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Management Discussion and Analysis

For the quarter and nine-month period ended
September 30, 2014

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Executive Summary:

Krungsri reported a **net profit of Baht 3,554 million for the third quarter** representing a 1.5% increase on a quarter-on-quarter basis, supported by lending growth, improved net interest margin, higher fee and service income growth, and disciplined expense management.

Mirroring an improved economic condition in the third quarter, Krungsri's loan growth momentum picked up, growing 3.1%. **For the first nine months of 2014, loan growth of 3.3% was broad-based across all customer segments.** Retail loans grew by 3.0% while SME and corporate loans achieved 5.9% and 1.9% growth, respectively.

Deposits totaled Baht 806,182 million, an increase of Baht 42,132 million, or 5.5%, from December 2013. The deposit growth reflected our successful launch of the "8-month Step Up Time Deposit" in June 2014. Meanwhile, "Mee Tae Dai" and "Jad Hai", our special savings products, continued to grow, exceeding Baht 182,000 million as of September 2014.

For the first nine months of 2014, net profit totalled Baht 10,358 million. Despite a notable improvement in net interest income of Baht 2,739 million, net profit for 9M/14 decreased 5.5%, or Baht 605 million, for the first nine months driven by the TAMC reserve reversal and higher bad debt recoveries realized in 2013.

Net fees and service income increased 4.9% quarter-on-quarter, mainly driven by an increase in loan-related, Bancassurance and wealth, fund management & securities-related fees.

As of September, 2014, **non-performing loans** represented 3.26% of total loans.

Our **total provision** was Baht 42,470 million, with an excess provision over Bank of Thailand's reserve requirements of Baht 14,147 million, representing 50% over the Bank of Thailand's reserving requirements. The loan loss coverage ratio was 123.1%.

Earnings per share (EPS) was Baht 1.68 for the first nine months of 2014.

For the remainder of 2014, the continued economic recovery, supported by improving business confidence and a rebound of private and public spending, will safeguard the sustained growth momentum for both loans and fee income. In particular, given the seasonal rise in business volume in the fourth quarter for both retail and commercial lending, we project our loan growth at 7% for the full year.

NIM: 4.33%

Coverage: 123.1%

Net Profit:

Baht 3.6 billion

Deposits grew:

5.5% ytd

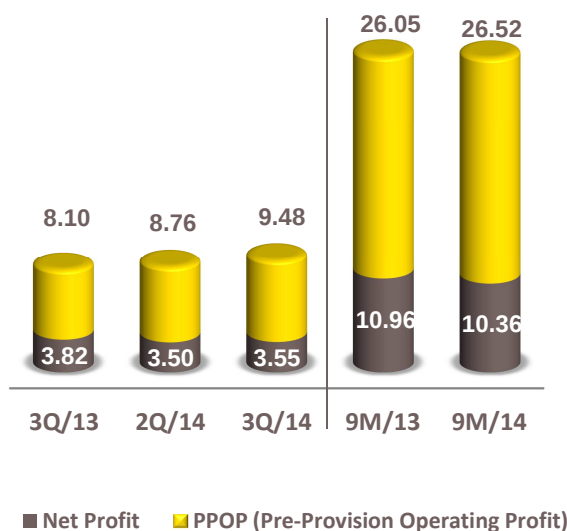
Summary of Financial Performance and Status:

Key 3Q/14 deliverables:

- **Loan Growth:**
Increased 3.3%, or Baht 31,396 million, compared to December 2013, and 3.1%, or Baht 28,875 million, compared to June 2014.
- **Deposit Growth:**
Increased 5.5%, or Baht 42,132 million, compared to December 2013.
- **Net Profit:**
Increased to Baht 3,554 million, representing a 1.5% increase over 2Q/14, and a 7.0% decrease from 3Q/13, driven largely by higher provision expenses recorded during the current period.
- **Net Interest Margin (NIM):**
Increased from the prior quarter to 4.33% driven mainly by improved yields on earning assets.
- **Net Fees and Service Income:**
Increased 4.9% from 2Q/14, mainly driven by loan-related, Bancassurance and wealth, fund management & securities-related fees.
- **Cost to Income Ratio:**
Significantly improved to 47.5% from 49.2% in 2Q/14, reflecting disciplined expense management.
- **Non-Performing Loans (NPLs):**
Represented 3.26% of total loans.
- **Coverage Ratio:**
Stood at 123.1%.
- **Capital Adequacy Ratio:**
Recorded at 14.9 % compared to 14.7% in December 2013.

PPOP & Net Profit

Unit: Baht Billion



For the third quarter period ended September 30, 2014

In 3Q/14, operating profit was Baht 9,478 million, representing an increase of Baht 717 million, or 8.2%, when compared to 2Q/14, driven by growth in net interest income as a result of higher interest income from loans and interbank and money market items and net fees and service income.

Net profit in 3Q/14 was Baht 3,554 million, representing an increase of Baht 53 million, or 1.5%, when compared to 2Q/14, and a decrease of Baht 269 million, or 7.0%, on a year-on-year basis, driven largely by higher provision expenses recorded in 3Q/14.

For the nine-month period ended September 30, 2014

In the first nine month of 2014, net profit totalled Baht 10,358 million, a decrease of Baht 605 million, or 5.5%, year-on-year, largely driven by the absence of bad debt recovery income and the reversal of reserve on TAMC of Baht 1,114 million recorded in 2013. The overall decrease was partially offset by an improvement in net interest income of Baht 2,739 million.

