.7% decrease on a year-on-year basis.

Net fees and service income increased 4.1% quarter-on-quarter, mainly driven by an increase in auto hire purchase fees of 22.2%, as well as wealth, fund management & securities-related fees of 11.5%.

As of June, 2014, **non-performing loans** reduced slightly to 2.92% of total loans. In 2Q/14, Krungsri Group completed a NPL sale of Baht 1,260 million to a third party.

Meanwhile, our total **provision** stood at Baht 40,643 million, with an excess provision over Bank of Thailand's reserving requirements of Baht 14,179 million, or 53.6%. The loan loss coverage ratio was 134.3%.

Earnings per share (EPS) was Baht 1.11 for the first half of 2014.

For the remainder of 2014, Krungsri expects that the economic recovery resulting from improved political stability and higher business confidence will lead to an increase in our growth momentum for both loans and fee income. With an improved economic environment partnered with a seasonal rise in business volume for both retail and commercial lending, the projected loan growth for Krungsri is maintained at 7-9% for the full year.

NIM: 4.31%

Coverage: 134.3%

Net Profit:

Baht 3.5 billion

Deposits grew:

2.6% ytd

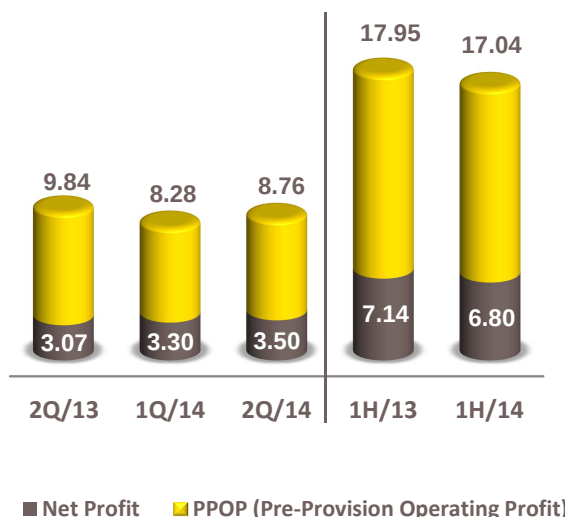
Summary of Financial Performance and Status:

2Q/14 deliverables:

- **Loan Growth:**
Increased 0.3%, or Baht 2,521 million, compared to December 2013, and 0.7% or Baht 6,180 million compared to March 2014.
- **Deposit Growth:**
Increased 2.6%, or Baht 19,729 million, compared to December 2013.
- **Net Profit:**
Increased to Baht 3,501 million, representing a 6.0% increase over 1Q/14, and a 13.9% increase over 2Q/13.
- **Net Interest Margin (NIM):**
Increased from the prior quarter to 4.31% as a result of reduced funding costs.
- **Net Fees and Service Income:**
Increased 4.1% from 1Q/14, mainly driven by an increase in auto hire purchase fees as well as wealth, fund management & securities-related fees.
- **Cost to Income Ratio:**
Improved to 49.2% from 50.1% in 1Q/14.
- **Non-Performing Loans (NPLs):**
Reduced slightly to 2.92% of total loans, compared to 2.97% in the prior quarter.
- **Coverage Ratio:**
Strong at 134.3%.
- **Capital Adequacy Ratio:**
Recorded at 14.2% compared to 14.7% in December 2013.

PPOP & Net Profit

Unit: Baht Billion



For the second quarter period ended June 30, 2014

In 2Q/14, operating profit was Baht 8,761 million, representing an increase of Baht 480 million, or 5.8%, when compared to 1Q/14, driven by growth in net interest income and net fees and service income. Net profit in 2Q/14 was Baht 3,501 million, representing an increase of Baht 198 million, or 6.0%, when compared to 1Q/14, and an increase of Baht 428 million, or 13.9%, on a year-on-year basis, driven largely by the additional counter-cyclical resources booked in 2Q/13.

For the six-month period ended June 30, 2014

In the first half of 2014, net profit registered at Baht 6,804 million, a decrease of Baht 336 million, or 4.7%, year-on-year, largely driven by the bad debt recovery income from Dubai World Group Finance Limited of Baht 550 million and the reversal of reserve on TAMC of Baht 1,085 million recorded in 1H/13. The overall decrease was partially offset by an improvement in net interest income of Baht 1,778 million.

1. Statements of Comprehensive Income^{1/}

Consolidated Statements of Comprehensive Income	2Q/14	1Q/14	2Q/13 Restated	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	18,352	18,275	17,446	77	0.4	906	5.2
Interest Expenses	6,476	6,778	6,453	(302)	(4.5)	23	0.4
Interest Income, Net	11,876	11,497	10,993	379	3.3	883	8.0
Fees and Service Income	4,633	4,491	4,643	142	3.2	(10)	(0.2)
Fees and Service Expense	1,043	1,044	1,049	(1)	(0.1)	(6)	(0.6)
Fees and Service Income, Net	3,590	3,447	3,594	143	4.1	(4)	(0.1)
Non-interest and Non-fees Income	1,771	1,642	2,822	129	7.9	(1,051)	(37.2)
Other Operating Expenses	8,476	8,305	7,570	171	2.1	906	12.0
Pre-Provision Operating Profit (PPOP)	8,761	8,281	9,839	480	5.8	(1,078)	(11.0)
Impairment Loss of Loan and Debt Securities	4,255	4,084	5,907	171	4.2	(1,652)	(28.0)
Income Tax Expense	1,005	894	859	111	12.4	146	17.0
Net Profit	3,501	3,303	3,073	198	6.0	428	13.9
Other Comprehensive income	429	572	1,281	(143)	(25.0)	(852)	(66.5)
Total Comprehensive income	3,930	3,875	4,354	55	1.4	(424)	(9.7)
Net Profit Attributable To							
Owners of the Bank	3,460	3,266	3,035	194	5.9	425	14.0
Non-Controlling Interest	41	37	38	4	10.8	3	7.9
Net Profit	3,501	3,303	3,073	198	6.0	428	13.9
Total Comprehensive Income Attributable To							
Owners of the Bank	3,889	3,838	4,316	51	1.3	(427)	(9.9)
Non-Controlling Interest	41	37	38	4	10.8	3	7.9
Total Comprehensive income	3,930	3,875	4,354	55	1.4	(424)	(9.7)
Earning Per Share (Baht)	0.57	0.54	0.50	0.03	5.6	0.07	14.0

¹ Starting January 2014, Krungsri Group adopted Thai Financial Reporting Interpretation No. 13 (TFRI 13): Customer Loyalty Programmes, as issued by the Federation of Accounting Professions. As a result of TFRI 13's adoption, Krungsri restated prior period financial statements. The key changes from TFRI 13's adoption is (1) the recognition of provision for customer loyalty credits (points) as a deduction item in fee income as opposed to the previous recognition of such provision as an operating expense and (2) the reflection of customer loyalty credits on a fair value rather than cost basis.

