krungsri
กรุงศรี
A member of MUFG, a global financial group

"Make Life Simple
เรื่องเงิน เรื่องง่าย"

Management Discussion and Analysis

For the quarter and the year ended
December 31, 2013

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4.37% NIM

Net Interest Margin: Delivering Strong NIM

14.1 billion

Net Profit:

Executive Summary:

Krungsri Group delivered a solid performance in 2013 against the backdrop of a slowing economy caused by an easing in domestic demand, a weaker-than-expected global recovery, and delays in the government's planned infrastructure investment. Outstanding loans grew 13.6%, while net profit of Baht 14,138 million was achieved.

Total loans reached Baht 942,627 million, an increase of Baht 112,619 million, or 13.6%, from last year. The robust loan growth in 2013 was broad-based across all customer segments, reflecting the Bank's strategy to diversify risks across our portfolio. In 2013, the retail segment was the key contributor with balanced growth in auto loans, mortgages, credit cards and personal loans of 15.4%, followed by the corporate and SME segments which grew 14.9% and 8.7%, respectively.

Krungsri undertook the prudent step of posting an additional provision of Baht 2,552 million in June as a countercyclical resource in the event of a potential deterioration in economic conditions. Following the provision of the prudential surplus reserve, net profit for 2013 stood at Baht 14,138 million, representing a 3.6% decrease from last year.

Before the countercyclical resource recorded in June, core profit for 2013 was Baht 16,180 million, or an increase of 10.3% from last year. Key drivers for Krungsri's strong core profits were attributed to higher net interest income resulting from strong loan growth, robust fees and service income growth, and an improved cost-to-income ratio. Net fees and service income grew 14.3% year-on-year, driven by the continued focus of Krungsri Group in growing fees as well as our wealth and fund management franchises.

As of December 31, 2013, our total provision stood at Baht 37,026 million, with an excess provision over Bank of Thailand's reserving requirements of Baht 14,403 million, or 163.7%. The loan loss coverage ratio was 141.7%.

Earnings per share (EPS) decreased slightly to Baht 2.31 in 2013.

Deposits grew by 11.2%, representing a steady increase of Baht 76,891 million from December 2012, mirroring the continuing robust demand by customers of our Big Bang products -- "Mee Tae Dai" and "Jad Hai" -- and the successful launch of time deposit products -- "9-month Step Up Time Deposit" on 28 March 2013 and "15-month Time Deposit" on 1 August 2013. "Mee Tae Dai" balances exceeded Baht 165,000 million, while "Jad Hai" accounts outstanding increased more than 450,000 accounts from 2012.

2013 was a year that began a new chapter in Krungsri's story of growth and opportunities, with a new strategic shareholder, the Bank of Tokyo-Mitsubishi UFJ (BTMU). The Voluntary Tender Offer (VTO) conducted by BTMU in the latter part of 2013 resulted in BTMU acquiring a majority stake of 72% in Krungsri, which will leverage the synergies of Krungsri's best-in-class SME and retail banking business and BTMU's outstanding corporate business and impressive global network.

Following the successful completion of the VTO, Moody's Investors Service and Standard & Poor's upgraded Krungsri ratings from "Baa2" to "Baa1" and from "BBB-" to "BBB+", respectively. Similarly, TRIS Ratings also took a positive action by upgrading the bank's rating from "AA-" to "AAA".

For 2014, the Thai operating environment remains uncertain as we continue to face politico-economic and market challenges. Yet, we expect economic growth to recover from 2013, driven by stronger exports and domestic demand recovery in the second half of the year. Accordingly, the outlook for loan growth for the year remains moderately positive, and we project loan growth of 9% in 2014.

Loan Growth

13.6%

Increased Baht **112.6** billion compared to December 2012

NIM at 4.37%

Net Profit

At **14.14** ***billion***

Summary of Financial Performance and Status:

Key 2013 deliverables:

- **Loan Growth:**

  Increased 13.6%*, or Baht 112,619 million, compared to December 2012, and 6.0%, or Baht 53,420 million, compared to September 2013.*

- **Net Profit:**

  Excluding the countercyclical resource of Baht 2,552 million recorded in June 2013, core profit was Baht 16,180 million, or an increase of 10.3% from last year. After this conservative provision, net profit was Baht 14,138 million, a decrease of 3.6%, when compared to 2012.

