krungsri
กรุงศรี

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"Make Life Simple
เรื่องเงิน เรื่องง่าย"

Management Discussion and Analysis

For the quarter and year ended
December 31, 2016

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Executive Summary:

In 2016, amid a moderate economic recovery and volatile operating environment, our execution under Mid-Term Business Plan progressed as planned, resulting a robust financial performance, healthy loan growth, and regional footprint expansion with the successful acquisition of Hattha Kaksekar Limited (HKL) in Cambodia.

Krungsri's Group **net profit** of Baht 21,404 million was remarkably achieved in 2016, representing a significant 14.9% increase from 2015. The increase in net profit was attributed to substantially higher net interest income, driven by loan growth and the improvement in funding cost. Meanwhile, an increase in non-interest income, supported by enhanced capabilities, also contributed to the robust earnings.

Loans reached Baht 1,448,882 million, an increase of Baht 145,428 million, or 11.2%, from the year earlier. In 2016, the retail segment was the key contributor with notable growth of 15.9% underscored with a broad-based expansion in auto hire purchase, mortgage, credit cards, and personal loans as well as integrated HKL loans. Also, corporate and SME loans grew strongly by 8.0% and 6.5% respectively.

Deposits totaled Baht 1,108,288 million, an increase of Baht 61,998 million, or 5.9%, from December 2015, mainly resulting from an increase in savings deposit of Baht 41,329 million and deposit from HKL.

Non-interest income increased 11.7% from 2015, mainly driven by an increase in net fees and service income, namely from card-related and bancassurance businesses, and also by an increase in other non-interest income, namely from gains on trading and foreign exchange transactions, gain on investment, and income from bad debt recoveries.

Throughout 2016, Krungsri continued to be vigilant on risk management practices together with ongoing efforts to resolve NPLs. The Bank sold Baht 2,878 million of NPLs in 2016. **Non-performing loans** recorded at 2.21% in 2016.

Meanwhile, our **total provision** stood at Baht 49,900 million, with an excess provision over the Bank of Thailand's reserve requirements of Baht 16,056 million, representing 147.4% of the Bank of Thailand's reserving requirements. Concurrently, the loan loss coverage ratio was strong at 143.3%.

Corresponding to the higher net profit, **earnings per share** (EPS) increased to Baht 2.91 in 2016 from Baht 2.54 in 2015.

As for the outlook for 2017, we expect a continued and broad-based economic growth momentum with GDP growth of 3.3%. Government investment will provide key catalyst for growth, along with the expected recovery in private consumption, exports and tourism sector. Supportive operating environment, combined together with MUFG's competitive strengths, we forecast a loan growth of 6-8%, underscoring our vigilant risk management practices.

NIM: 3.74%	*Coverage Ratio: 143.3%*
Net Profit: At Baht 21.4 billion	*NPL: 2.21% Of Total loans*

Summary of Financial Performance and Status:

Key 2016 deliverables:

- **Loan Growth:**

  Robustly increased 11.2%, or Baht 145,428 million, compared to December 2015, and increased 3.2%, or Baht 44,943 million, compared to September 2016.

- **Deposit Growth:**

  Increased 5.9%, or Baht 61,998 million, compared to December 2015, and increased 2.1% or Baht 22,737 million, compared to September 2016.

- **Net Profit:**

  Strongly recorded at Baht 21,404 million, representing a 14.9% increase over 2015, driven by higher net interest income supported by robust loan growth and higher non-interest income.

- **Net Interest Margin (NIM):**

  Recorded at 3.74% in 2016.

- **Non-Interest Income:**

  Increased 11.7% or Baht 3,087 million from 2015, mainly driven by an increase in net fees and service income, namely from card-related and bancassurance businesses, and also by an increase in other non-interest income, namely from gains on trading and foreign exchange transactions, gain on investment, and income from bad debt recoveries.

- **Cost to Income Ratio:**

  Recorded at 47.1%, same level as in 2015.

- **Non-Performing Loans (NPLs):**

  Recorded at 2.21%, decreasing from 2.24% in 2015.

- **Coverage Ratio:**

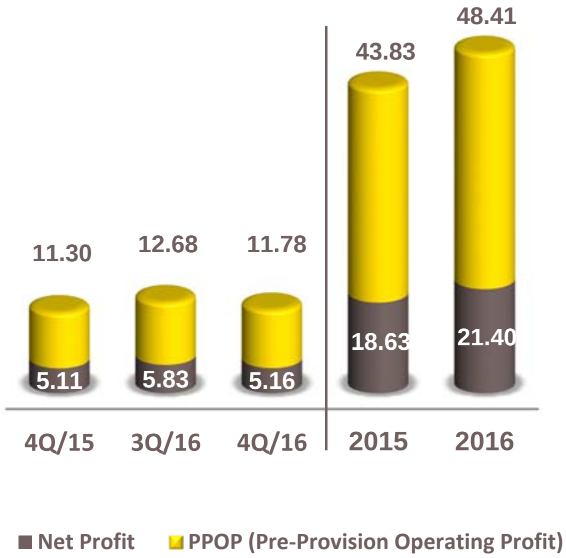
  Stood at 143.3%.

- **Capital Adequacy Ratio:**

  Recorded at 14.2% compared to 13.6% recorded in December 2015.

PPOP & Net Profit

Unit: Baht Billion



For the year ended December 31, 2016

In 2016, operating profit was Baht 48,407 million, representing an increase of Baht 4,581 million, or 10.5% from 2015, driven by higher net interest income as a result of higher interest income from loan growth along with a significant decline in interest expense, together with higher non-interest income.

Net profit increased to Baht 21,404 million in 2016, representing a 14.9% increase over 2015, attributed to higher operating profits, offsetting with an increase in operating expenses and higher provision expense.

For the fourth quarter ended December 31, 2016

In 4Q/16, net profit totaled Baht 5,156 million, an increase of Baht 49 million, or 1.0%, year-on-year, driven by higher net interest income and net fees and service income.

On a quarter-on-quarter basis, net profit decreased Baht 673 million, or 11.5%, mainly owing to a decrease in non-interest and non-fees income from bad debt recovery income realized in 3Q/16.