1. Statements of Comprehensive Income^{1/}

Consolidated Statements of Comprehensive Income	3Q/14	2Q/14	3Q/13 Restated	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	18,937	18,352	18,078	585	3.2	859	4.8
Interest Expenses	6,730	6,476	6,832	254	3.9	(102)	(1.5)
Interest Income, Net	12,207	11,876	11,246	331	2.8	961	8.5
Fees and Service Income	4,848	4,633	4,575	215	4.6	273	6.0
Fees and Service Expense	1,081	1,043	1,058	38	3.6	23	2.2
Fees and Service Income, Net	3,767	3,590	3,517	177	4.9	250	7.1
Non-interest and Non-fees Income	2,063	1,771	1,744	292	16.5	319	18.3
Other Operating Expenses	8,559	8,476	8,412	83	1.0	147	1.7
Pre-Provision Operating Profit (PPOP)	9,478	8,761	8,095	717	8.2	1,383	17.1
Impairment Loss of Loan and Debt Securities	4,889	4,255	3,149	634	14.9	1,740	55.3
Income Tax Expense	1,035	1,005	1,123	30	3.0	(88)	(7.8)
Net Profit	3,554	3,501	3,823	53	1.5	(269)	(7.0)
Other Comprehensive income	417	429	(434)	(12)	(2.8)	851	196.1
Total Comprehensive income	3,971	3,930	3,389	41	1.0	582	17.2
Net Profit Attributable To							
Owners of the Bank	3,507	3,460	3,787	47	1.4	(280)	(7.4)
Non-Controlling Interest	47	41	36	6	14.6	11	30.6
Net Profit	3,554	3,501	3,823	53	1.5	(269)	(7.0)
Total Comprehensive Income Attributable To							
Owners of the Bank	3,924	3,889	3,353	35	0.9	571	17.0
Non-Controlling Interest	47	41	36	6	14.6	11	30.6
Total Comprehensive income	3,971	3,930	3,389	41	1.0	582	17.2
Earning Per Share (Baht)	0.58	0.57	0.62	0.01	1.8	(0.04)	(6.5)

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	9M/14	9M/13 Restated	Change YoY	
			Baht mn	%
Interest Income	55,564	52,442	3,122	6.0
Interest Expense	19,984	19,601	383	2.0
Interest Income, Net	35,580	32,841	2,739	8.3
Fees and Service Income	13,972	13,804	168	1.2
Fees and Service Expense	3,167	3,154	13	0.4
Fees and Service Income, Net	10,805	10,650	155	1.5
Non-interest and Non-fees Income	5,475	6,789	(1,314)	(19.4)
Other Operating Expenses	25,341	24,231	1,110	4.6
Pre-Provision Operating Profit (PPOP)	26,519	26,049	470	1.8
Impairment Loss of Loan and Debt Securities	13,227	12,137	1,090	9.0
Income Tax Expense	2,934	2,949	(15)	(0.5)
Net Profit	10,358	10,963	(605)	(5.5)
Other Comprehensive income	1,417	983	434	44.2
Total Comprehensive income	11,775	11,946	(171)	(1.4)
Net Profit Attributable To				
Owners of the Bank	10,234	10,863	(629)	(5.8)
Non-Controlling Interest	124	100	24	24.0
Net Profit	10,358	10,963	(605)	(5.5)
Total Comprehensive Income Attributable To				
Owners of the Bank	11,651	11,846	(195)	(1.6)
Non-Controlling Interest	124	100	24	24.0
Total Comprehensive income	11,775	11,946	(171)	(1.4)
Earning Per Share (Baht)	1.68	1.79	(0.11)	(6.1)

2. Financial Performance

2.1 Net Interest Income

Consolidated	3Q/14	2Q/14	3Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	12,548	12,197	11,669	351	2.9	879	7.5
Interest on interbank and money market items	787	597	809	190	31.8	(22)	(2.7)
Hire purchase and financial lease income	5,082	5,019	5,000	63	1.3	82	1.6
Investments and trading transactions	40	40	39	0	0.0	1	2.6
Investments in debt securities	480	499	561	(19)	(3.8)	(81)	(14.4)
Total Interest Income	18,937	18,352	18,078	585	3.2	859	4.8
INTEREST EXPENSE							
Interest on deposits	3,879	3,726	4,095	153	4.1	(216)	(5.3)
Interest on interbank and money market items	447	347	379	100	28.8	68	17.9
Interest on borrowings	1,369	1,388	1,417	(19)	(1.4)	(48)	(3.4)
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,032	1,008	935	24	2.4	97	10.4
Borrowing fee expenses	0	4	1	(4)	(100.0)	(1)	(100.0)
Other interest expenses	3	3	5	0	0.0	(2)	(40.0)
Total Interest Expenses	6,730	6,476	6,832	254	3.9	(102)	(1.5)
Interest Income, net	12,207	11,876	11,246	331	2.8	961	8.5
Net Interest Margin	4.33%	4.31%	4.32%				
Yield on Earning Assets	6.72%	6.66%	6.94%				
Cost of Funds	2.64%	2.60%	2.89%				

Consolidated	9M/14	9M/13	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	36,859	34,028	2,831	8.3
Interest on interbank and money market items	2,022	2,118	(96)	(4.5)
Hire purchase and financial lease income	15,069	14,540	529	3.6
Investments and trading transactions	113	125	(12)	(9.6)
Investments in debt securities	1,501	1,631	(130)	(8.0)
Total Interest Income	55,564	52,442	3,122	6.0
INTEREST EXPENSE				
Interest on deposits	11,596	11,683	(87)	(0.7)
Interest on interbank and money market items	1,130	1,091	39	3.6
Interest on borrowings	4,209	4,094	115	2.8
Contributions to Financial Institution Development Fund and Deposit Protection Agency	3,034	2,714	320	11.8
Borrowing fee expenses	4	5	(1)	(20.0)
Other interest expenses	11	14	(3)	(21.4)
Total Interest Expenses	19,984	19,601	383	2.0
Interest Income, net	35,580	32,841	2,739	8.3
Net Interest Margin	4.26%	4.33%		
Yield on Earning Assets	6.65%	6.92%		
Cost of Funds	2.64%	2.85%		