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

  Improved to 4.37%*, despite a highly competitive environment for deposit mobilization.*

- **Cost to Income Ratio:**

  Improved to 49.0% *in 2013, improving from 50.3% in 2012.*

- **Coverage:**

  Strong at 141.7%.

- **Net fees and Service Income:**

  Grew strongly at 14.3%.

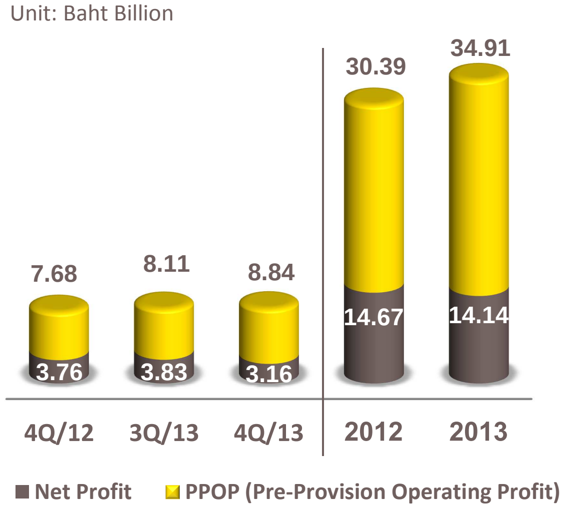
- **Deposit Growth:**

  Increased significantly by 11.2%, or Baht 76,891 million.

- **Capital Adequacy Ratio:**

  Remained strong at 15.6%, *amid strong loan growth recorded in 2013.*

PPOP & Net Profit



For the year ended December 31, 2013

In 2013, the operating profit was Baht 34,906 million, representing an increase of Baht 4,515 million, or 14.9%, resulting from strong growth in net interest income and fees and service income.

Before the one-time impact of prudential surplus reserve at Baht 2,552 million recorded in June, the core profit was Baht 16,180 million, representing an increase of 10.3% from 2012. Following the prudential provision, net profit was Baht 14,138 million, a decrease of 3.6%, when compared to 2012.

For the fourth quarter ended December 31, 2013

In 4Q/13, operating profit was Baht 8,838 million, representing an increase of Baht 1,155 million, or 15.0% year-on-year, resulting from robust growth in net interest income and fees and service income.

On a year-on-year basis, net profit decreased by Baht 596 million, or 15.9%, driven by an increase in loan loss provisions of Baht 1,792 million, or 61.8%, from the previous year, corresponding to the acceleration in loan growth experienced in 4Q/13 and the NPL classification on commercial accounts of our leasing subsidiary.

1. Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income	4Q/13	3Q/13	4Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	18,939	18,078	16,698	861	4.8	2,241	13.4
Interest Expenses	6,841	6,832	6,398	9	0.1	443	6.9
Interest Income, Net	**12,098**	**11,246**	**10,300**	**852**	**7.6**	**1,798**	**17.5**
Fees and Service Income	4,756	4,648	4,385	108	2.3	371	8.5
Fees and Service Expense	1,061	1,058	1,011	3	0.3	50	4.9
Fees and Service Income, Net	**3,695**	**3,590**	**3,374**	**105**	**2.9**	**321**	**9.5**
Non-interest and Non-fees Income	2,221	1,744	2,428	477	27.4	(207)	(8.5)
Other Operating Expenses	9,176	8,475	8,419	701	8.3	757	9.0
Pre-Provision Operating Profit (PPOP)	**8,838**	**8,105**	**7,683**	**733**	**9.0**	**1,155**	**15.0**
Impairment Loss of Loan and Debt Securities	4,690	3,149	2,898	1,541	48.9	1,792	61.8
Income Tax Expense	989	1,126	1,030	(137)	(12.2)	(41)	(4.0)
Net Profit	**3,159**	**3,830**	**3,755**	**(671)**	**(17.5)**	**(596)**	**(15.9)**
Other Comprehensive income	56	(434)	452	490	112.9	(396)	(87.6)
Total Comprehensive income	**3,215**	**3,396**	**4,207**	**(181)**	**(5.3)**	**(992)**	**(23.6)**
Net Profit Attributable To							
Owners of the Bank	3,141	3,794	3,754	(653)	(17.2)	(613)	(16.3)
Non-Controlling Interest	18	36	1	(18)	(50.0)	17	1,700.0
Net Profit	**3,159**	**3,830**	**3,755**	**(671)**	**(17.5)**	**(596)**	**(15.9)**
Total Comprehensive Income Attributable To							
Owners of the Bank	3,197	3,360	4,206	(163)	(4.9)	(1,009)	(24.0)
Non-Controlling Interest	18	36	1	(18)	(50.0)	17	1,700.0
Total Comprehensive income	**3,215**	**3,396**	**4,207**	**(181)**	**(5.3)**	**(992)**	**(23.6)**
Earning Per Share (Baht)	**0.52**	**0.62**	**0.62**	**(0.10)**	**(16.1)**	**(0.10)**	**(16.1)**