1. Statements of Profit or Loss and Other Comprehensive Income

Consolidated Statements of Profit or Loss and Other Comprehensive Income	4Q/16	3Q/16	4Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	22,489	21,475	20,685	1,014	4.7	1,804	8.7
Interest Expenses	6,338	5,897	6,047	441	7.5	291	4.8
Interest Income, Net	**16,151**	**15,578**	**14,638**	**573**	**3.7**	**1,513**	**10.3**
Fees and Service Income	6,334	6,082	5,911	252	4.1	423	7.2
Fees and Service Expense	1,612	1,481	1,487	131	8.8	125	8.4
Fees and Service Income, Net	**4,722**	**4,601**	**4,424**	**121**	**2.6**	**298**	**6.7**
Non-interest and Non-fees Income	2,639	3,376	2,525	(737)	(21.8)	114	4.5
Other Operating Expenses	11,730	10,880	10,285	850	7.8	1,445	14.0
Pre-Provision Operating Profit (PPOP)	**11,782**	**12,675**	**11,302**	**(893)**	**(7.0)**	**480**	**4.2**
Impairment Loss of Loan and Debt Securities	5,371	5,275	4,876	96	1.8	495	10.2
Income Tax Expense	1,188	1,494	1,276	(306)	(20.5)	(88)	(6.9)
Net Profit	**5,223**	**5,906**	**5,150**	**(683)**	**(11.6)**	**73**	**1.4**
Other Comprehensive income, net	(173)	2,369	(234)	(2,542)	(107.3)	61	26.1
Total Comprehensive income	**5,050**	**8,275**	**4,916**	**(3,225)**	**(39.0)**	**134**	**2.7**
Net Profit Attributable To							
Owners of the Bank	5,156	5,829	5,107	(673)	(11.5)	49	1.0
Non-Controlling Interest	67	77	43	(10)	(13.0)	24	55.8
Net Profit	**5,223**	**5,906**	**5,150**	**(683)**	**(11.6)**	**73**	**1.4**
Total Comprehensive Income Attributable To							
Owners of the Bank	4,985	8,198	4,873	(3,213)	(39.2)	112	2.3
Non-Controlling Interest	65	77	43	(12)	(15.6)	22	51.2
Total Comprehensive income	**5,050**	**8,275**	**4,916**	**(3,225)**	**(39.0)**	**134**	**2.7**
Earning Per Share (Baht)	**0.70**	**0.79**	**0.69**	**(0.09)**	**(11.4)**	**0.01**	**1.4**

Consolidated Statements of Profit or Loss and Other Comprehensive Income	2016	2015	Change YoY Baht mn	%
Interest Income	85,925	81,946	3,979	4.9
Interest Expense	23,948	25,596	(1,648)	(6.4)
Interest Income, Net	**61,977**	**56,350**	**5,627**	**10.0**
Fees and Service Income	24,142	22,670	1,472	6.5
Fees and Service Expense	5,967	5,440	527	9.7
Fees and Service Income, Net	**18,175**	**17,230**	**945**	**5.5**
Non-interest and Non-fees Income	11,335	9,193	2,142	23.3
Other Operating Expenses	43,080	38,947	4,133	10.6
Pre-Provision Operating Profit (PPOP)	**48,407**	**43,826**	**4,581**	**10.5**
Impairment Loss of Loan and Debt Securities	21,314	20,186	1,128	5.6
Income Tax Expense	5,409	4,788	621	13.0
Net Profit	**21,684**	**18,852**	**2,832**	**15.0**
Other Comprehensive income, net	2,303	(222)	2,525	1,137.4
Total Comprehensive income	**23,987**	**18,630**	**5,357**	**28.8**
Net Profit Attributable To				
Owners of the Bank	21,404	18,634	2,770	14.9
Non-Controlling Interest	280	218	62	28.4
Net Profit	**21,684**	**18,852**	**2,832**	**15.0**
Total Comprehensive Income Attributable To				
Owners of the Bank	23,709	18,410	5,299	28.8
Non-Controlling Interest	278	220	58	26.4
Total Comprehensive income	**23,987**	**18,630**	**5,357**	**28.8**
Earning Per Share (Baht)	**2.91**	**2.54**	**0.37**	**14.6**

2. Financial Performance

2.1 Net Interest Income

Consolidated	4Q/16	3Q/16	4Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	14,786	13,988	13,901	798	5.7	885	6.4
Interest on interbank and money market items	698	711	673	(13)	(1.8)	25	3.7
Hire purchase and financial lease income	6,389	6,198	5,502	191	3.1	887	16.1
Investments and trading transactions	46	38	23	8	21.1	23	100.0
Investments in debt securities	570	540	586	30	5.6	(16)	(2.7)
Total Interest Income	**22,489**	**21,475**	**20,685**	**1,014**	**4.7**	**1,804**	**8.7**
INTEREST EXPENSE							
Interest on deposits	3,106	3,026	3,620	80	2.6	(514)	(14.2)
Interest on interbank and money market items	920	789	488	131	16.6	432	88.5
Interest on borrowings	967	760	666	207	27.2	301	45.2
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,345	1,315	1,261	30	2.3	84	6.7
Borrowing fee expenses	(4)	3	9	(7)	(233.3)	(13)	(144.4)
Other interest expenses	4	4	3	0	0.0	1	33.3
Total Interest Expenses	**6,338**	**5,897**	**6,047**	**441**	**7.5**	**291**	**4.8**
Interest Income, net	**16,151**	**15,578**	**14,638**	**573**	**3.7**	**1,513**	**10.3**
Net Interest Margin	3.79%	3.77%	3.82%				
Yield on Earning Assets	5.27%	5.20%	5.40%				
Cost of Funds	1.64%	1.58%	1.73%				

Consolidated	2016	2015	Change YoY Baht mn	%
INTEREST INCOME				
Interest on loans	56,483	55,279	1,204	2.2
Interest on interbank and money market items	2,833	2,806	27	1.0
Hire purchase and financial lease income	24,322	21,312	3,010	14.1
Investments and trading transactions	139	87	52	59.8
Investments in debt securities	2,148	2,462	(314)	(12.8)
Total Interest Income	**85,925**	**81,946**	**3,979**	**4.9**
INTEREST EXPENSE				
Interest on deposits	12,450	15,454	(3,004)	(19.4)
Interest on interbank and money market items	3,202	1,665	1,537	92.3
Interest on borrowings	3,052	3,494	(442)	(12.7)
Contributions to Financial Institution Development				
Fund and Deposit Protection Agency	5,222	4,941	281	5.7
Borrowing fee expenses	7	28	(21)	(75.0)
Other interest expenses	15	14	1	7.1
Total Interest Expenses	**23,948**	**25,596**	**(1,648)**	**(6.4)**
Interest Income, net	**61,977**	**56,350**	**5,627**	**10.0**
Net Interest Margin	3.74%	4.15%		
Yield on Earning Assets	5.19%	6.04%		
Cost of Funds	1.59%	2.08%		

For the year ended December 31, 2016

For 2016, net interest income reached Baht 61,977 million, an increase of Baht 5,627 million or 10.0% compared to 2015 as interest income grew robustly, resulting primarily from loan growth. Interest expense declined from an improvement in funding costs, along with effective interest expense management.