For the third quarter period ended September 30, 2014

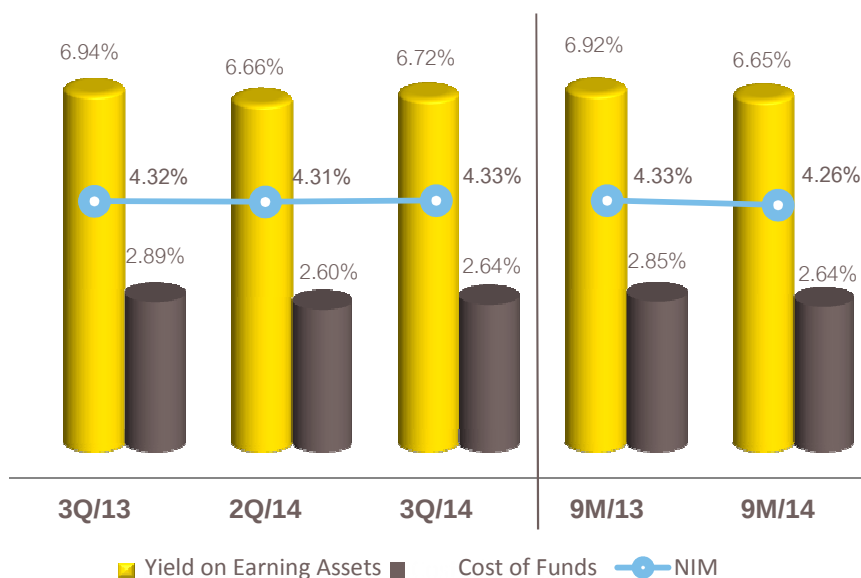
Net interest income in the third quarter was Baht 12,207 million, representing an increase of 2.8% on a quarter-on-quarter basis, and 8.5% on a year-on-year basis, as interest income grew by a larger magnitude than interest expense.

For the nine-month period ended September 30, 2014

In the first nine month of 2014, net interest income reached Baht 35,580 million, an increase of Baht 2,739 million, or 8.3%, compared to the same period last year, resulting primarily from higher loans and hire purchase volumes. Correspondingly, interest expense increased mainly from the increase in borrowing and deposit costs reflecting a higher volume of deposits outstanding to support business growth.

In 3Q/14, NIM improved to 4.33%, compared to 4.31% in the prior quarter. Cost of funds was 2.64% in 3Q/14, a slight increase from 2.60% in 2Q/14, reflecting a higher cost of deposits. Meanwhile, the overall yield improved to 6.72% in 3Q/14 from 6.66% in 2Q/14.

Net Interest Margin (NIM)



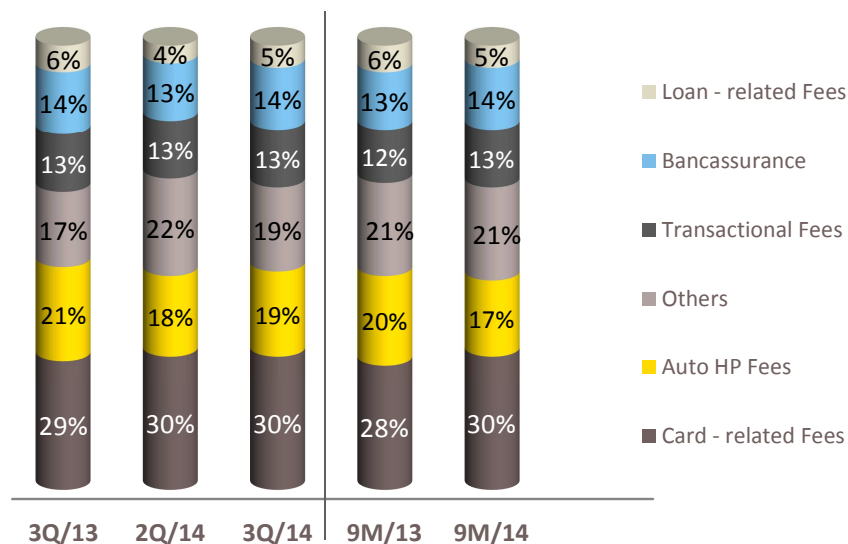
	Aug-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Sep-14
Policy Rate	2.50%	2.25%	2.25%	2.25%	2.25%	2.00%	2.00%	2.00%
Krungsri Lending Rate	7.375%	7.375%	7.25%	7.25%	7.25%	7.125%	7.125%	7.125%
Saving Rate	0.60%	0.60%	0.50%	0.50%	0.50%	0.40%	0.40%	0.40%
3 - month deposits	1.70-2.00%	1.70-2.00%	1.60-2.00%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

2.2 Net Fees and Service Income

Consolidated	3Q/14	2Q/14	3Q/13	Change QoQ		Change YoY	
			Restated	Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	126	129	130	(3)	(2.3)	(4)	(3.1)
Other fees and service income	4,722	4,504	4,446	218	4.8	276	6.2
Fees and service income	4,848	4,633	4,576	215	4.6	272	5.9
Fees and service expense	1,081	1,043	1,058	38	3.6	23	2.2
Fees and Service Income, net	3,767	3,590	3,518	177	4.9	249	7.1

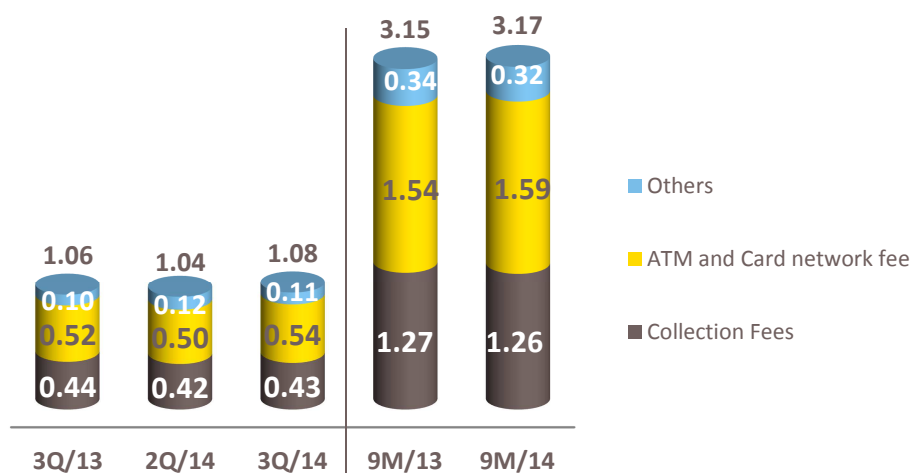
Consolidated	9M/14	9M/13	Change YoY	
		Restated	Baht mn	%
Acceptances, aval and guarantees	382	376	6	1.6
Other fees and service income	13,590	13,428	162	1.2
Fees and service income	13,972	13,804	168	1.2
Fees and service expense	3,167	3,154	13	0.4
Fees and Service Income, net	10,805	10,650	155	1.5