Consolidated Statements of Comprehensive Income	1H/14	1H/13	Change YoY	
		Restated	Baht mn	%
Interest Income	36,627	34,364	2,263	6.6
Interest Expense	13,254	12,769	485	3.8
Interest Income, Net	23,373	21,595	1,778	8.2
Fees and Service Income	9,124	9,228	(104)	(1.1)
Fees and Service Expense	2,087	2,096	(9)	(0.4)
Fees and Service Income, Net	7,037	7,132	(95)	(1.3)
Non-interest and Non-fees Income	3,413	5,045	(1,632)	(32.3)
Other Operating Expenses	16,782	15,819	963	6.1
Pre-Provision Operating Profit (PPOP)	17,041	17,953	(912)	(5.1)
Impairment Loss of Loan and Debt Securities	8,339	8,988	(649)	(7.2)
Income Tax Expense	1,898	1,825	73	4.0
Net Profit	6,804	7,140	(336)	(4.7)
Other Comprehensive income	1,000	1,418	(418)	(29.5)
Total Comprehensive income	7,804	8,558	(754)	(8.8)
Net Profit Attributable To				
Owners of the Bank	6,727	7,076	(349)	(4.9)
Non-Controlling Interest	77	64	13	20.3
Net Profit	6,804	7,140	(336)	(4.7)
Total Comprehensive Income Attributable To				
Owners of the Bank	7,727	8,494	(767)	(9.0)
Non-Controlling Interest	77	64	13	20.3
Total Comprehensive income	7,804	8,558	(754)	(8.8)
Earning Per Share (Baht)	1.11	1.16	(0.05)	(4.3)

2. Financial Performance

2.1 Net Interest Income

Consolidated	2Q/14	1Q/14	2Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	12,197	12,114	11,347	83	0.7	850	7.5
Interest on interbank and money market items	597	638	668	(41)	(6.4)	(71)	(10.6)
Hire purchase and financial lease income	5,019	4,968	4,866	51	1.0	153	3.1
Investments and trading transactions	40	33	33	7	21.2	7	21.2
Investments in debt securities	499	522	532	(23)	(4.4)	(33)	(6.2)
Total Interest Income	18,352	18,275	17,446	77	0.4	906	5.2
INTEREST EXPENSE							
Interest on deposits	3,726	3,991	3,844	(265)	(6.6)	(118)	(3.1)
Interest on interbank and money market items	347	336	380	11	3.3	(33)	(8.7)
Interest on borrowings	1,388	1,453	1,324	(65)	(4.5)	64	4.8
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,008	994	899	14	1.4	109	12.1
Borrowing fee expenses	4	0	1	4	0.0	3	300.0
Other interest expenses	3	4	5	(1)	(25.0)	(2)	(40.0)
Total Interest Expenses	6,476	6,778	6,453	(302)	(4.5)	23	0.4
Interest Income, net	11,876	11,497	10,993	379	3.3	883	8.0
Net Interest Margin	4.31%	4.22%	4.31%				
Yield on Earning Assets	6.66%	6.71%	6.83%				
Cost of Funds	2.60%	2.74%	2.79%				

Consolidated	1H/14	1H/13	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	24,312	22,359	1,953	8.7
Interest on interbank and money market items	1,235	1,309	(74)	(5.7)
Hire purchase and financial lease income	9,987	9,540	447	4.7
Investments and trading transactions	72	86	(14)	(16.3)
Investments in debt securities	1,021	1,070	(49)	(4.6)
Total Interest Income	36,627	34,364	2,263	6.6
INTEREST EXPENSE				
Interest on deposits	7,716	7,587	129	1.7
Interest on interbank and money market items	683	712	(29)	(4.1)
Interest on borrowings	2,841	2,677	164	6.1
Contributions to Financial Institution Development Fund and Deposit Protection Agency	2,003	1,779	224	12.6
Borrowing fee expenses	4	5	(1)	(20.0)
Other interest expenses	7	9	(2)	(22.2)
Total Interest Expenses	13,254	12,769	485	3.8
Interest Income, net	23,373	21,595	1,778	8.2
Net Interest Margin	4.25%	4.30%		
Yield on Earning Assets	6.66%	6.84%		
Cost of Funds	2.66%	2.79%		

For the second quarter period ended June 30, 2014

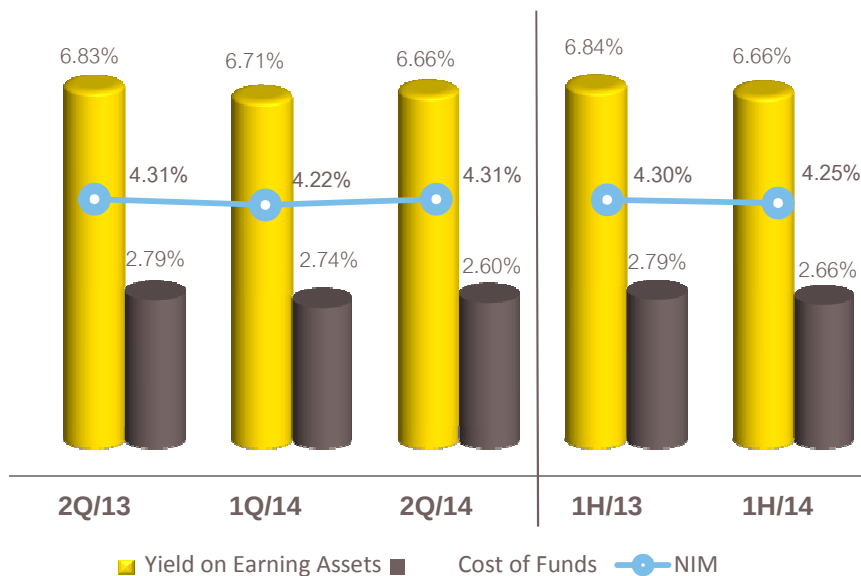
Net interest income in the second quarter was Baht 11,876 million, representing an increase of 3.3% on a quarter-on-quarter basis, and 8.0% on a year-on-year basis, as interest income grew by a larger magnitude than interest expense.