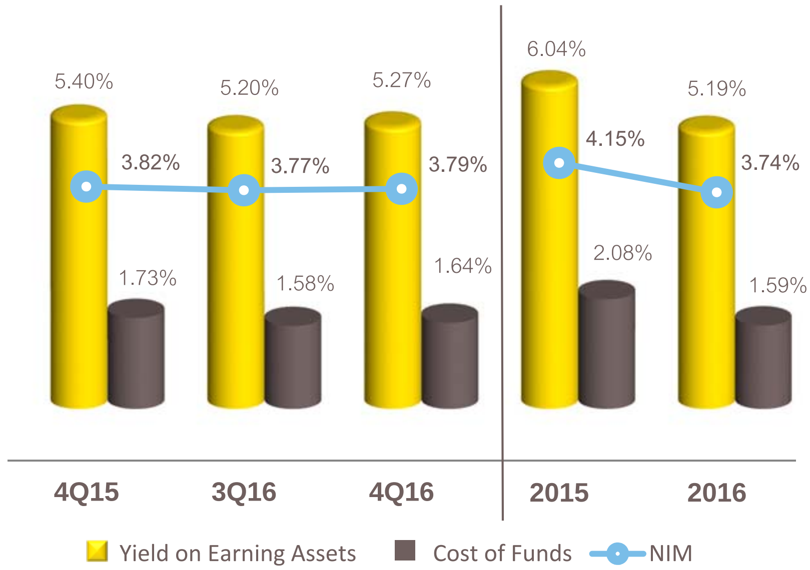
For the fourth quarter ended December 31, 2016

Net interest income in the fourth quarter was Baht 16,151 million, an increase of Baht 573 million, or 3.7% on a quarter-on-quarter basis driven by higher interest on loans. Meanwhile, interest expense increased as a result of an increase in borrowing from issuance of debenture as well as an increase in interest on interbank and money markets.

NIM recorded at 3.74% in 2016 in line with the Bank's guidance of 3.7%. Krungsri's NIM moderated from 4.15% in 2015 mainly owing to higher average earning assets computed as a result of integration of BTMU Bangkok Branch into Krungsri in January 2015. Overall yield on earning assets moderated to 5.19% in 2016, from 6.04% in 2015, resulting from lending rate reduction. Nevertheless, our cost of funds also improved to 1.59% from 2.08% in 2015 in line with interest rate trend in the market and our effective cost of fund management.

In 4Q/16, NIM improved to 3.79% compared to 3.77% in the prior quarter, mainly resulting from the higher yield on earning assets which recorded at 5.27% in 4Q/16, an increase from 5.20% in 3Q/16. While cost of funds increased from 1.58% in 3Q/16 to 1.64% in 4Q/16, reflecting an increase of interest expense on interbank and money markets as well as debenture issuance.

Net Interest Margin (NIM)

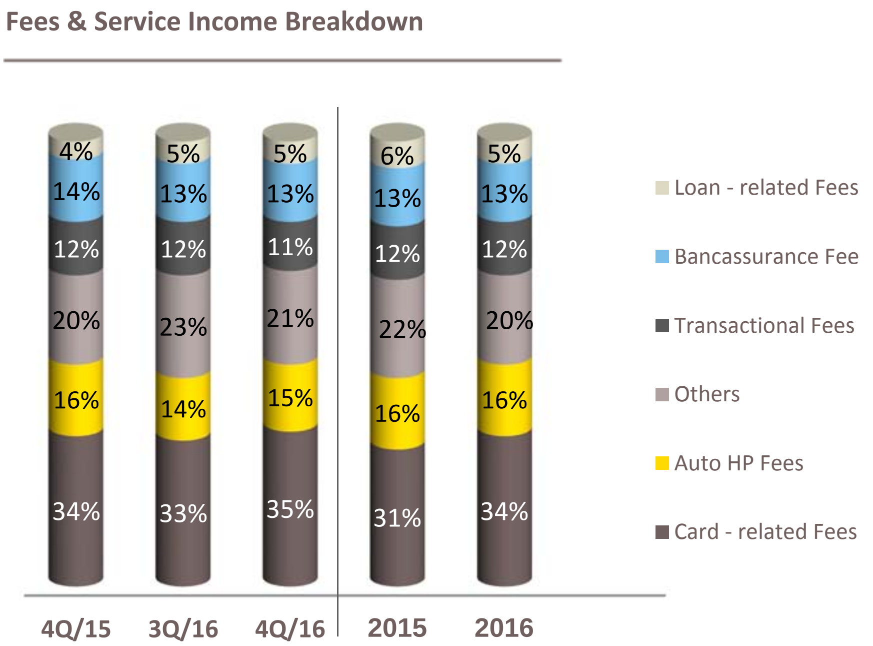


	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Policy Rate	2.00%	1.75%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Krungsri Lending Rate	7.125%	6.975%	6.85%	6.85%	6.85%	6.85%	6.60%	6.60%	6.60%
Saving Rate	0.40%	0.40%	0.40%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
3 - month deposits	1.10-1.30%	1.00-1.10%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%
6 - month deposits	1.35-1.50%	1.25-1.30%	1.00-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%
12 - month deposits	1.50-1.75%	1.25-1.50%	1.10-1.50%	1.10-1.50%	1.10-1.35%	1.10-1.35%	1.10-1.35%	1.10-1.35%	1.10-1.35%

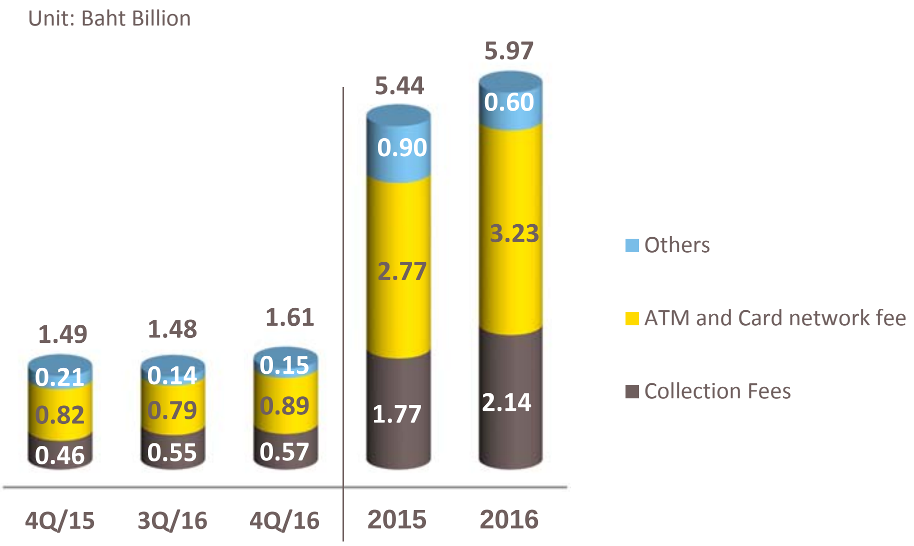
2.2 Net Fees and Service Income

Consolidated	4Q/16	3Q/16	4Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	130	128	125	2	1.6	5	4.0
Other fees and service income	6,204	5,954	5,786	250	4.2	418	7.2
Fees and service income	**6,334**	**6,082**	**5,911**	**252**	**4.1**	**423**	**7.2**
Fees and service expense	1,612	1,481	1,487	131	8.8	125	8.4
Fees and Service Income, net	**4,722**	**4,601**	**4,424**	**121**	**2.6**	**298**	**6.7**

Consolidated	2016	2015	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	501	521	(20)	(3.8)
Other fees and service income	23,641	22,149	1,492	6.7
Fees and service income	**24,142**	**22,670**	**1,472**	**6.5**
Fees and service expense	5,967	5,440	527	9.7
Fees and Service Income, net	**18,175**	**17,230**	**945**	**5.5**



Fees & Service Expense



For the year ended December 31, 2016

Net fees and service income in 2016 was Baht 18,175 million, increasing by Baht 945 million, or 5.5% compared with 2015. Fees and service income increased by Baht 1,472 million or 6.5%. The increase in fees and service income was mainly driven by a significant increase of 15.6% in card-related fees, a 10.7% increase in Bancassurance fees and a 4.2% increase in auto-hire purchase fees and a 2.2% increase in wealth & fund management & securities-related fees. Meanwhile, loan-related fees declined 6.7%. Fees and service expense increased 9.7%, mainly due to an increase in expense relating to card business and collection fee expenses.