Statements of Comprehensive Income Consolidated	YE 2013	YE 2012	Change YoY Baht mn	%
Interest Income	71,381	64,640	6,741	10.4
Interest Expense	26,442	24,687	1,755	7.1
Interest Income, Net	**44,939**	**39,953**	**4,986**	**12.5**
Fees and Service Income	18,766	16,434	2,332	14.2
Fees and Service Expense	4,214	3,699	515	13.9
Fees and Service Income, Net	**14,552**	**12,735**	**1,817**	**14.3**
Non-interest and Non-fees Income	9,009	8,501	508	6.0
Other Operating Expenses	33,594	30,798	2,796	9.1
Pre-Provision Operating Profit (PPOP)	**34,906**	**30,391**	**4,515**	**14.9**
Impairment Loss of Loan and Debt Securities	16,826	11,385	5,441	47.8
Income Tax Expense	3,942	4,337	(395)	(9.1)
Net Profit	**14,138**	**14,669**	**(531)**	**(3.6)**
Other Comprehensive income	1,039	759	280	36.9
Total Comprehensive income	**15,177**	**15,428**	**(251)**	**(1.6)**
Net Profit Attributable To				
Owners of the Bank	14,019	14,626	(607)	(4.2)
Non-Controlling Interest	119	43	76	176.7
Net Profit	**14,138**	**14,669**	**(531)**	**(3.6)**
Total Comprehensive Income Attributable To				
Owners of the Bank	15,058	15,385	(327)	(2.1)
Non-Controlling Interest	119	43	76	176.7
Total Comprehensive income	**15,177**	**15,428**	**(251)**	**(1.6)**
Earning Per Share (Baht)	**2.31**	**2.41**	**(0.10)**	**(4.1)**

2. Financial Performance

2.1 Net Interest Income

Consolidated	4Q/13	3Q/13	4Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	12,723	11,669	11,033	1,054	9.0	1,690	15.3
Interest on interbank and money market items	591	809	583	(218)	(26.9)	8	1.4
Hire purchase and financial lease income	5,021	5,000	4,474	21	0.4	547	12.2
Investments and trading transactions	32	39	52	(7)	(17.9)	(20)	(38.5)
Investments in debt securities	572	561	556	11	2.0	16	2.9
Total Interest Income	**18,939**	**18,078**	**16,698**	**861**	**4.8**	**2,241**	**13.4**
INTEREST EXPENSE							
Interest on deposits	4,018	4,095	3,817	(77)	(1.9)	201	5.3
Interest on interbank and money market items	378	379	277	(1)	(0.3)	101	36.5
Interest on borrowings	1,489	1,417	1,366	72	5.1	123	9.0
Contribution to Financial Institution Development Fund and Deposit Protection Agency	951	935	866	16	1.7	85	9.8
Borrowing fee expenses	0	1	69	(1)	(100.0)	(69)	(100.0)
Other interest expenses	5	5	3	0	0.0	2	66.7
Total Interest Expenses	**6,841**	**6,832**	**6,398**	**9**	**0.1**	**443**	**6.9**
Interest Income, net	**12,098**	**11,246**	**10,300**	**852**	**7.6**	**1,798**	**17.5**
Net Interest Margin	4.53%	4.32%	4.30%				
Yield on Earning Assets	7.10%	6.94%	6.96%				
Cost of Funds	2.82%	2.89%	2.93%				