For the six-month period ended June 30, 2014

In the first half of 2014, net interest income reached Baht 23,373 million, an increase of Baht 1,778 million, or 8.2%, compared to the same period last year, resulting primarily from higher loan and hire purchase volumes, and higher average repurchase transactions. Correspondingly, interest expense increased mainly from the increase in borrowing and deposit costs reflecting a higher volume of deposits and debentures outstanding to support business growth.

In 2Q/14, NIM improved to 4.31%, compared to 4.22% in the prior quarter, as a result of an overall improvement in the cost of funds. Cost of funds was 2.60% in 2Q/14, an improvement from 2.74% in 1Q/14. Meanwhile, the overall yield moderated to 6.66% in 2Q/14 from 6.71% in 1Q/14.

Net Interest Margin (NIM)



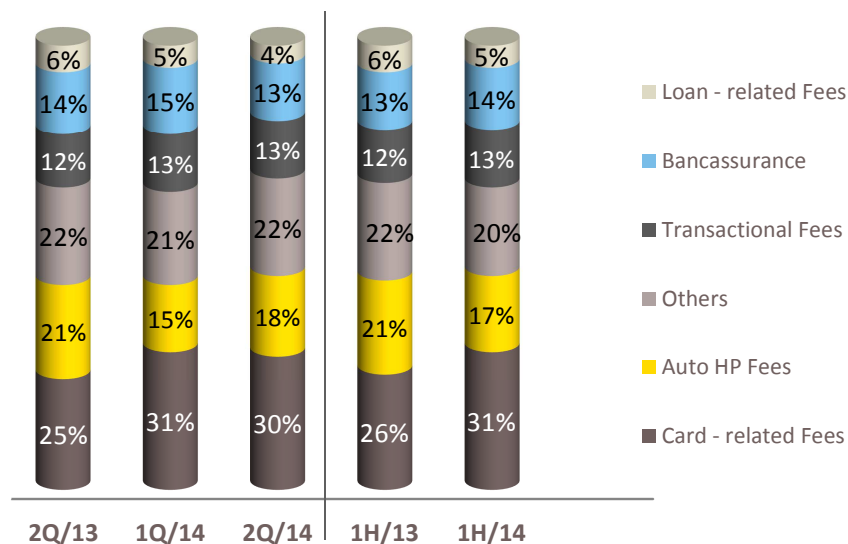
	Feb-13	May-13	Aug-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
Policy Rate	2.75%	2.50%	2.50%	2.25%	2.25%	2.25%	2.25%	2.00%	2.00%
Krungsri Lending Rate	7.375%	7.375%	7.375%	7.375%	7.25%	7.25%	7.25%	7.125%	7.125%
Saving Rate	0.65%	0.65%	0.60%	0.60%	0.50%	0.50%	0.50%	0.40%	0.40%
3 - month deposits	1.70-2.00%	1.70-2.00%	1.70-2.00%	1.70-2.00%	1.60-2.00%	1.50-1.75%	1.45-1.70%	1.30-1.45%	1.10-1.30%
6 - month deposits	2.00-2.25%	2.00-2.25%	2.00-2.25%	2.00-2.25%	1.90-2.25%	1.85-2.00%	1.75-1.95%	1.65-1.70%	1.35-1.50%
12 - month deposits	2.35-2.50%	2.35-2.50%	2.35-2.50%	2.35-2.50%	2.25-2.35%	2.25%	2.15%	1.95-2.05%	1.50-1.75%

2.2 Net Fees and Service Income

Consolidated	2Q/14	1Q/14	2Q/13	Change QoQ		Change YoY	
			Restated	Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	129	126	126	3	2.4	3	2.4
Other fees and service income	4,504	4,365	4,517	139	3.2	(13)	(0.3)
Fees and service income	4,633	4,491	4,643	142	3.2	(10)	(0.2)
Fees and service expense	1,043	1,044	1,049	(1)	(0.1)	(6)	(0.6)
Fees and Service Income, net	3,590	3,447	3,594	143	4.1	(4)	(0.1)

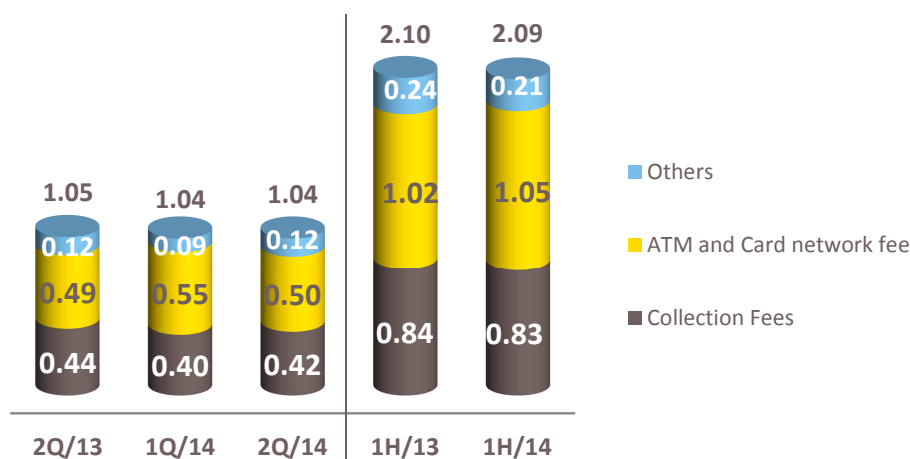
Consolidated	1H/14	1H/13	Change YoY	
		Restated	Baht mn	%
Acceptances, aval and guarantees	256	246	10	4.1
Other fees and service income	8,868	8,982	(114)	(1.3)
Fees and service income	9,124	9,228	(104)	(1.1)
Fees and service expense	2,087	2,096	(9)	(0.4)
Fees and Service Income, net	7,037	7,132	(95)	(1.3)

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the second quarter period ended June 30, 2014

Net fees and service income increased Baht 143 million, or 4.1% quarter-on-quarter, mainly driven by an increase in auto hire purchase fees as well as wealth, fund management & securities-related fees.