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the third quarter period ended September 30, 2014

Net fees and service income increased Baht 177 million, or 4.9% quarter-on-quarter, mainly driven by an increase in loan-related, Bancassurance and wealth, fund management & securities-related fees.

On a year-on-year basis, net fees and service income increased 7.1%, largely driven by a 35% increase in wealth, fund management & securities-related fees. Meanwhile, card-related fees improved 15.7%.

For the nine-month period ended September 30, 2014

Compared with 9M/13, net fees and service income increased by Baht 155 million, or 1.5%, driven by card-related fees up 16.6%, Bancassurance up 6%, and wealth, fund management & securities-related fees up 5%.

2.3 Non-interest and Non-fees Income

Consolidated	3Q/14	2Q/14	3Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign							
exchange transactions	334	351	382	(17)	(4.8)	(48)	(12.6)
Gains (losses) on investments	438	115	73	323	280.9	365	500.0
Share of profit (loss) from investment for							
using equity method	33	58	49	(25)	(43.1)	(16)	(32.7)
Bad debt recoveries	734	687	822	47	6.8	(88)	(10.7)
Other operating income	524	560	418	(36)	(6.4)	106	25.4
Total Non-interest and Non-fees Income	2,063	1,771	1,744	292	16.5	319	18.3

Consolidated	9M/14	9M/13	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign				
exchange transactions	1,110	1,210	(100)	(8.3)
Gains (losses) on investments	578	390	188	48.2
Share of profit (loss) from investment for				
using equity method	153	154	(1)	(0.6)
Bad debt recoveries	2,133	3,055	(922)	(30.2)
Other operating income	1,501	1,980	(479)	(24.2)
Total Non-interest and Non-fees Income	5,475	6,789	(1,314)	(19.4)

For the third quarter period ended September 30, 2014

On a quarter-on-quarter basis, non-interest and non-fees income increased by Baht 292 million, or 16.5%, driven primarily by gains in Available For Sale (AFS) investments, reflecting improved capital market developments during the period.

On a year-on-year basis, non-interest and non-fees income increased by Baht 319 million, or 18.3%, driven primarily by gains in Available For Sale (AFS) investments and gains on sales of property.

For the nine-month period ended September 30, 2014

For the first nine months of 2014, non-interest and non-fees income decreased by Baht 1,314 million, or 19.4%, driven primarily by a decrease in bad debt recoveries of Baht 922 million and lower gains on NPA sales of Baht 444 million.

2.4 Other Operating Expenses

Consolidated	3Q/14	2Q/14	3Q/13 Restated	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	4,046	4,004	3,769	42	1.0	277	7.3
Premises and equipment expenses	1,632	1,586	1,444	46	2.9	188	13.0
Taxes and duties	577	569	550	8	1.4	27	4.9
Directors' remuneration	13	13	9	0	0.0	4	44.4
Other expenses	2,291	2,304	2,640	(13)	(0.6)	(349)	(13.2)
Total Other Operating Expenses	8,559	8,476	8,412	83	1.0	147	1.7

Consolidated	9M/14	9M/13 Restated	Change YoY	
			Baht mn	%
Employee's expenses	12,085	11,363	722	6.4
Premises and equipment expenses	4,803	4,331	472	10.9
Taxes and duties	1,723	1,615	108	6.7
Directors' remuneration	35	26	9	34.6
Other expenses	6,695	6,896	(201)	(2.9)
Total Other Operating Expenses	25,341	24,231	1,110	4.6

For the third quarter period ended September 30, 2014

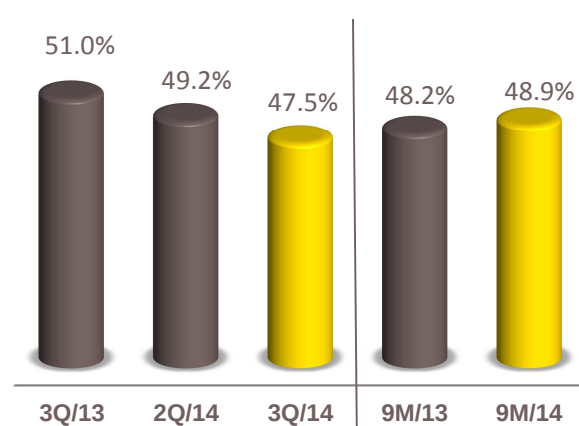
On a quarter-on-quarter basis, operating expenses increased slightly by Baht 83 million, or 1.0%, driven by an increase in premises and equipment expenses of Baht 46 million, or 2.9%, mainly due to an increase in depreciation expenses of fixed assets and IT service expenses.

Operating expenses increased by Baht 147 million, or 1.7%, compared to 3Q/13, driven by an increase in employee's expenses of Baht 277 million, or 7.3%, mainly due to annual merit increases, and an increase in premises and equipment expenses of Baht 188 million, or 13.0%, offset by a decrease in other expenses of Baht 349 million, or 13.2%, driven by a decrease in reserve for impairment loss on NPA and other assets.