For the fourth quarter ended December 31, 2016

Net fees and service income was Baht 4,722 million, increasing by Baht 121 million, or 2.6%, quarter-on-quarter. Fees and service income increased by Baht 252 million, or 4.1%, mainly driven by card-related fees, auto hire purchase fees and Bancassurance fees which recorded growth of 12.9%, 10.0% and 3.9% respectively. On the other hand, loan-related fees declined 7.9%, wealth, fund management & securities-related fees decreased by 6.1%, transactional fees decreased by 1.1%. Fees and service expense increased 8.8% mainly driven by seasonality card business growth.

On a year-on-year basis, net fees and service income increased Baht 298 million, or 6.7%, Fees and service income increased by Baht 423 million or 7.2%, largely driven by a significant increase of loan-related fees of 17.2%, an increase in wealth, fund management & securities-related fees of 10.7%, card-related fees of 10.6%, and Bancassurance fees of 2.9%. On the other hand, transactional fees decreased by 2.8% and auto hire purchase fees declined by 1.6%. Fees and service expense increased 8.4%

2.3 Non-interest and Non-fees Income

Consolidated	4Q/16	3Q/16	4Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign exchange transactions	1,086	1,023	855	63	6.2	231	27.0
Gains (losses) on investments	(15)	83	102	(98)	(118.1)	(117)	(114.7)
Share of profit (loss) from investment for using equity method	81	93	89	(12)	(12.9)	(8)	(9.0)
Bad debt recoveries	1,102	1,796	846	(694)	(38.6)	256	30.3
Other operating income	385	381	633	4	1.0	(248)	(39.2)
Total Non-interest and Non-fees Income	**2,639**	**3,376**	**2,525**	**(737)**	**(21.8)**	**114**	**4.5**

Consolidated	2016	2015	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign exchange transactions	3,905	3,216	689	21.4
Gains (losses) on investments	598	409	189	46.2
Share of profit (loss) from investment for using equity method	348	358	(10)	(2.8)
Bad debt recoveries	4,711	3,042	1,669	54.9
Other operating income	1,773	2,168	(395)	(18.2)
Total Non-interest and Non-fees Income	**11,335**	**9,193**	**2,142**	**23.3**

For the year ended December 31, 2016

Non-interest and non-fees income increased Baht 2,142 million, or 23.3%, driven primarily by an increase in bad debt recoveries of 54.9% mainly owing to a recovery of one syndicated loan in 3Q/16. Excluding this extraordinary recovery, non-interest and non-fees income would increase by 32.7%. Gains on trading and foreign exchange transactions increased by Baht 689 million, or 21.4% largely resulted from the Global Markets Group's enhanced capability. While gains on investments from Available-for-Sales (AFS) increased by Baht 189 million, or 46.2%. Other operating income decreased by Baht 395 million or 18.2% from a decrease in gain on sales of property for sale of 36.8% and a decrease of dividend income of 5.8%.

For the fourth quarter ended December 31, 2016

On a quarter-on-quarter basis, non-interest and non-fees income decreased by Baht 737 million or 21.8%, driven primarily by a significant decrease in bad debt recoveries income of 38.6%, mainly owing to a recovery of one syndicated loan recorded in 3Q/16. Excluding the aforementioned recovery, non-interest and non-fees income would record a slight decrease of 3.2%. Gains on investments from Available-for-Sale (AFS) portfolio decreased by 118.1%, reflected capital market volatility. Meanwhile, gains on trading and foreign exchange transactions increased by 6.2% and other operating income increased slightly by 1.0% from an increase in gain on sales of properties of 25.1% offsetting by a decrease in dividend income of 67.3%.

On a year-on-year basis, non-interest and non-fees income increased Baht 114 million, or 4.5%, mainly driven by an increase in bad debt recoveries income of 30.3% and gains on trading and foreign exchange transactions of Baht 231 million, or 27.0%. Meanwhile, other operating income decreased by Baht 248 million or 39.2%, mainly from a decrease in gains on sale of properties for sale of Baht 281 million or 79.5% and gains on investments from Available for Sales (AFS) decreased Baht 117 million, or 114.7%.

2.4 Other Operating Expenses

Consolidated	4Q/16	3Q/16	4Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	5,488	5,430	5,088	58	1.1	400	7.9
Premises and equipment expenses	2,010	1,831	1,759	179	9.8	251	14.3
Taxes and duties	640	633	633	7	1.1	7	1.1
Directors' remuneration	13	13	12	0	0.0	1	8.3
Other expenses	3,579	2,973	2,793	606	20.4	786	28.1
Total Other Operating Expenses	**11,730**	**10,880**	**10,285**	**850**	**7.8**	**1,445**	**14.0**

Consolidated	2016	2015	Change YoY	
			Baht mn	%
Employee's expenses	21,334	18,914	2,420	12.8
Premises and equipment expenses	7,356	6,831	525	7.7
Taxes and duties	2,544	2,548	(4)	(0.2)
Directors' remuneration	49	48	1	2.1
Other expenses	11,797	10,606	1,191	11.2
Total Other Operating Expenses	**43,080**	**38,947**	**4,133**	**10.6**

For the year ended December 31, 2016

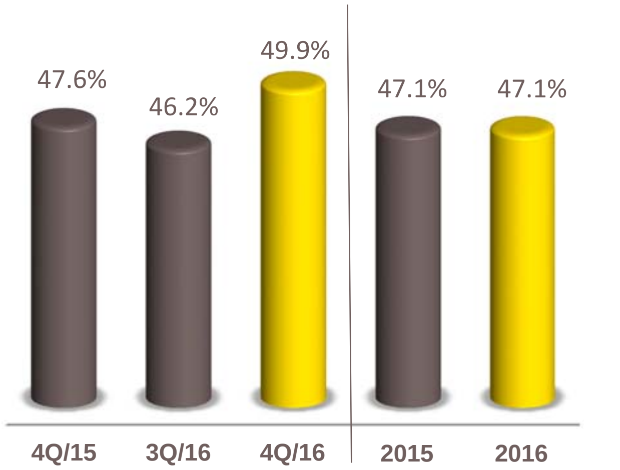
Other operating expenses increased Baht 4,133 million, or 10.6%, largely driven by an increase in employee's expense of Baht 2,420 million, mainly due to an increase in annual merit increase, staff promotions and incentives as well as additional expenses of Baht 135 million from HKL's employee. Other expenses increased Baht 1,191 million, or 11.2%, mainly from reversal impairment of NPA in 2015.