On a year-on-year basis, net fees and service income decreased 0.1%, driven by a decrease in loan-related, auto hire purchase, Bancassurance, and wealth, fund management & securities-related fees. Meanwhile, card-related fees improved significantly by 19.6%.

For the six-month period ended June 30, 2014

Compared with 1H/13, net fees and service income decreased by Baht 95 million, or 1.3%, pressured by weaker auto hire purchase, loan-related, and wealth, fund management & securities-related fees. Auto hire purchase fee decreased 19.2%, attributed to the absence of the first-time car buyer scheme. Meanwhile, the card business and Bancassurance grew by 17.1% and 5.6%, respectively, in 1H/14. Corresponding to weaker loan and capital market-related activities, fees and service expense decreased 0.4%.

2.3 Non-interest and Non-fees Income

Consolidated	2Q/14	1Q/14	2Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign							
exchange transactions	351	425	365	(74)	(17.4)	(14)	(3.8)
Gains (losses) on investments	115	24	205	91	379.2	(90)	(43.9)
Share of profit (loss) from investment for							
using equity method	58	62	39	(4)	(6.5)	19	48.7
Bad debt recoveries	687	713	1,410	(26)	(3.6)	(723)	(51.3)
Other operating income	560	418	803	142	34.0	(243)	(30.3)
Total Non-interest and Non-fees Income	1,771	1,642	2,822	129	7.9	(1,051)	(37.2)

Consolidated	1H/14	1H/13	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign				
exchange transactions	776	828	(52)	(6.3)
Gains (losses) on investments	140	317	(177)	(55.8)
Share of profit (loss) from investment for				
using equity method	120	105	15	14.3
Bad debt recoveries	1,399	2,233	(834)	(37.3)
Other operating income	978	1,562	(584)	(37.4)
Total Non-interest and Non-fees Income	3,413	5,045	(1,632)	(32.3)

For the second quarter period ended June 30, 2014

On a quarter-on-quarter basis, non-interest and non-fees income increased by Baht 129 million, or 7.9%, driven primarily by gains on investments and gains on NPLs sold in the current period.

On a year-on-year basis, non-interest and non-fees income decreased by Baht 1,051 million, or 37.2%, driven primarily by the bad debt recovery income from Dubai World Group Finance Limited of Baht 550 million and the one-time gain on NPA sales of Baht 403 million recognized in 2Q/13.

For the six-month period ended June 30, 2014

For the first half of 2014, non-interest and non-fees income decreased by Baht 1,632 million, or 32.3%, driven primarily by a decrease in bad debt recoveries of Baht 834 million, lower gains on NPA sales of Baht 494 million, and lower dividend income of Baht 286 million.

2.4 Other Operating Expenses

Consolidated	2Q/14	1Q/14	2Q/13 Restated	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	4,004	4,035	3,712	(31)	(0.8)	292	7.9
Premises and equipment expenses	1,586	1,584	1,406	2	0.1	180	12.8
Taxes and duties	569	577	541	(8)	(1.4)	28	5.2
Directors' remuneration	13	9	9	4	44.4	4	44.4
Other expenses	2,304	2,100	1,902	204	9.7	402	21.1
Total Other Operating Expenses	8,476	8,305	7,570	171	2.1	906	12.0

Consolidated	1H/14	1H/13 Restated	Change YoY	
			Baht mn	%
Employee's expenses	8,039	7,594	445	5.9
Premises and equipment expenses	3,171	2,887	284	9.8
Taxes and duties	1,146	1,065	81	7.6
Directors' remuneration	22	17	5	29.4
Other expenses	4,404	4,256	148	3.5
Total Other Operating Expenses	16,782	15,819	963	6.1

For the second quarter period ended June 30, 2014

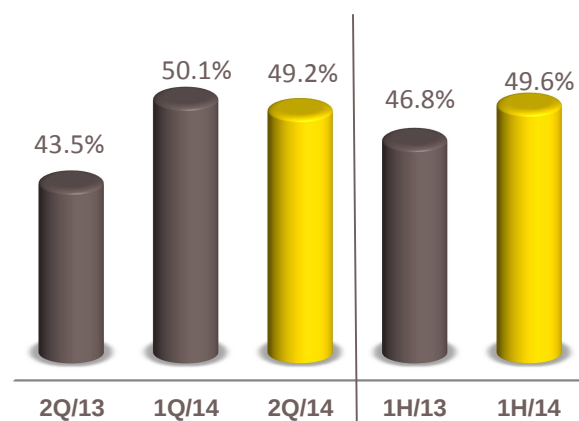
On a quarter-on-quarter basis, operating expenses increased by Baht 171 million, or 2.1%, driven by an increase in other expenses of Baht 204 million, or 9.7%, mainly due to an increase in reserve for impairment loss on NPA.

Operating expenses increased by Baht 906 million, or 12%, compared to 2Q/13, driven by an increase in employee's expenses of Baht 292 million, or 7.9%, mainly due to annual merit increases and other expenses of Baht 402 million, or 21.1%, in part attributed to a reversal of a reserve on TAMC recorded last year.

For the six-month period ended June 30, 2014

For first half year of 2014, operating expenses increased by Baht 963 million, or 6.1%, driven by an increase in employee expenses of Baht 445 million, or 5.9%, mainly due to annual merit increases & staff promotions and an increase in premises & equipment expenses of Baht 284 million, or 9.8%, mainly driven by higher depreciation expense on fixed assets. The increase in operating expenses was also attributed to the reversal of a reserve on TAMC recorded in 2Q/13.