For the nine-month period ended September 30, 2014

For first nine months of 2014, operating expenses increased by Baht 1,110 million, or 4.6%, driven by an increase in employee expenses of Baht 722 million, or 6.4%, mainly due to annual merit increases, and an increase in premises and equipment expenses of Baht 472 million, or 10.9%, mainly driven by higher depreciation expense on fixed assets. Meanwhile, other expenses decreased by Baht 201 million, mainly due to a decrease in reserve for commitments and impairment losses, offset by the reversal of a reserve on TAMC recorded in 2Q/13.

Cost to Income Ratio



In 3Q/14, the cost-to-income ratio significantly improved to 47.5%, from 49.2% in 2Q/14, mirroring our disciplined expenses management.

2.5 Impairment loss of loans and debt securities

Consolidated	3Q/14	2Q/14	3Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Impairment loss on debt instrument	0	0	(27)	0	0.0	27	100.0
Bad Debt and Doubtful Accounts	4,548	3,918	1,984	630	16.1	2,564	129.2
Loss on Debt Restructuring	341	337	1,192	4	1.2	(851)	(71.4)
Total impairment loss of loan and debt securities	4,889	4,255	3,149	634	14.9	1,740	55.3

Consolidated	9M/14	9M/13	Change YoY	
			Baht mn	%
Impairment loss on debt instrument	0	(27)	27	100.0
Bad Debt and Doubtful Accounts	12,159	10,874	1,285	11.8
Loss on Debt Restructuring	1,068	1,290	(222)	(17.2)
Total impairment loss of loan and debt securities	13,227	12,137	1,090	9.0

Loan loss provisions in the current period amounted to Baht 4,889 million, a increase of Baht 634 million from the prior quarter, corresponding to the acceleration in loan growth in 3Q/14, and an increase in NPLs driven largely by the SME segment and the classification of one corporate account on a qualitative basis.

As of September 30, 2014, our total provision was Baht 42,470 million, with an excess provision over Bank of Thailand's reserve requirements of Baht 14,147 million, representing 149.9% of the Bank of Thailand's reserving requirements. The loan loss coverage ratio was 123.1%.

3. Financial Status

3.1 Financial Position

Consolidated	As at Sep. 30, 14	As at Jun. 30, 14	As at Dec. 31, 13 Restated	Change from Jun. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	24,288	26,091	28,216	(1,803)	(6.9)	(3,928)	(13.9)
Interbank and money market items, net	103,242	99,086	87,027	4,156	4.2	16,215	18.6
Investments, net	75,900	76,059	73,274	(159)	(0.2)	2,626	3.6
Investments in subsidiaries and associates, net	1,212	529	1,059	683	129.1	153	14.4
Loans to customers	1,019,950	990,811	988,014	29,139	2.9	31,936	3.2
Accrued interest receivable	2,666	2,587	2,648	79	3.1	18	0.7
Deferred revenue	(45,052)	(44,789)	(44,511)	(263)	(0.6)	(541)	(1.2)
Allowance for doubtful accounts	(40,413)	(38,688)	(37,466)	(1,725)	(4.5)	(2,947)	(7.9)
Revaluation allowance for debt restructuring	(1,636)	(1,623)	(1,520)	(13)	(0.8)	(116)	(7.6)
Properties for sale, net	5,858	6,444	6,865	(586)	(9.1)	(1,007)	(14.7)
Others	91,159	78,079	76,000	13,080	16.8	15,159	19.9
TOTAL ASSETS	1,237,174	1,194,586	1,179,606	42,588	3.6	57,568	4.9
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	806,182	783,779	764,050	22,403	2.9	42,132	5.5
Interbank and money market items, net	75,590	56,288	55,497	19,302	34.3	20,093	36.2
Debt issued and borrowings	151,412	166,585	174,605	(15,173)	(9.1)	(23,193)	(13.3)
Others	75,521	61,007	63,901	14,514	23.8	11,620	18.2
TOTAL LIABILITIES	1,108,705	1,067,659	1,058,053	41,046	3.8	50,652	4.8
Issued and paid-up share capital	60,741	60,741	60,741	0	0.0	0	0.0
Retained earning	45,758	44,613	40,158	1,145	2.6	5,600	13.9
Others	21,970	21,573	20,654	397	1.8	1,316	6.4
TOTAL SHAREHOLDERS' EQUITY	128,469	126,927	121,553	1,542	1.2	6,916	5.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,237,174	1,194,586	1,179,606	42,588	3.6	57,568	4.9
Book value per share (Baht)	21.15	20.90	20.01	0.25	1.2	1.14	5.7

As of September, 2014, total assets reached Baht 1,237,174 million, representing an increase of Baht 57,568 million, or 4.9%, from December 2013, largely driven by net loan volume of Baht 31,396 million, or 3.3%, and interbank and money market items of Baht 16,215 million, or 18.6%. The increase in interbank and money market items was mainly driven by an increase in repurchase agreements of Baht 5,295 million for transactions executed as an active Primary Dealer and an increase in loans to Financial Institutions of Baht 11,925 million.

Compared to 2Q/14, total assets grew by Baht 42,588 million, or 3.6%, driven by an increase in net loan volume of Baht 28,875 million, or 3.1%. Meanwhile, other assets increased by Baht 13,080 million or 16.8%, mainly from an increase in claims on securities from repurchase agreements of Baht 15,259 million, or 95.0%, offset by a decrease of account receivables for investment.

On a year-to-date basis, liabilities grew 4.8%, or Baht 50,652 million. The growth in liabilities was driven by an increase in deposits of 5.5%, or Baht 42,132 million. The deposit growth reflected our successful launch of the “8-month Step Up Time Deposit” in June 2014. Meanwhile, debt issued and borrowings decreased 13.3%, or Baht 23,193 million, due mainly to a decrease in bills of exchange of Baht 12,924 million.