For the fourth quarter ended December 31, 2016

On a quarter-on-quarter basis, other operating expenses increased Baht 850 million, or 7.8%, driven by an increase in other expenses of Baht 606 million, mainly due to an increase in promotion expenses of Baht 446 million. Moreover, premises and equipment expenses increased Baht 179 million, driven by depreciation expense on fixed assets.

On a year-on-year basis, other operating expenses increased Baht 1,445 million, or 14.0%, mainly driven by an increase in other expenses of Baht 786 million, mainly from reversal impairment on NPA of Baht 308 million in 4Q/15. Employee's expenses increased Baht 400 million, or 7.9%, mainly due to an increase in staff salaries and incentives. Furthermore, premises and equipment expenses increased Baht 251 million, mainly driven by an increase in depreciation expense on fixed assets.

Cost to Income Ratio



The cost-to-income ratio recorded at 49.9% in 4Q/16, increasing from 46.2% in 3Q/16, mainly from an increase in other expenses relating to business activities and seasonality during 4Q/16.

In 2016, the cost-to-income ratio recorded at 47.1%, same level as in 2015.

2.5 Impairment loss of loans and debt securities

Consolidated	4Q/16	3Q/16	4Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	5,303	4,929	4,516	374	7.6	787	17.4
Loss on Debt Restructuring	68	346	360	(278)	(80.3)	(292)	(81.1)
Total impairment loss of loan and debt securities	**5,371**	**5,275**	**4,876**	**96**	**1.8**	**495**	**10.2**

Consolidated	2016	2015	Change YoY	
			Baht mn	%
Impairment loss on debt instrument (reversal)	0	(4)	4	100.0
Bad Debt and Doubtful Accounts	20,528	18,862	1,666	8.8
Loss on Debt Restructuring	786	1,328	(542)	(40.8)
Total impairment loss of loan and debt securities	**21,314**	**20,186**	**1,128**	**5.6**

Loan loss provision in 4Q/16 amounted to Baht 5,371 million, an increase of Baht 96 million, or 1.8%, from 3Q/16, reflected a higher loan volume in 4Q/16.

As of December 31, 2016, total provision was Baht 49,900 million, with an excess provision over the Bank of Thailand’s reserve requirements of Baht 16,056 million, representing 147.4% of the Bank of Thailand’s reserve requirements. The coverage ratio was strong at 143.3%.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at Dec. 31, 16	As at Sep. 30, 16	As at Dec. 31, 15	Change from Sep. 30, 16 Baht mn	%	Change from Dec. 31, 15 Baht mn	%
ASSETS							
Cash	36,142	29,725	33,690	6,417	21.6	2,452	7.3
Interbank and money market items, net	200,283	194,267	194,094	6,016	3.1	6,189	3.2
Investments, net	131,782	115,155	110,027	16,627	14.4	21,755	19.8
Investments in subsidiaries, associates and joint ventures, net	1,919	1,842	1,576	77	4.2	343	21.8
Loans to customers	1,506,222	1,459,013	1,353,559	47,209	3.2	152,663	11.3
Accrued interest receivable	3,865	4,080	3,572	(215)	(5.3)	293	8.2
Deferred revenue	(57,340)	(55,074)	(50,105)	(2,266)	(4.1)	(7,235)	(14.4)
Allowance for doubtful accounts	(48,274)	(47,542)	(43,218)	(732)	(1.5)	(5,056)	(11.7)
Revaluation allowance for debt restructuring	(1,188)	(1,466)	(1,726)	278	19.0	538	31.2
Properties for sale, net	4,256	4,512	5,050	(256)	(5.7)	(794)	(15.7)
Others	105,521	123,359	98,998	(17,838)	(14.5)	6,523	6.6
TOTAL ASSETS	**1,883,188**	**1,827,871**	**1,705,517**	**55,317**	**3.0**	**177,671**	**10.4**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,108,288	1,085,551	1,046,290	22,737	2.1	61,998	5.9
Interbank and money market items, net	314,400	302,254	275,059	12,146	4.0	39,341	14.3
Debt issued and borrowings	160,326	133,712	108,121	26,614	19.9	52,205	48.3
Others	91,406	102,636	85,299	(11,230)	(10.9)	6,107	7.2
TOTAL LIABILITIES	**1,674,420**	**1,624,153**	**1,514,769**	**50,267**	**3.1**	**159,651**	**10.5**
Issued and paid-up share capital	73,558	73,558	73,558	0	0.0	0	0.0
Retained earning	77,680	72,492	61,938	5,188	7.2	15,742	25.4
Others	57,530	57,668	55,252	(138)	(0.2)	2,278	4.1
TOTAL SHAREHOLDERS' EQUITY	**208,768**	**203,718**	**190,748**	**5,050**	**2.5**	**18,020**	**9.4**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,883,188**	**1,827,871**	**1,705,517**	**55,317**	**3.0**	**177,671**	**10.4**
Book value per share (Baht)	**28.38**	**27.69**	**25.93**	**0.69**	**2.5**	**2.45**	**9.4**

As of December 31, 2016, assets stood at Baht 1,883,188 million, representing an increase of Baht 177,671 million, or 10.4% from December 2015, largely attributed to a higher net loan volume of Baht 145,428 million, or 11.2%, and an increase in investment of Baht 21,755 million, or 19.8%.

Compared to 3Q/16, total assets increased Baht 55,317 million, or 3.0%, driven by an increase in net loan volume of Baht 44,943 million, or 3.2%, and an increase in investment of Baht 16,627 million, or 14.4%. Other assets decreased Baht 17,838 million, or 14.5%, mainly from a decrease in claims on securities of Baht 13,886 million.

On a year-to-date basis, liabilities grew 10.5%, or Baht 159,651 million. The growth in liabilities was driven by an increase in deposits of Baht 61,998 million, or 5.9%, mainly resulting from an increase in savings deposit and deposits from HKL. Moreover, debt issued and borrowing increased by 48.3%, or Baht 52,205 million, driven in part by an increase in debenture of Baht 33,432 million, the issuance of subordinated debenture in the amount of Baht 10,000 million in 3Q/16, and an increase in bills of exchange of Baht 4,396 million. Moreover, interbank and money market items increased Baht 39,341 million, largely driven by an increase in repurchase agreement of Baht 27,900 million.

Compared to 3Q/16, liabilities increased 3.1%, or Baht 50,267 million, driven by an increase in deposits of Baht 22,737 million, or 2.1%, mainly from time deposit, and an increase in debt issued and borrowing of Baht 26,614 million, or 19.9%, mainly from the new issuance of two tranches of long-term debentures in 4Q/16 totaled Baht 15,000 million, and an increase in bills of exchange of Baht 10,517 million.