Consolidated	YE 2013	YE 2012	Change YoY Baht mn	%
INTEREST INCOME				
Interest on loans	46,751	42,563	4,188	9.8
Interest on interbank and money market items	2,709	2,481	228	9.2
Hire purchase and financial lease income	19,561	16,895	2,666	15.8
Investments and trading transactions	157	206	(49)	(23.8)
Investments in debt securities	2,203	2,495	(292)	(11.7)
Total Interest Income	**71,381**	**64,640**	**6,741**	**10.4**
INTEREST EXPENSE				
Interest on deposits	15,701	13,450	2,251	16.7
Interest on interbank and money market items	1,469	1,183	286	24.2
Interest on borrowings	5,583	6,767	(1,184)	(17.5)
Contributions to Financial Institution Development				
Fund and Deposit Protection Agency	3,665	3,206	459	14.3
Borrowing fee expenses	5	69	(64)	(92.8)
Other interest expenses	19	12	7	58.3
Total Interest Expenses	**26,442**	**24,687**	**1,755**	**7.1**
Interest Income, net	**44,939**	**39,953**	**4,986**	**12.5**
Net Interest Margin	4.37%	4.33%		
Yield on Earning Assets	6.94%	7.01%		
Cost of Funds	2.82%	2.94%		

For the year ended December 31, 2013

For 2013, net interest income reached Baht 44,939 million, an increase of Baht 4,986 million, or 12.5% compared to 2012, as interest income grew by a larger magnitude than interest expense resulting primarily from robust loan growth and an improvement in funding costs.

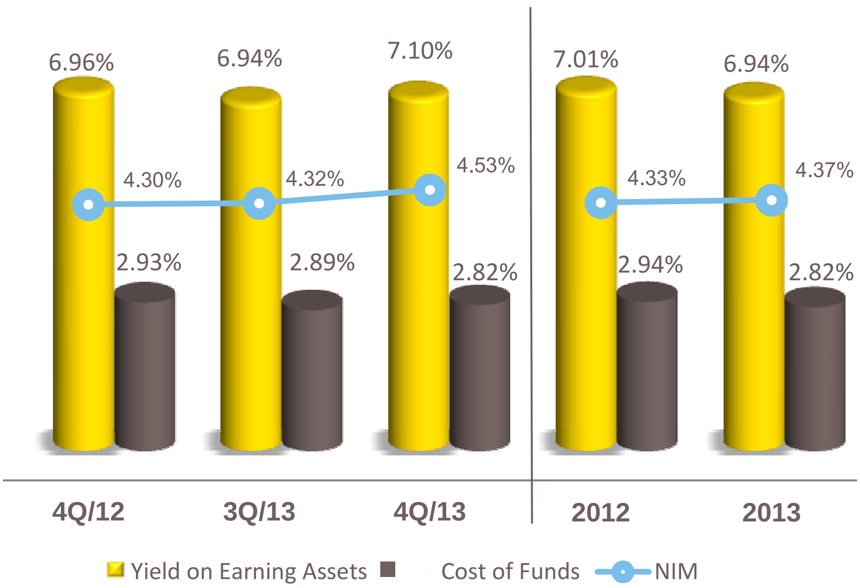
For the fourth quarter ended December 31, 2013

Net interest income in the fourth quarter was Baht 12,098 million, representing an increase of Baht 852 million, or 7.6%, on a quarter-on-quarter basis as interest income grew by a larger magnitude than interest expense resulting primarily from strong loan growth, an improvement in funding costs and the restructuring of one corporate account for Baht 523 million.

On a year-on-year basis, net interest income increased by Baht 1,798 million, or 17.5%, mainly due to loan growth of 13.6%, a higher proportion of higher yield loans, an improvement in funding costs and the restructuring of one corporate account for Baht 523 million.

As a result of the improvement in funding costs, net interest margin increased to 4.37%, in line with the Bank's full year guidance of 4.4%. Our ability to improve NIM was notable in light of two reductions in the policy rate and a highly competitive environment for deposit mobilization throughout 2013.