Compared to 2Q/14, liabilities grew 3.8%, or Baht 41,046 million, in 3Q/14. The growth in liabilities was driven by an increase in deposits of 2.9%, or Baht 22,403 million, mainly from time deposits, and an increase in interbank and money market items of Baht 19,302 million, or 34.3%, largely driven by an increase of repurchase agreements. Meanwhile, debt issued and borrowings decreased 9.1%, or Baht 15,713 million, mainly driven by a decrease in debentures of Baht 9,368 million.

Total shareholders’ equity rose to Baht 128,469 million, an increase of Baht 6,916 million, or 5.7%, from December 2013. The increase was mainly due to equity holders’ net income of Baht 10,358 million in 9M/14. This increase was partially offset by dividends paid of Baht 4,859 million.

Book value per share as of September, 2014 increased 5.7% to Baht 21.15 from Baht 20.01 at the end of 2013.

3.2 Loans to customers

3.2.1 Loans by segment^{2/}

Consolidated	Sep. 30, 14	Jun. 30, 14	Dec. 31, 13 Restated	Change from June. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Corporate	274,419	260,759	269,392	13,660	5.2	5,027	1.9
SMEs	218,597	210,576	206,452	8,021	3.8	12,145	5.9
Retail	481,882	474,688	467,658	7,194	1.5	14,224	3.0
- Hire purchase	237,305	235,956	232,472	1,349	0.6	4,833	2.1
- Housing	130,227	126,340	120,571	3,887	3.1	9,656	8.0
- Credit cards and personal loans	114,350	112,392	114,615	1,958	1.7	(265)	(0.2)
Total *	974,898	946,023	943,502	28,875	3.1	31,396	3.3

* Loans to customers net of deferred income

As at September 30, 2014, total outstanding loans stood at Baht 974,898 million, an increase of Baht 28,875 million, or 3.1%, from the previous quarter.

For the first nine months of 2014, loan growth of 3.3% was broad-based across all customer segments. Retail loans grew by 3.0% while SME and corporate loans achieved 5.9% and 1.9% growth, respectively.

Under the retail segment, **housing loans** grew strongly at 8.0% on a year-to-date basis, and 3.1% during the quarter, on the back of improved economic conditions and positive sentiments in the residential homes market.

Auto hire purchase loans recorded 2.1% growth year-to-date, and 0.6% growth during the third quarter. The pace of growth for auto loans has moderated in the third quarter in line with slower domestic car sales.

Krungsri's **credit cards and personal loans** contracted by 0.2% year-to-date. However, improving economic conditions contributed to credit cards and personal loans growth of 1.7% during the third quarter.

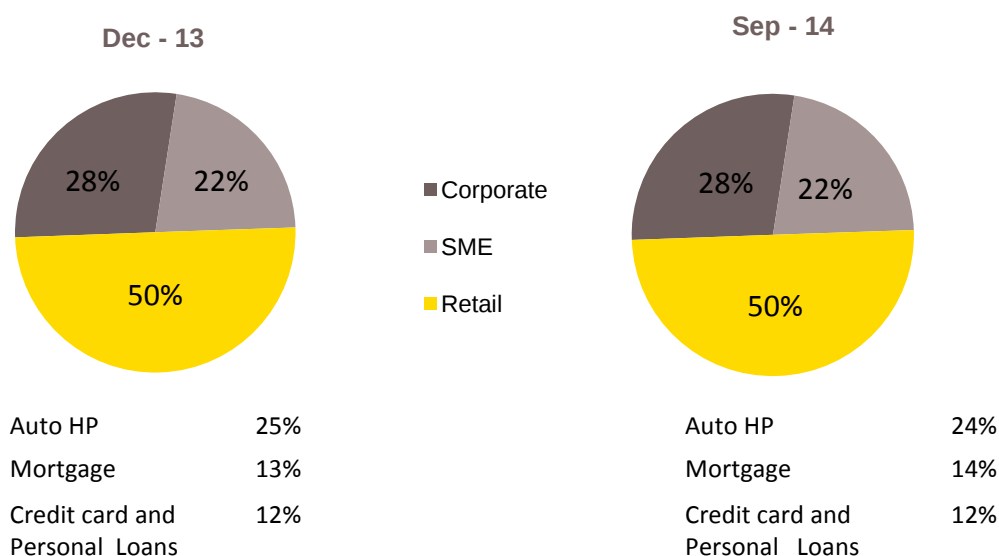
The **SME's portfolio** grew 5.9% year-to-date, and 3.8% during the third quarter. The continuing success in SME product programs and Krungsri value chain solutions contributed to strong and broad-based SME growth.

^{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.

Corporate loans recorded a notable growth of 5.2% in 3Q/14, driven by an increase in both working capital requirements and term loans, supported by business seasonality. Year-to-date, corporate loans increased 1.9%.

For the remainder of 2014, the continued economic recovery, supported by improving business confidence and a rebound of private and public spending, will safeguard the sustained growth momentum for both loans and fee income. In particular, given the seasonal rise in business volume in the fourth quarter for both retail and commercial lending, we project our loan growth at 7% for the full year.

Loan Composition (Restated)