Total shareholders' equity rose to Baht 208,768 million, reflecting an increase of Baht 18,020 million, or 9.4%, from December 2015. The increase was mainly due to an increase in equity holders' net income of Baht 21,404 million for 2016 and an increase in land and building revaluation of Baht 2,724 million. This increase was partially offset by dividends paid of Baht 5,885 million.

Book value per share as of December 31, 2016 increased 9.4% to Baht 28.38 from Baht 25.93 at the end of 2015.

3.2 Loans to customers

3.2.1 Loans by segment

Consolidated	Dec. 31, 16	Sep. 30, 16	Dec. 31, 15	Change from Sep. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Corporate	**588,167**	**573,344**	**544,413**	**14,823**	**2.6**	**43,754**	**8.0**
- Thai Corporate	426,445	404,553	374,232	21,892	5.4	52,213	14.0
- International Corporate (JPC/MNC)	161,722	168,791	170,181	(7,069)	(4.2)	(8,459)	(5.0)
SMEs	**215,549**	**211,750**	**202,469**	**3,799**	**1.8**	**13,080**	**6.5**
Retail	**645,166**	**618,845**	**556,572**	**26,321**	**4.3**	**88,594**	**15.9**
- Hire purchase	292,268	285,497	264,820	6,771	2.4	27,448	10.4
- Mortgage	196,385	189,880	160,157	6,505	3.4	36,228	22.6
- Credit cards and personal loans	141,625	130,399	131,595	11,226	8.6	10,030	7.6
- HKL personal loans	14,888	13,069	0	1,819	13.9	14,888	-
Total *	**1,448,882**	**1,403,939**	**1,303,454**	**44,943**	**3.2**	**145,428**	**11.2**

Krungsri Group delivered a robust performance in growing our loans in 2016 against the backdrop of moderate economic recovery. Total outstanding loans stood at Baht 1,448,882 million, an increase of Baht 145,428 million, or 11.2%, from the year earlier. In 2016, the retail segment was the key contributor with notable growth of 15.9% underscored with a broad-based expansion in auto hire purchase, mortgage, credit cards, and personal loans as well as integrated HKL loans. Also, corporate and SME loans grew strongly by 8.0% and 6.5% respectively.

As a result of stronger growth in the retail segment, the proportion of retail lending as of end December 2016 represented 44% of our total loan portfolio, while commercial lending represented 56%.

Corporate loans grew 8.0% in 2016. In 4Q/16 corporate loan recorded at 2.6%, driven largely by an increase in Thai corporate loans due to an increase in both term loan and working capital demand. International corporate loan contracted 5.0% in 2016, mirrored a sluggish global environment, and lowered new investment from international corporates, as well as loan repayment.

The **SME**'s portfolio increased 6.5% in 2016, and 1.8% during 4Q/16. The growth observed in SME was driven by medium and small-sized SMEs. In particular, an increase in small-sized SME was underpinned by the government SME's soft-loan program.

Auto hire purchase loans grew 10.4% from last year, and 2.4% growth during the 4Q/16. The extraordinary growth in auto hire purchase loan amid a contraction in domestic car sales mirrored an increase in our market share from partners coupled with Krungsri's strong business franchise.

Mortgage loans grew strongly at 22.6% in 2016 and 3.4% in 4Q/16. This notable growth in 2016 was underpinned by an increase in demand for housing loan from government's assistance measures during the first half of the year together with strategies in partnering with leading developers and top local developers in the key economic provinces.

Credit cards and personal loans expanded 7.6% in 2016, largely attributed to a strong growth of 8.6% recorded in 4Q/16, attributed to seasonality effect of year-end spending pattern together with the support from government's stimulus tax measures. Meanwhile, HKL personal loans grew strongly at 13.9% in 4Q/16.

As for the outlook for 2017, we expect a continued and broad-based economic growth momentum with GDP growth of 3.3%. Government investment will provide key catalyst for growth, along with the expected recovery in private consumption, exports and tourism sector. Supportive operating environment, combined together with MUFG's competitive strengths, we forecast a loan growth of 6-8%, underscoring our vigilant risk management practices.

Loan Composition

Auto HP	21%	Auto HP	20%
Mortgage	12%	Mortgage	13%
Credit card and Personal Loans	10%	Credit card and Personal Loans	11%