Net Interest Margin (NIM)



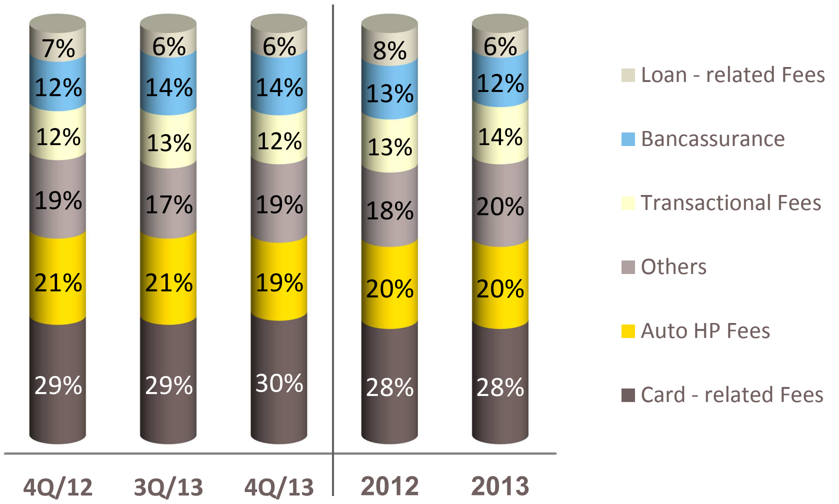
	Jan-12	Feb-12	Sep-12	Oct-12	Dec-12	Feb-13	May-13	Aug-13	Nov-13	Dec-13
Policy Rate	3.00%	3.00%	3.00%	2.75%	2.75%	2.75%	2.50%	2.50%	2.25%	2.25%
Krungsri Lending Rate	7.625%	7.50%	7.50%	7.375%	7.375%	7.375%	7.375%	7.375%	7.375%	7.25%
Saving Rate	0.87%	0.75-0.87%	0.75%	0.75%	0.70-0.75%	0.65%	0.65%	0.60%	0.60%	0.50%
3 - month deposits	2.05-2.25%	2.05-2.25%	2.05-2.25%	1.80-2.00%	1.70-2.00%	1.70-2.00%	1.70-2.00%	1.70-2.00%	1.70-2.00%	1.60-2.00%
6 - month deposits	2.35-2.50%	2.35-2.50%	2.35-2.50%	2.15-2.30%	2.00-2.25%	2.00-2.25%	2.00-2.25%	2.00-2.25%	2.00-2.25%	1.90-2.25%
12 - month deposits	2.75-3.00%	2.75-3.00%	2.75-3.00%	2.60-2.75%	2.35-2.70%	2.35-2.50%	2.35-2.50%	2.35-2.50%	2.35-2.50%	2.25-2.35%

2.2 Net Fees and Service Income

Consolidated	4Q/13	3Q/13	4Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	129	130	129	(1)	(0.8)	0	0.0
Other fees and service income	4,627	4,518	4,256	109	2.4	371	8.7
Fees and service income	**4,756**	**4,648**	**4,385**	**108**	**2.3**	**371**	**8.5**
Fees and service expense	**1,061**	**1,058**	**1,011**	**3**	**0.3**	**50**	**4.9**
Fees and Service Income, net	**3,695**	**3,590**	**3,374**	**105**	**2.9**	**321**	**9.5**

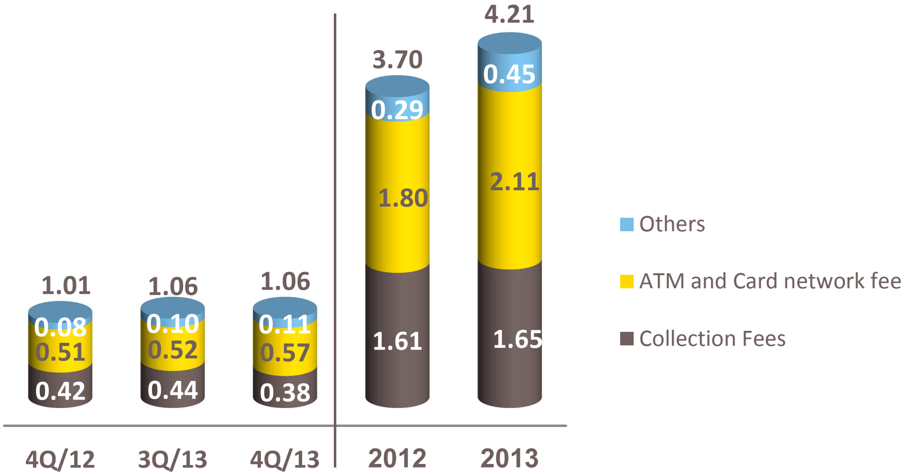
Consolidated	YE 2013	YE 2012	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	505	518	(13)	(2.5)
Other fees and service income	18,261	15,916	2,345	14.7
Fees and service income	**18,766**	**16,434**	**2,332**	**14.2**
Fees and service expense	**4,214**	**3,699**	**515**	**13.9**
Fees and Service Income, net	**14,552**	**12,735**	**1,817**	**14.3**