Cost to Income Ratio



In 2Q/14, the cost-to-income ratio improved to 49.2%, from 50.1% in 1Q/14.

2.5 Impairment loss of loans and debt securities

Consolidated	2Q/14	1Q/14	2Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	3,918	3,693	5,987	225	6.1	(2,069)	(34.6)
Loss on Debt Restructuring	337	391	(80)	(54)	(13.8)	417	521.3
Total impairment loss of loan and debt securities	4,255	4,084	5,907	171	4.2	(1,652)	(28.0)

Consolidated	1H/14	1H/13	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	7,611	8,890	(1,279)	(14.4)
Loss on Debt Restructuring	728	98	630	642.9
Total impairment loss of loan and debt securities	8,339	8,988	(649)	(7.2)

Loan loss provisions in the current period amounted to Baht 4,255 million, a slight increase of Baht 171 million from the prior quarter.

As of June 30, 2014, our total provision was Baht 40,643 million, with an excess provision over Bank of Thailand's reserve requirements of Baht 14,179 million, representing 153.6% of the Bank of Thailand's reserving requirements. The loan loss coverage ratio was 134.3%.

3. Financial Status

3.1 Financial Position

Consolidated	As at Jun. 30, 14	As at Mar. 31, 14	As at Dec. 31, 13 Restated	Change from Mar. 31, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	26,091	26,793	28,216	(702)	(2.6)	(2,125)	(7.5)
Interbank and money market items, net	99,086	91,246	87,027	7,840	8.6	12,059	13.9
Investments, net	76,059	76,247	73,274	(188)	(0.2)	2,785	3.8
Investments in subsidiaries and associates, net	529	1,121	1,059	(592)	(52.8)	(530)	(50.0)
Loans to customers	990,811	984,427	988,014	6,384	0.6	2,797	0.3
Accrued interest receivable	2,587	2,552	2,648	35	1.4	(61)	(2.3)
Deferred revenue	(44,789)	(44,583)	(44,511)	(206)	(0.5)	(278)	(0.6)
Allowance for doubtful accounts	(38,688)	(38,551)	(37,466)	(137)	(0.4)	(1,222)	(3.3)
Revaluation allowance for debt restructuring	(1,623)	(1,605)	(1,520)	(18)	(1.1)	(103)	(6.8)
Properties for sale, net	6,444	6,554	6,865	(110)	(1.7)	(421)	(6.1)
Others	78,079	81,468	76,000	(3,389)	(4.2)	2,079	2.7
TOTAL ASSETS	1,194,586	1,185,669	1,179,606	8,917	0.8	14,980	1.3
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	783,779	780,597	764,050	3,182	0.4	19,729	2.6
Interbank and money market items, net	56,288	63,943	55,497	(7,655)	(12.0)	791	1.4
Debt issued and borrowings	166,585	146,308	174,605	20,277	13.9	(8,020)	(4.6)
Others	61,007	69,393	63,901	(8,386)	(12.1)	(2,894)	(4.5)
TOTAL LIABILITIES	1,067,659	1,060,241	1,058,053	7,418	0.7	9,606	0.9
Issued and paid-up share capital	60,741	60,741	60,741	0	0.0	0	0.0
Retained earning	44,613	43,512	40,158	1,101	2.5	4,455	11.1
Others	21,573	21,175	20,654	398	1.9	919	4.4
TOTAL SHAREHOLDERS' EQUITY	126,927	125,428	121,553	1,499	1.2	5,374	4.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,194,586	1,185,669	1,179,606	8,917	0.8	14,980	1.3
Book value per share (Baht)	20.90	20.65	20.01	0.25	1.2	0.89	4.4

As of June, 2014, assets reached Baht 1,194,586 million, representing an increase of Baht 14,980 million, or 1.3%, from December 2013, largely driven by interbank and money market items of Baht 12,059 million, or 13.9%, and net loan volume of Baht 2,521 million, or 0.3%. The increase in interbank and money market items was mainly driven by an increase in loans of Baht 12,014 million.

Compared to 1Q/14, assets grew by Baht 8,917 million, or 0.8%, driven by an increase in interbank and money market items of Baht 7,840 million, or 8.6%, and net loan volume of Baht 6,180 million, or 0.7%. Meanwhile, other assets decreased by Baht 3,389 million, or 4.2%.

On a year-to-date basis, liabilities grew 0.9%, or Baht 9,606 million. The growth in liabilities was driven by an increase in deposits of 2.6%, or Baht 19,729 million. The growth in deposits was driven by the launch of Krungsri's "8-month Step Up Time Deposit" in June 2014 and the continued successful growth in "Mee Tae Dai" – high yield savings – and "Jad Hai" – special benefits savings – products with balances exceeding Baht 188,000 million as of June 2014. Debt issued and borrowings decreased 4.6%, or Baht 8,020 million, due mainly to a decrease in bills of exchange of Baht 7,132 million.

Compared to 1Q/14, liabilities grew 0.7%, or Baht 7,418 million, in 2Q/14. The growth in liabilities was driven by an increase in debt issuances and borrowings of 13.9%, or Baht 20,277 million. The increase in debt issuances and borrowings was driven by an increase in debentures of Baht 12,849 million and bills of exchange of Baht 7,429 million. Meanwhile, other liabilities decreased 12.1%, or Baht 8,386 million, mainly driven by a decrease in liabilities to deliver securities from repurchase agreements of Baht 7,692 million for transactions under our active Primary Dealer role.

Total shareholders' equity rose to Baht 126,927 million, an increase of Baht 5,374 million, or 4.4%, from December 2013. The increase was mainly due to equity holders' net income of Baht 6,804 million in 1H/14. These increases were partially offset by dividends paid of Baht 2,430 million.

Book value per share as of June, 2014 increased 4.4% to Baht 20.90 from Baht 20.01 at the end of 2013.