3.2.2 Loan classification and provision

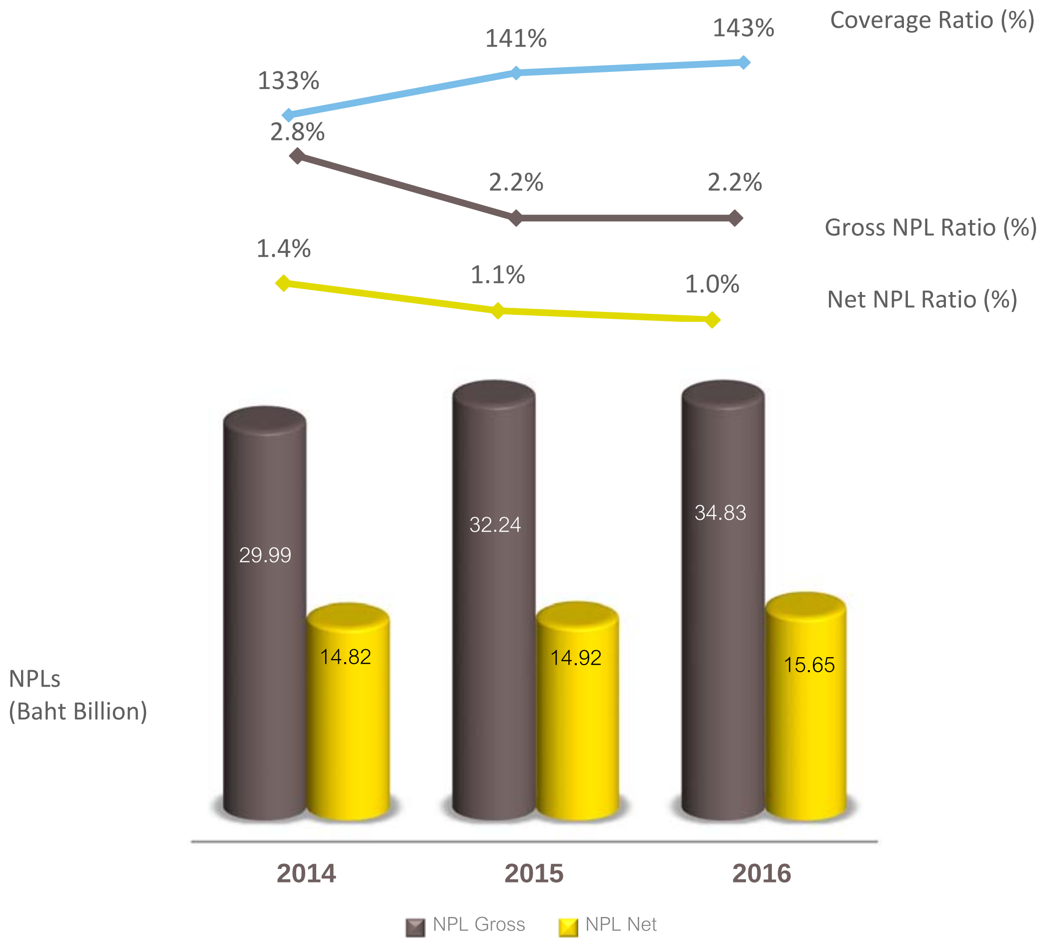
Unit : Baht mn

Consolidated	Dec. 31, 16		Dec. 31, 15		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	1,359,936	10,426	1,226,187	9,204	133,749	1,222
Special mention	57,975	3,100	48,598	3,802	9,377	(702)
Substandard	12,564	7,254	10,824	6,255	1,740	999
Doubtful	5,876	2,388	8,412	4,271	(2,536)	(1,883)
Doubtful of loss	16,395	9,050	13,006	6,346	3,389	2,704
Total	1,452,746	32,218	1,307,027	29,878	145,719	2,340
Surplus Reserve		16,056		13,340		2,716
Total	**1,452,746**	**48,274**	**1,307,027**	**43,218**	**145,719**	**5,056**

3.2.3 Non-performing loans

Consolidated	Dec. 31, 16	Sep. 30, 16	Dec. 31, 15	Change from Sep. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	15,653	14,992	14,919	661	4.4	734	4.9
Non-Performing Loans (Gross)	34,834	32,379	32,239	2,455	7.6	2,595	8.0
Loans loss reserves (LLR)	49,900	49,313	45,313	587	1.2	4,587	10.1
Coverage Ratio	**143.3%**	**152.3%**	**140.6%**	**(9.0%)**	**(5.9)**	**2.7%**	**1.9**
BOT Requirement	33,844	32,766	31,973	1,078	3.3	1,871	5.9
Actual / Required LLR	**147.4%**	**150.5%**	**141.7%**	**(3.1%)**	**(2.1)**	**5.7%**	**4.0**

NPLs and Coverage Ratio



As of December 31, 2016, gross NPLs stood at Baht 34,834 million, an increase of Baht 2,595 million from Baht 32,239 million at the end of 2015. The ratio of gross NPLs to total loans stood at 2.21% at the end of 2016, decreasing from 2.24% at the end of 2015.

In 4Q/16 gross NPLs increased Baht 2,455 million from September 2016, driven largely by one corporate account which was classified as NPL on a qualitative basis.

Krungsri Group completed the NPL sales of baht 1,725 million to a third party in 4Q/16. In 2016, the Bank sold two tranches of NPLs in 2Q/16 and 4Q/16, reducing outstanding NPLs by Baht 2,878 million.

As of December 31, 2016 our total provisions stood at Baht 49,900 million, with an excess provision over Bank of Thailand requirements of Baht 16,056 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 147.4%, while the Group's coverage ratio was strong at 143.3%.

3.3 Funding Structure

Consolidated	Dec. 31, 16	Sep. 30, 16	Dec. 31, 15	Change from Sep. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Current	**33,173**	**30,580**	**29,615**	**2,593**	**8.5**	**3,558**	**12.0**
Savings	**550,757**	**558,911**	**509,428**	**(8,154)**	**(1.5)**	**41,329**	**8.1**
Time	**524,358**	**496,060**	**507,247**	**28,298**	**5.7**	**17,111**	**3.4**
< 6 Months	188,335	150,820	164,737	37,515	24.9	23,598	14.3
6 Months and < 1 Year	260,313	283,831	315,806	(23,518)	(8.3)	(55,493)	(17.6)
1 Year and over 1 Year	75,710	61,409	26,704	14,301	23.3	49,006	183.5
Total Deposit	**1,108,288**	**1,085,551**	**1,046,290**	**22,737**	**2.1**	**61,998**	**5.9**
B/E	**41,817**	**31,300**	**37,421**	**10,517**	**33.6**	**4,396**	**11.7**
Debenture	**89,275**	**73,075**	**55,843**	**16,200**	**22.2**	**33,432**	**59.9**
Total Funding	**1,239,380**	**1,189,926**	**1,139,554**	**49,454**	**4.2**	**99,826**	**8.8**

As of December 31, 2016, overall funding for the Bank, including deposits, bills of exchange and debentures, increased Baht 99,826 million, or 8.8%, from December 2015.

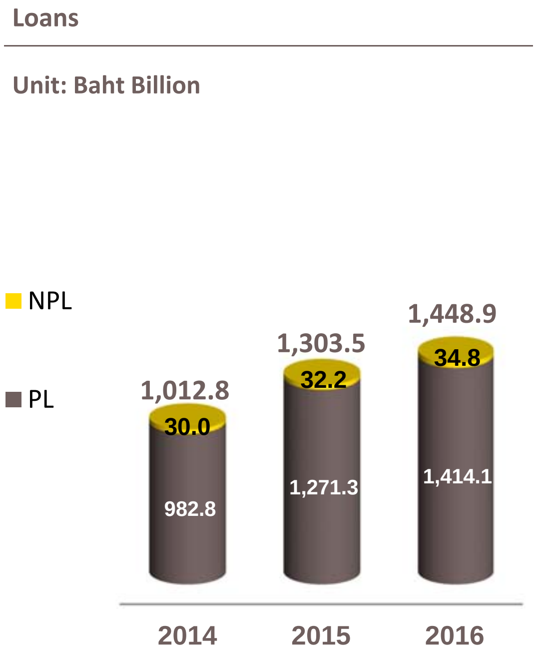
Deposits totaled Baht 1,108,288 million, an increase of Baht 61,998 million, or 5.9%, from December 2015. The growth in deposits resulted from an increase in savings deposit of Baht 41,329 million and deposit from HKL (a total of Baht 12,819 million, 90% of which were time deposits), offset by a decrease in time deposits with maturity 6 months and less than 1 year.

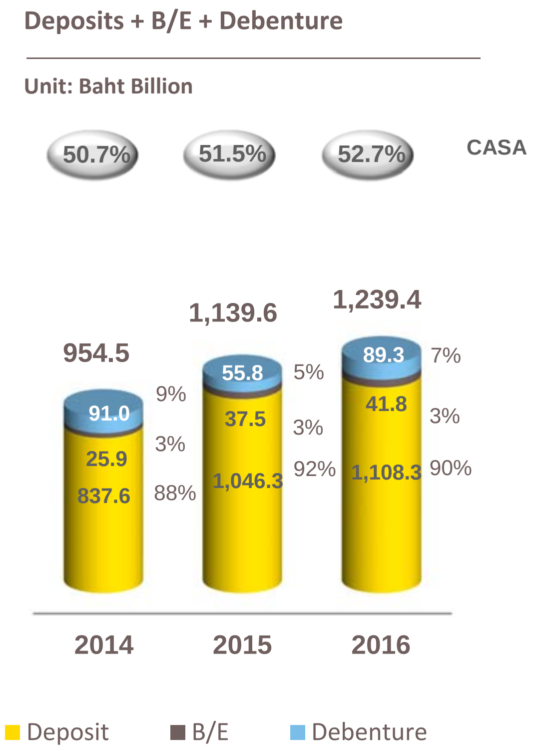
As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits increased to 52.7%, compared to 51.5% as of December 2015. Excluding deposit from HKL, the proportion of CASA as a percentage of total deposits recorded at 53.2%.