3.2.2 Loan classification and provision

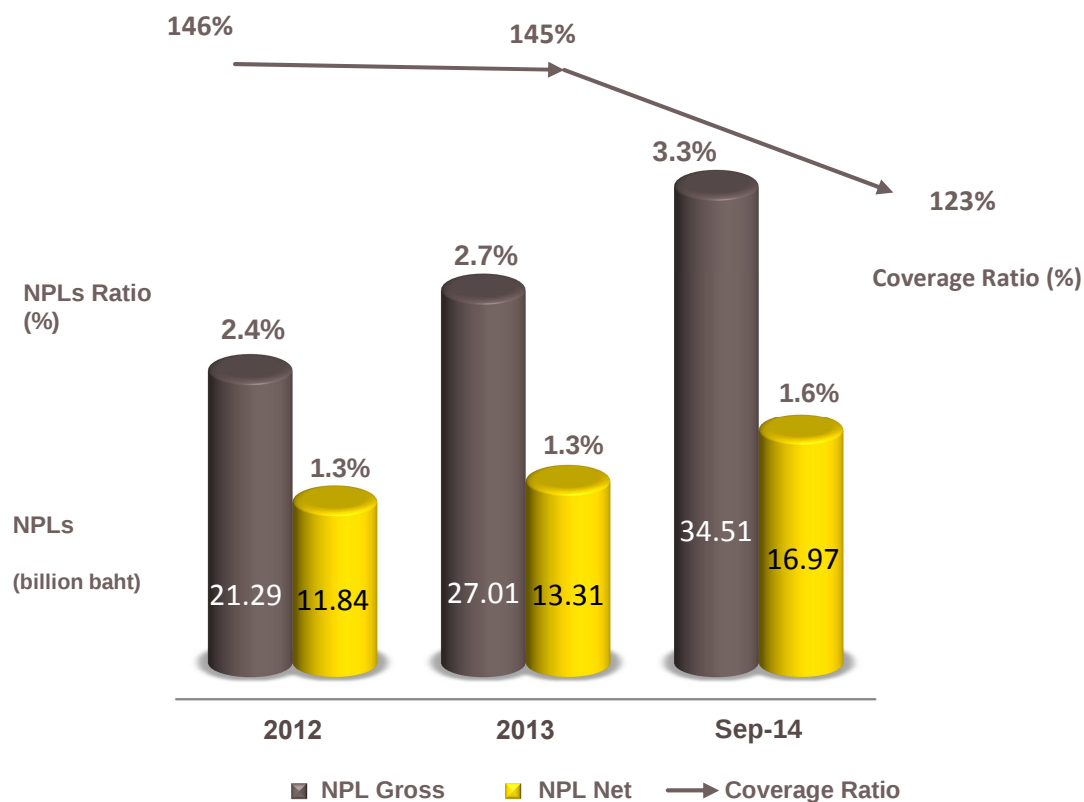
Unit : Baht mn

Consolidated	Sep. 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	911,628	6,002	883,380	5,713	28,248	289
Special mention	31,427	3,195	35,748	3,664	(4,321)	(469)
Substandard	9,532	4,813	9,207	4,419	325	394
Doubtful	11,450	4,305	11,014	5,706	436	(1,401)
Doubtful of loss	13,527	7,951	6,801	3,197	6,726	4,754
Total	977,564	26,266	946,150	22,699	31,414	3,567
Surplus Reserve		14,147		14,767		(620)
Total	977,564	40,413	946,150	37,466	31,414	2,947

3.2.3 Non-performing loans

Consolidated	Sep 30, 14	Jun 30, 14	Dec 31, 13	Change from June 30, 14		Change from Dec 31, 13	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	16,974	14,380	13,308	2,594	18.0	3,666	27.5
Non-Performing Loans (Gross)	34,505	30,254	27,014	4,251	14.1	7,491	27.7
Loans loss reserves (LLR)	42,470	40,643	39,185	1,827	4.5	3,285	8.4
Coverage Ratio	123.1%	134.3%	145.1%	(11.2%)	(8.3)	(22.0%)	(15.2)
BOT Requirement	28,323	26,464	24,418	1,859	7.0	3,905	16.0
Actual / Required LLR	149.9%	153.6%	160.5%	(3.7%)	(2.4)	(10.6%)	(6.6)

NPLs and Coverage Ratio



As of September 30, 2014, gross NPLs stood at Baht 34,505 million. Gross NPLs increased Baht 4,251 million from June 2014, driven largely by the SME segment and the classification of one corporate account on a qualitative basis. The ratio of gross NPLs to total loans at 3Q/14 stood at 3.26%, compared to 2.92% in 2Q/14.

Total provisions stood at Baht 42,470 million, with an excess provision over Bank of Thailand requirements of Baht 14,147 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 149.9%, while the Group's coverage ratio was 123.1%.

3.3 Funding Structure

Consolidated	Sep. 30, 14	Jun. 30, 14	Dec. 31, 13	Change from June. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Current	22,095	19,381	19,470	2,714	14.0	2,625	13.5
Savings	386,086	393,005	383,471	(6,919)	(1.8)	2,615	0.7
Time	398,001	371,393	361,109	26,608	7.2	36,892	10.2
< 6 months	74,316	101,905	133,061	(27,589)	(27.1)	(58,745)	(44.1)
6M - 1 Year	205,192	151,738	127,010	53,454	35.2	78,182	61.6
> 1 Year	118,493	117,750	101,038	743	0.6	17,455	17.3
Total Deposit	806,182	783,779	764,050	22,403	2.9	42,132	5.5
B/E	25,726	31,517	38,649	(5,791)	(18.4)	(12,923)	(33.4)
Debenture	90,812	100,180	101,053	(9,368)	(9.4)	(10,241)	(10.1)
Total Funding	922,720	915,476	903,752	7,244	0.8	18,968	2.1

As of September 30, 2014, overall funding for the Bank, including deposits, bills of exchange and debentures, increased Baht 18,968 million, or 2.1%, from December 2013.

Deposits totaled Baht 806,182 million, an increase of Baht 42,132 million, or 5.5%, from December 2013. The deposit growth reflected our successful launch of the "8-month Step Up Time Deposit" in June 2014. Meanwhile, "Mee Tae Dai" and "Jad Hai", our special savings products, continued to grow exceeding Baht 182,000 million as of September 2014.

As a result of the strong success of the "8-month Step Up Time Deposit", the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased to 50.6%, compared to 52.7% as of December 2013.