3.2 Loans to customers

3.2.1 Loans by segment ^{2/}

Consolidated	Jun. 30, 14	Mar. 31, 14	Dec. 31, 13 Restated	Change from Mar. 31, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Corporate	260,759	266,543	269,392	(5,784)	(2.2)	(8,633)	(3.2)
SMEs	210,576	206,883	206,452	3,693	1.8	4,124	2.0
Retail	474,688	466,417	467,658	8,271	1.8	7,030	1.5
- Hire purchase	235,956	232,882	232,472	3,074	1.3	3,484	1.5
- Housing	126,340	123,498	120,571	2,842	2.3	5,769	4.8
- Credit cards and personal loans	112,392	110,037	114,615	2,355	2.1	(2,223)	(1.9)
Total *	946,023	939,843	943,502	6,180	0.7	2,521	0.3

* Loans to customers net of deferred income

As of June 30, 2014, total outstanding loans stood at Baht 946,023 million, an increase of Baht 2,521 million, or 0.3%, from December 31, 2013.

For the first half of 2014, the **retail segment** recorded growth of Baht 7,030 million, or 1.5%, compared to a contraction of 0.3% in the first quarter.

Housing loans grew 4.8% on a year-to-date basis, and 2.3% during the quarter, owing to a positive backlog from last year's projects that were completed and transferred this year.

Auto hire purchase loans recorded 1.5% growth year-to-date and 1.3% growth during the second quarter, underlying our strong Krungsri Auto business and customers' brand preference.

Krungsri's **credit cards and personal loans** contracted by 1.9% year-to-date. During the second quarter, credit cards and personal loans grew 2.1%. The improvement in 2Q/14 was attributed to normal seasonality.

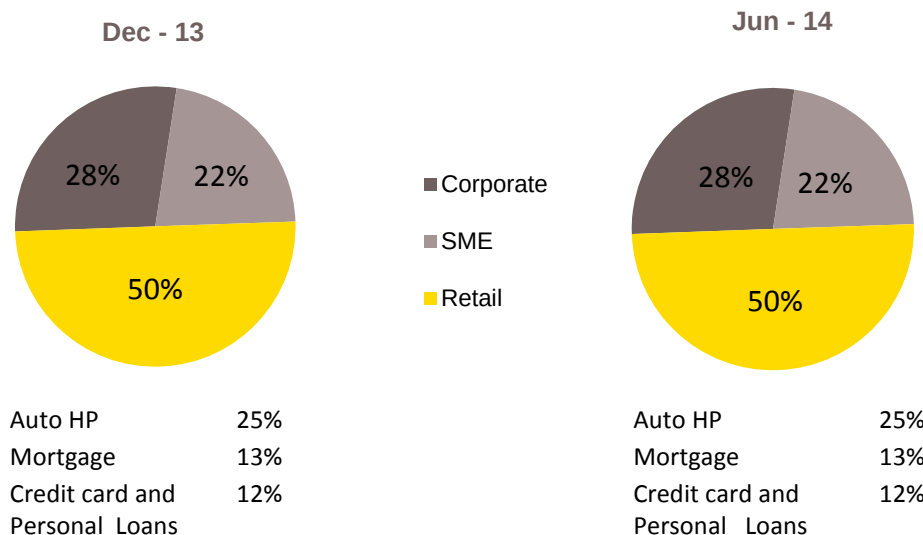
The **SME's portfolio** grew 2.0% year-to-date and 1.8% during the second quarter. The growth observed was broad-based covering all SME segments.

Year-to-date **corporate loans** contracted by 3.2%, driven mainly by working capital repayments.

² Krungsri reclassified a portion of SME loans into the Corporate loan segment as of December 2013, in line with our revised commercial lending growth strategy going forward. The reclassification resulted in approximately Baht 25,799 million in loans migrating from the SME segment to the Corporate segment.

For the remainder of 2014, Krungsri expects that the economic recovery resulting from improved political stability and higher business confidence will lead to an increase in our growth momentum for both loans outstanding and fee income. With an improved economic environment partnered with a seasonal rise in business volume for both retail and commercial lending, the projected loan growth for Krungsri is maintained at 7-9% for the full year.

Loan Composition (Restated)