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the year ended December 31, 2013

Compared with the year 2012, net fees and service income grew strongly by Baht 1,817 million, or 14.3%, driven by the continued focus of the Krungsri Group in growing fees and our wealth and fund management franchises. Wealth & fund management and security fees recorded a solid growth of 64.4%, in part, attributed to the robust growth in assets under management and capital market conditions, particularly in the 1H/13. Fees from the card business improved markedly at 17.3%, while the bancassurance and auto hire purchase fees also grew 16.3% and 15.5%, respectively, in 2013. Fees and service expense increased 13.9%, mainly due to an increase in variable expenses relating to the fee growth in the card business and wealth & fund management.

For the fourth quarter ended December 31, 2013

Net fees and service income increased 2.9% quarter-on-quarter, driven by an increase in the card business and wealth & fund management fees, largely attributed to holiday spending and year-end purchases of Long Term Equity Funds (LTF), Retirement Mutual Funds (RMF) and life insurance products.

On a year-on-year basis, net fees and service income increased 9.5%, driven by an increase in fees from wealth & fund management and security fees (an increase of 29.1%), bancassurance (an increase of 28.2%), and card businesses (an increase of 14.8%).

2.3 Non-interest and Non-fees Income

Consolidated	4Q/13	3Q/13	4Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign exchange transactions	354	382	369	(28)	(7.3)	(15)	(4.1)
Gains (losses) on investments	364	73	189	291	398.6	175	92.6
Share of profit (loss) from investment for using equity method	(42)	49	48	(91)	(185.7)	(90)	(187.5)
Bad debt recoveries	824	822	830	2	0.2	(6)	(0.7)
Other operating income	721	418	992	303	72.5	(271)	(27.3)
Total Non-interest and Non-fees Income	**2,221**	**1,744**	**2,428**	**477**	**27.4**	**(207)**	**(8.5)**

Consolidated	YE 2013	YE 2012	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign exchange transactions	1,564	1,542	22	1.4
Gains (losses) on investments	754	800	(46)	(5.8)
Share of profit (loss) from investment for using equity method	112	177	(65)	(36.7)
Bad debt recoveries	3,879	3,178	701	22.1
Other operating income	2,701	2,804	(103)	(3.7)
Total Non-interest and Non-fees Income	**9,010**	**8,501**	**509**	**6.0**

For the year ended December 31, 2013

Non-interest and non-fees income increased by Baht 509 million, or 6%, compared to 2012, driven mainly by an increase in bad debt recoveries income of Baht 701 million, largely attributed to the income recovered from the Dubai World Group Finance Limited's account of Baht 550 million recognized in 2Q/13.

For the fourth quarter ended December 31, 2013

On a quarter-on-quarter basis, non-interest and non-fees income increased by Baht 477 million, or 27.4%, driven by an increase in other operating income of Baht 303 million, largely driven by gains on properties for sales of Baht 265 million, and gains on investment of Baht 291 million, largely driven by the realized gains from the sale of 172 million units of Vayupak Fund 1.

Non-interest and non-fees income decreased by Baht 207 million, or 8.5%, compared to 4Q/12, driven primarily by decreases in income related to non-performing asset sales.