Bills of exchange (B/E) totaled Baht 41,817 million, an increase of Baht 4,396 million, or 11.7%, from December 2015.

Debentures stood at Baht 89,275 million as of December 2016. The increase of Baht 33,432 million or 59.9% from December 2015 was driven by the new issuance of debentures in the amount of 46,300 million, offseting the maturity of debentures totaling Baht 12,868 million.

Consequently, the loan to deposit ratio increased to 131%, and the loan to deposit plus bill of exchange and debentures ratio increased to 117%.





	2014	2015	2016
L/D	121%	125%	131%
L/D+B/E+Debenture	106%	114%	117%

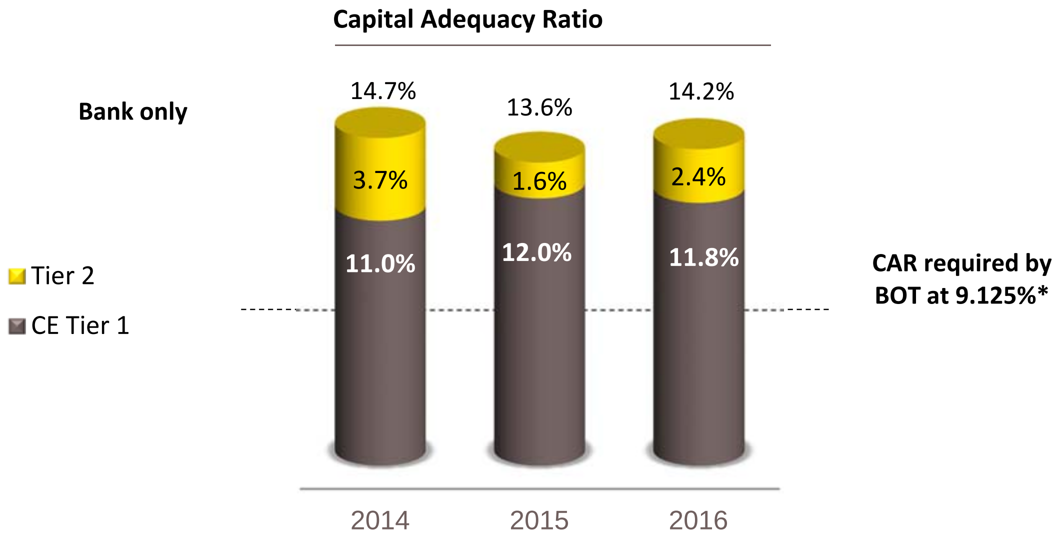
3.4 Contingencies

Consolidated	Dec. 31, 16	Sep. 30, 16	Dec. 31, 15	Change from Sep. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,565	1,247	2,266	318	25.5	(701)	(30.9)
Liability under unmatured import bills	1,601	1,598	2,560	3	0.2	(959)	(37.5)
Letters of credit	8,425	6,744	4,727	1,681	24.9	3,698	78.2
Other contingencies	110,105	126,028	138,421	(15,923)	(12.6)	(28,316)	(20.5)
Total	**121,696**	**135,617**	**147,974**	**(13,921)**	**(10.3)**	**(26,278)**	**(17.8)**

The Krungsri Group's contingencies as of December 31, 2016 totaled Baht 121,696 million, a decrease of Baht 26,278 million, or 17.8%, from December 31, 2015. This decrease was driven mainly by a decrease in other contingencies of Baht 28,316 million

3.5 Statutory Capital

As of December 31, 2016, the Bank's capital was strong at Baht 191,094 million, equivalent to 14.2% of risk-weighted assets, comprising common equity tier 1 capital of 11.8% and Tier-2 capital of 2.4%. The current level of capital is sufficient to provide Krungsri with the flexibility to continue growing our business.



* CAR required by BOT at 8.5% for 2014 - 2015 and at 9.125% for 2016

Baht Billion	2014	2015	2016
CE Tier 1	98.99	146.18	158.83
Tier 2	33.44	20.08	32.26
Total Capital	132.43	166.26	191.09

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 of December 31, 2016 are shown in the table below.

1. Moody's Investors Service	
Bank Deposits	
- Long Term	**Baa1**
- Short Term	**Prime-2**
Debt	
- Long Term -Senior Debt	**Baa1**
Debt and Deposit Rating Outlook	**Stable**
Baseline Credit Assessment (BCA)	**Ba1**
2. Standard and Poor's	
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. Fitch Ratings	
International Ratings (Foreign Currency)	
- Long Term	**A-**
- Subordinated Debt	**BBB+**
- Short Term	**F2**
- Viability Rating	**bbb**
- Support	**1**
- Outlook	**Negative**

3. <u>Fitch Ratings</u>	
National Ratings	
- Long Term – Debenture	**AAA (tha)**
- Subordinated Debt	**AA+ (tha)**
- Short Term	**F1+ (tha)**
- Outlook	**Stable**
4.<u>TRIS Rating</u>	
National Ratings	
- Company Rating	**AAA**
- Issue Rating (subordinated)	**AA+**
- Outlook	**Stable**

5. 2016 Key Performance Targets

Consolidated	4Q/15	4Q/16	2015	2016	2016 Targets	
Loan Growth (Net)	+66.7 bn +5.4%	+44.9 bn +3.2%	+290.7 bn +28.7%	+145.4 bn +11.2%	8-9% *	✓
NPLs Ratio	2.24%	2.21%	2.24%	2.21%	< 2.5%	✓
Deposit Mix: Savings and Current	52%	53%	52%	53%	> 50%	✓
Loan Mix : Retail	43%	44%	43%	44%	~ 40%	✓
L/Deposit+Debenture+B/E	114%	117%	114%	117%	n.d.	n.d.
NIM	3.82%	3.79%	4.15%	3.74%	~ 3.7%	✓
Non-interest income growth (YoY) **	6.3%	5.9%	15.8%	11.7%	7.0%+	✓
Cost to Income Ratio	47.6%	49.9%	47.1%	47.1%	< 50%	✓
Provisions	150 bps	145 bps	153 bps	147 bps	~ 145 bps	~
Loan Loss Coverage	141%	143%	141%	143%	135%+	✓
CAR *(Bank Only)*	13.6%	14.2%	13.6%	14.2%	n.d.	n.d.

* *Loan growth target including consolidated loan from HKL*

** *Net Fee Income + Non-Interest and Non-Fee Income*