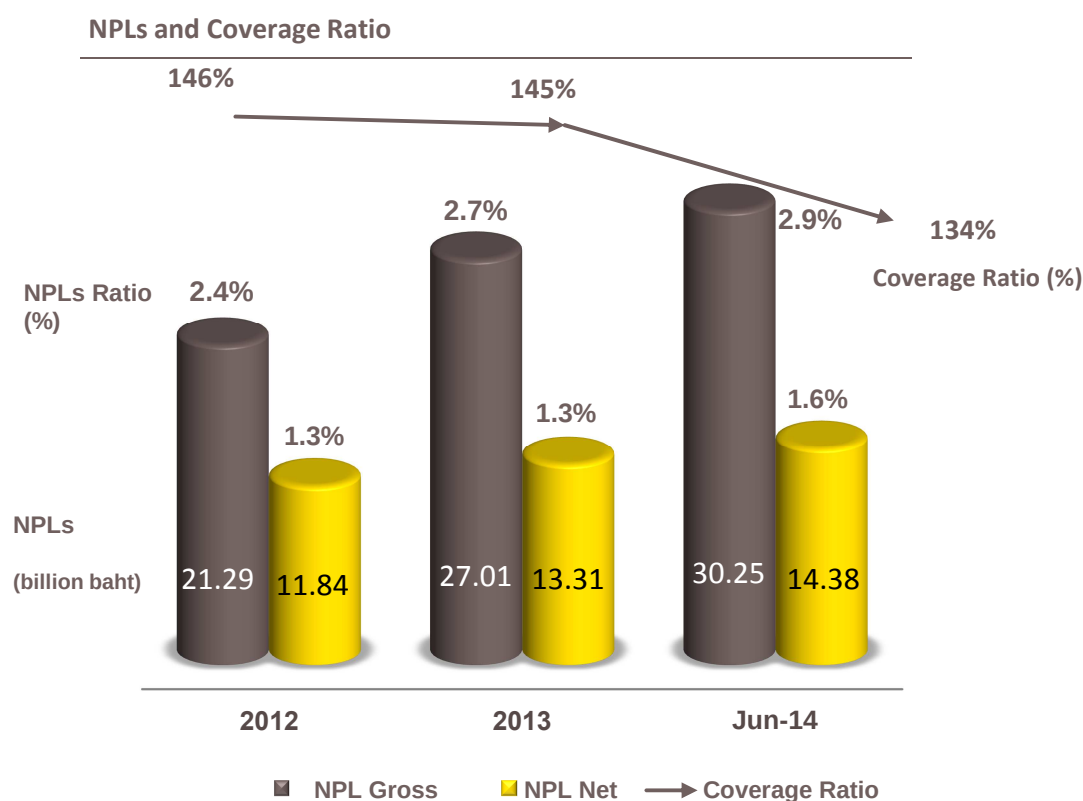
3.2.2 Loan classification and provision

Unit : Baht mn

Consolidated	Jun. 30, 14		Dec. 31, 13		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	884,168	5,680	883,380	5,713	788	(33)
Special mention	34,182	3,424	35,748	3,664	(1,566)	(240)
Substandard	9,625	4,571	9,207	4,419	418	152
Doubtful	9,146	3,722	11,014	5,706	(1,868)	(1,984)
Doubtful of loss	11,488	7,112	6,801	3,197	4,687	3,915
Total	948,609	24,509	946,150	22,699	2,459	1,810
Surplus Reserve		14,179		14,767		(588)
Total	948,609	38,688	946,150	37,466	2,459	1,222

3.2.3 Non-performing loans

Consolidated	Jun 30, 14	Mar 31, 14	Dec 31, 13	Change from Mar 31, 14		Change from Dec 31, 13	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	14,380	14,392	13,308	(12)	(0.1)	1,072	8.1
Non-Performing Loans (Gross)	30,254	30,032	27,014	222	0.7	3,240	12.0
Loans loss reserves (LLR)	40,643	40,383	39,185	260	0.6	1,458	3.7
Coverage Ratio	134.3%	134.5%	145.1%	(0.2%)	(0.1)	(10.8%)	(7.4)
BOT Requirement	26,464	25,942	24,418	522	2.0	2,046	8.4
Actual / Required LLR	153.6%	155.7%	160.5%	(2.1%)	(1.3)	(6.9%)	(4.3)



As of June 30, 2014, gross NPLs increased Baht 3,240 million from December 2013 to Baht 30,254 million. The ratio of gross NPLs to total loans at 2Q/14 stood at 2.9%, compared to 2.7% in December 2013. In 2Q/14, Krungsri Group completed a NPL sale of Baht 1,260 million to a third party.

Total provisions stood at Baht 40,643 million, with an excess provision over Bank of Thailand requirements of Baht 14,179 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 153.6%, while the Group's coverage ratio was 134.3%.

3.3 Funding Structure

Consolidated	Jun. 30, 14	Mar. 31, 14	Dec. 31, 13	Change from Mar. 31, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Current	19,381	18,485	19,470	896	4.8	(89)	(0.5)
Savings	393,005	411,411	383,471	(18,406)	(4.5)	9,534	2.5
Time	371,393	350,701	361,109	20,692	5.9	10,284	2.8
< 6 months	101,905	131,386	133,061	(29,481)	(22.4)	(31,156)	(23.4)
6M - 1 Year	151,738	105,760	127,010	45,978	43.5	24,728	19.5
> 1 Year	117,750	113,555	101,038	4,195	3.7	16,712	16.5
Total Deposit	783,779	780,597	764,050	3,182	0.4	19,729	2.6
B/E	31,517	24,088	38,649	7,429	30.8	(7,132)	(18.5)
Debenture	100,180	87,331	101,053	12,849	14.7	(873)	(0.9)
Total Funding	915,476	892,016	903,752	23,460	2.6	11,724	1.3

As of June 30, 2014, overall funding for the Bank, including deposits, bills of exchange and debentures, increased Baht 11,724 million, or 1.3%, from December 2013.

Deposits totaled Baht 783,779 million, an increase of Baht 19,729 million, or 2.6%, from December 2013. The growth in deposits was driven by the launch of Krungsri's "8-month Step Up Time Deposit" in June 2014 and the continued successful growth in "Mee Tae Dai" – high yield savings – and "Jad Hai" – special benefits savings – products with balances exceeding Baht 188,000 million as of June 2014.

As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits was 52.6%.

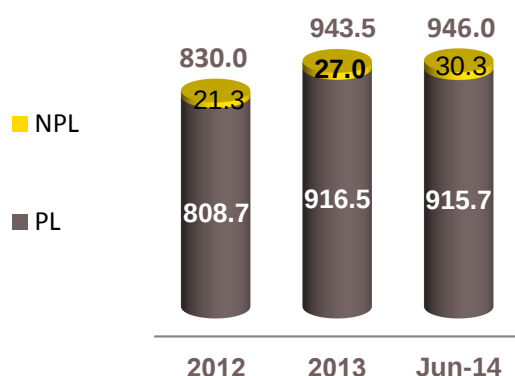
Bills of exchange (B/E) totaled Baht 31,517 million, a decrease of Baht 7,132 million, or 18.5%, from December 2013.

Debentures stood at Baht 100,180 million as of June 2014, decreased slightly by Baht 873 million, or 0.9%, from December 2013.

Consequently, the loan to deposit ratio improved to 121%, and the loan to deposit plus B/E and debentures ratio improved to 103%.