2.4 Other Operating Expenses

Consolidated	4Q/13	3Q/13	4Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	3,793	3,769	3,880	24	0.6	(87)	(2.2)
Premises and equipment expenses	1,478	1,444	1,489	34	2.4	(11)	(0.7)
Taxes and duties	606	550	498	56	10.2	108	21.7
Directors' remuneration	9	9	9	0	0.0	0	0.0
Other expenses	3,290	2,703	2,543	587	21.7	747	29.4
Total Other Operating Expenses	**9,176**	**8,475**	**8,419**	**701**	**8.3**	**757**	**9.0**

Consolidated	YE 2013	YE 2012	Change YoY	
			Baht mn	%
Employee's expenses	15,156	13,966	1,190	8.5
Premises and equipment expenses	5,809	5,514	295	5.4
Taxes and duties	2,221	2,057	164	8.0
Directors' remuneration	35	34	1	2.9
Other expenses	10,373	9,227	1,146	12.4
Total Other Operating Expenses	**33,594**	**30,798**	**2,796**	**9.1**

For the year ended December 31, 2013

Mirroring higher business volume and revenue, other operating expenses increased by Baht 2,796 million, or 9.1% driven by an increase in employee expenses and other expenses. Employee expenses increased by Baht 1,190 million, or 8.5%, mainly due to a higher number of employees and annual merit increases. At the end of 2013, Krungsri's workforce totaled 19,471, representing an increase of 1,181, or 6.5%, from 2012.

The notable increase in headcount reflected both our robust business expansion and commitment to customer service and customer relationship management (CRM) undertakings. This customer-centric focus yielded positive results, with the average number of products held per customer rising from 2.8 in 2012 to 3 as of October 2013. Furthermore, our customer satisfaction score -- Net Promoter Score (NPS) -- rose to 50 in November 2013.

The increase in premises and equipment expenses of Baht 295 million, or 5.4%, was driven by an increase in depreciation expenses of fixed assets and IT service expenses. In particular, the installation of 452 ATM machines over the last 12 months enhanced our service channels and provided greater convenience to customers. Correspondingly, the volume of transactions for both financial transactions and electronic payments via ATMs and online channels for Krungsri Group expanded significantly.

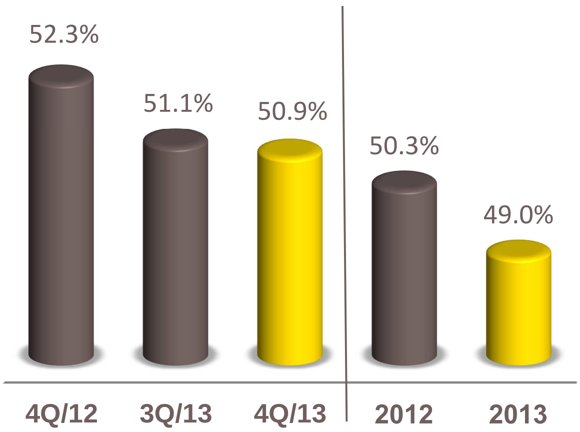
The increase in other expenses of Baht 1,146 million, or 12.4%, was mainly due to an increase in reserve for contingent liabilities of Baht 961 million and reserve for impairment loss on other assets of Baht 627 million, offset by a reversal of reserve on TAMC totaling Baht 1,074 million in 2Q/13.

At the end of 2013, our domestic branches have grown to 610 and our ATM and EDC networks have increased to 4,730 and 28,117 machines, respectively.

For the fourth quarter ended December 31, 2013

On a quarter-on-quarter basis, other operating expenses increased by Baht 701 million, or 8.3%, driven by other expenses of Baht 587 million, or 21.7%, mainly due to an increase in reserve for contingent liabilities of Baht 133 million and reserve for impairment loss on other asset of Baht 138 million.

Cost to Income Ratio



In 2013, the cost-to-income ratio stood at 49.0%, improving from 50.3% in 2012.

2.5 Impairment loss of loans and debt securities

Consolidated	4Q/13	3Q/13	4Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Impairment loss on debt instrument	0	(27)	0	27	100.0	0	0.0
Bad Debt and Doubtful Accounts	4,401	1,984	2,729	2,417	121.8	1,672	61.3
Loss on Debt Restructuring	289	1,192	169	(903)	(75.8)	120	71.0
Total impairment loss of loan and debt securities	**4,690**	**3,149**	**2,898**	**1,541**	**48.9**	**1,792**	**61.8**

Consolidated	YE 2013	YE 2012	Change YoY	
			Baht mn	%
Impairment loss on debt instrument	(27)	41	(68)	(165.9)
Bad Debt and Doubtful Accounts	15,274	10,355	4,919	47.5
Loss on Debt Restructuring	1,579	989	590	59.7
Total impairment loss of loan and debt securities	**16,826**	**11,385**	**5,441**	**47.8**

Krungsri undertook the prudent step of posting an additional provision of Baht 2,552 million in June as countercyclical resource in the event of a potential deterioration in economic conditions. Following the provision of the prudential surplus reserve, loan loss provisions in 2013 amounted to Baht 16,826 million, an increase of Baht 5,441 million, or 47.8%, from the prior year.