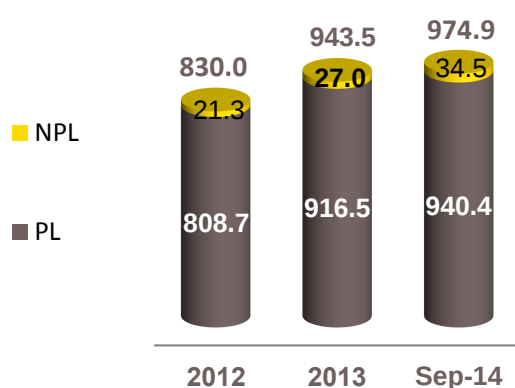
Bills of exchange (B/E) totaled Baht 25,726 million, a decrease of Baht 12,923 million, or 33.4%, from December 2013.

Debentures stood at Baht 90,812 million as of September 2014, a decrease of Baht 10,241 million, or 10.1%, from December 2013.

Consequently, the loan to deposit ratio improved to 121%, while the loan to deposit plus B/E and debentures ratio increased to 106%.

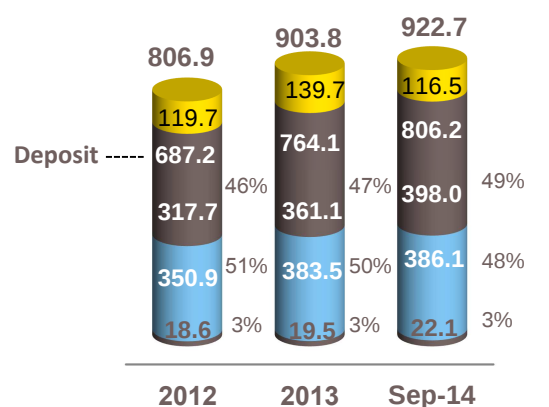
Loans

Unit: Baht Billion



Deposits + B/E + Debenture

Unit: Baht Billion



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

	2012	2013	Sep -14
L/D	121%	123%	121%
L/D+B/E+Debentures	103%	104%	106%

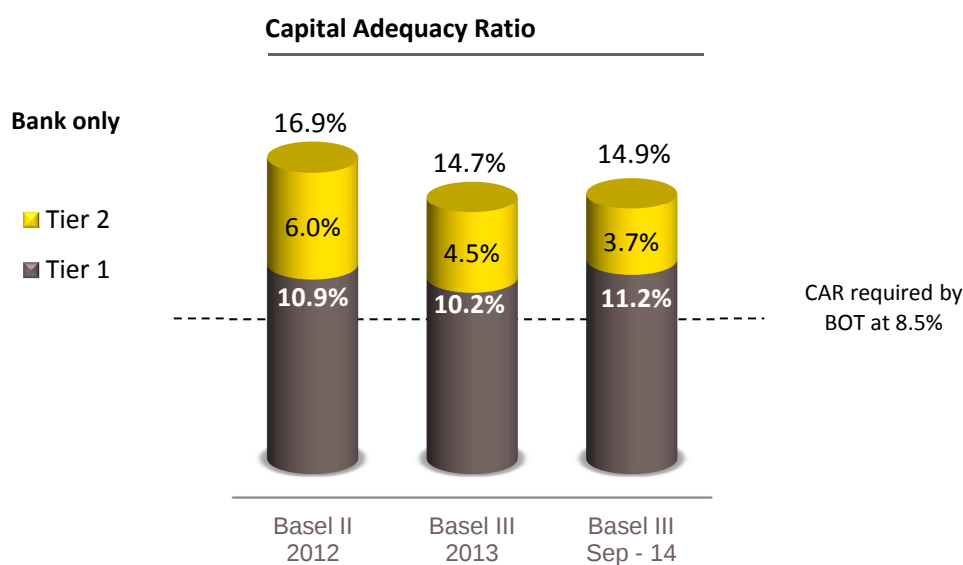
3.4 Contingencies

Consolidated	Sep. 30, 14	Jun. 30, 14	Dec. 31, 13	Change from June. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,785	898	1,315	887	98.8	470	35.7
Liability under unmatured import bills	6,779	1,468	1,559	5,311	361.8	5,220	334.8
Letters of credit	7,413	8,479	9,335	(1,066)	(12.6)	(1,922)	(20.6)
Other contingencies	108,348	108,560	102,337	(212)	(0.2)	6,011	5.9
Total	124,325	119,405	114,546	4,920	4.1	9,779	8.5

The Krungsri Group's contingencies as of September 30, 2014, totaled Baht 124,325 million, an increase of Baht 9,779 million, or 8.5%, from December 31, 2013. This increase was driven mainly by an increase in liability under unmatured import bills of Baht 5,311 million.

Statutory Capital

As of September 30, 2014, the Bank's capital remained strong at Baht 133,816 million, equivalent to 14.9% of risk-weighted assets with 11.2% 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	Sep -14
	Basel II	Basel III	Basel III
Tier 1	81.75	84.73	100.35
Tier 2	44.80	37.60	33.47
Total Capital	126.55	122.33	133.82

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 September 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	1H/14	3Q/14	9M/14	2014 Targets	
Loan Growth (Net)	+113.5 bn +13.7%	+2.5 bn +0.3%	+28.9 bn +3.1%	+31.4 bn +3.3%	7%	✓
NPLs Ratio	2.67%	2.92%	3.26%	3.26%	~ 2.9%*	~
Deposit Mix: Savings and Current	53%	53%	51%	51%	~ 50%	✓
Loan Mix : Retail	50%	50%	50%	50%	n.d.	✓
L/D Ratio	123%	121%	121%	121%	n.d.	✓
L/Deposit+Debentures+B/E	104%	103%	106%	106%	100%	~
NIM	4.37%	4.25%	4.33%	4.26%	~ 4.2%	✓
Fee income growth (YoY)	12.8%	-1.1%	6.0%	1.2%	5%*	~
Cost to Income Ratio	48.91%	49.62%	47.45%	48.86%	< 49%	✓
Provisions	200 bps**	173 bps	197 bps	178 bps	~ 170 bps	~
Loan Loss Coverage	145%	134%	123%	123%	125-130%*	~
CAR (Bank Only)	14.7%	14.2%	14.9%	14.9%	n.d.	✓

* Revised target

** 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.