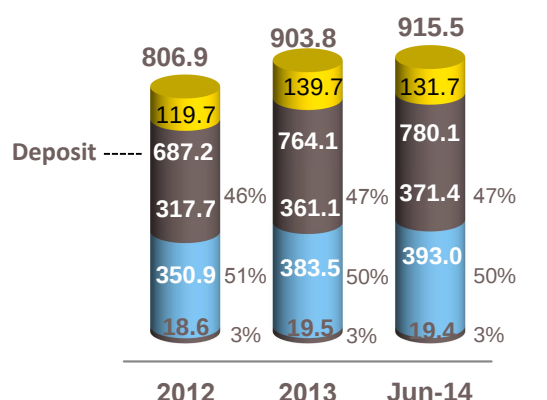
Loans

Unit: Baht Billion



Deposits + B/E + Debenture

Unit: Baht Billion



■ Current ■ Savings ■ Time ■ B/E + Debenture

	2012	2013	Jun -14
L/D	121%	123%	121%
L/D+B/E+Debentures	103%	104%	103%

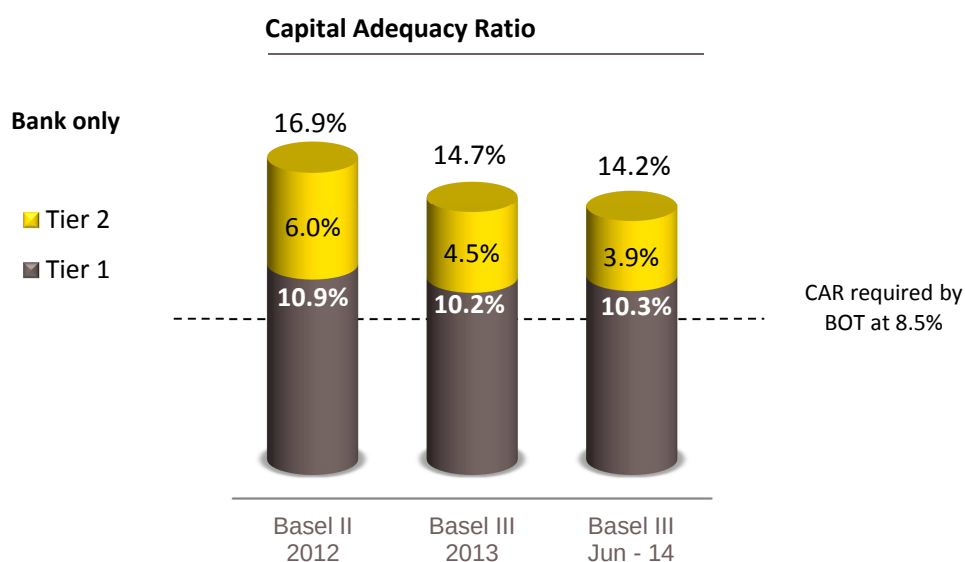
3.4 Contingencies

Consolidated	Jun. 30, 14	Mar. 31, 14	Dec. 31, 13	Change from Mar. 31, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	898	867	1,315	31	3.6	(417)	(31.7)
Liability under unmatured import bills	1,468	1,629	1,559	(161)	(9.9)	(91)	(5.8)
Letters of credit	8,479	9,734	9,335	(1,255)	(12.9)	(856)	(9.2)
Other contingencies	108,560	109,284	102,337	(724)	(0.7)	6,223	6.1
Total	119,405	121,514	114,546	(2,109)	(1.7)	4,859	4.2

The Krungsri Group's contingencies as of June 30, 2014, totaled Baht 119,405 million, an increase of Baht 4,859 million, or 4.2%, from December 31, 2013. This increase was driven mainly by an increase in other contingencies of Baht 6,223 million.

3.5 Statutory Capital

As of June 30, 2014, the Bank's capital remained strong at Baht 122,913 million, equivalent to 14.2% of risk-weighted assets with 10.3% in Tier 1 capital. The current level of capital is sufficient to provide Krungsri with the flexibility to continue growing our business as planned.



Baht Billion	2012	2013	Jun - 14
	Basel II	Basel III	Basel III
Tier 1	81.75	84.73	89.46
Tier 2	44.80	37.60	33.45
Total Capital	126.55	122.33	122.91

4. Credit Ratings

The Bank's credit ratings assigned by 1. Moody's Investors Service, 2. Standard & Poor's, 3. Fitch Ratings and 4. TRIS Rating as at June 30, 2014 are shown in the table below.

1. <u>Moody's Investors Service</u>	
Bank Deposits	
- Long Term	Baa1
- Short Term	Prime-2
Debt	
- Long Term -Senior Debt	Baa1
Debt and Deposit Rating Outlook	Stable
Bank Financial Strength Ratings	D+
Outlook	Stable
2. <u>Standard and Poor's</u>	
Issuer Credit Rating (ICR)	
- Long Term	BBB+
- Short Term	A-2
Foreign Currency	
- Long Term - Senior Debt	BBB+
- Short Term	A-2
Stand-alone Credit Profile (SACP)	bb+
Outlook	Stable
3. <u>Fitch Ratings</u>	
International Ratings (Foreign Currency)	
- Long Term	A-
- Subordinated Debt	BBB+
- Short Term	F2
- Viability Rating	bbb
- Support	1
- Support Rating Floor	BB+
- Outlook	Stable

3. Fitch Ratings

National Ratings

- Long Term – Debenture	AAA (tha)
- Subordinated Debt	AA+ (tha)
- Short Term	F1+ (tha)
- Outlook	Stable

4. TRIS Rating

National Ratings

- Company Rating	AAA
- Issue Rating (subordinated)	AA+
- Outlook	Stable

5. 2014 Key Performance Targets

Consolidated	2013	1Q/14	2Q/14	1H/14	2014 Targets	
Loan Growth (Net)	+113.5 bn +13.7%	-3.7 bn -0.4%	+6.2 bn +0.7%	+2.5 bn +0.3%	7-9%	✓
NPLs Ratio	2.67%	2.97%	2.92%	2.92%	~ 2.7%	~
Deposit Mix: Savings and Current	53%	55%	53%	53%	~ 50%	✓
Loan Mix : Retail	50%	50%	50%	50%	n.d.	✓
L/D Ratio	123%	120%	121%	121%	n.d.	✓
L/Deposit+Debentures+B/E	104%	105%	103%	103%	100%	~
NIM	4.37%	4.22%	4.31%	4.25%	~ 4.2%	✓
Fee income growth (YoY)	14.2%	-2.0%	-0.2%	-1.1%	7-9%	~
Cost to Income Ratio	48.84%	50.08%	49.18%	49.62%	<49%	~
Provisions	200 bps*	173 bps	175 bps	173 bps	~ 170 bps	~
Loan Loss Coverage	145%	135%	134%	134%	~ 150%	~
CAR (Bank Only)	14.7%	14.4%	14.2%	14.2%	n.d.	✓

* Excluding one-time prudential surplus reserve of THB 2,552 mn. booked in 2Q/13
and a prudential reserve for one corporate loan restructured in 4Q/13, provision/loan = 172bps.