Before the countercyclical resource recorded in June, loan loss provisions amounted to Baht 14,274 million, representing an increase of 25.4% compared to 2012, corresponding to the acceleration in loan growth experienced in 2013, the income from the restructuring of one corporate account for Baht 517 million which was conservatively posted as a provision increase in 4Q/13, and an increase in NPLs by commercial accounts of our leasing subsidiary and the used car segment.

On a quarter-on-quarter basis, loan loss provisions in the fourth quarter amounted to Baht 4,690 million, an increase of Baht 1,541 million, or 48.9%, from the previous quarter, corresponding to the acceleration in loan growth experienced in 4Q/13 and the special mention classifications of commercial accounts.

As of December 31, 2013, our total provision stood at Baht 37,026 million, with an excess provision over Bank of Thailand's reserving requirements of Baht 14,403 million, or 163.7%. The loan loss coverage ratio recorded at 141.7%.

3. Financial Status

3.1 Financial Position

Consolidated	As at Dec. 31, 13	As at Sep. 30, 13	As at Dec. 31, 12	Change from Sep. 30, 13 Baht mn	%	Change from Dec. 31, 12 Baht mn	%
ASSETS							
Cash	28,216	23,818	25,079	4,398	18.5	3,137	12.5
Interbank and money market items, net	87,027	88,003	79,390	(976)	(1.1)	7,637	9.6
Investments, net	73,274	83,385	78,302	(10,111)	(12.1)	(5,028)	(6.4)
Investments in subsidiaries and associates, net	1,059	1,101	947	(42)	(3.8)	112	11.8
Loans to customers	987,138	934,187	869,382	52,951	5.7	117,756	13.5
Accrued interest receivable	2,648	2,465	2,257	183	7.4	391	17.3
Deferred revenue	(44,511)	(44,980)	(39,374)	469	1.0	(5,137)	(13.0)
Allowance for doubtful accounts	(35,307)	(34,173)	(30,306)	(1,134)	(3.3)	(5,001)	(16.5)
Revaluation allowance for debt restructuring	(1,520)	(1,481)	(723)	(39)	(2.6)	(797)	(110.2)
Properties for sale, net	7,714	8,462	9,452	(748)	(8.8)	(1,738)	(18.4)
Others	75,996	84,380	77,560	(8,384)	(9.9)	(1,564)	(2.0)
TOTAL ASSETS	**1,181,734**	**1,145,167**	**1,071,966**	**36,567**	**3.2**	**109,768**	**10.2**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	764,050	736,439	687,159	27,611	3.7	76,891	11.2
Interbank and money market items, net	55,497	63,501	48,821	(8,004)	(12.6)	6,676	13.7
Debt issued and borrowings	174,605	151,862	154,629	22,743	15.0	19,976	12.9
Others	63,782	72,780	67,870	(8,998)	(12.4)	(4,088)	(6.0)
TOTAL LIABILITIES	**1,057,934**	**1,024,582**	**958,479**	**33,352**	**3.3**	**99,455**	**10.4**
Issued and paid-up share capital	60,741	60,741	60,741	0	0.0	0	0.0
Retained earning	42,405	38,961	32,796	3,444	8.8	9,609	29.3
Others	20,654	20,883	19,950	(229)	(1.1)	704	3.5
TOTAL SHAREHOLDERS' EQUITY	**123,800**	**120,585**	**113,487**	**3,215**	**2.7**	**10,313**	**9.1**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,181,734**	**1,145,167**	**1,071,966**	**36,567**	**3.2**	**109,768**	**10.2**
Book value per share (Baht)	**20.38**	**19.85**	**18.68**	**0.53**	**2.7**	**1.70**	**9.1**

As of December 31, 2013, assets stood at Baht 1,181,734 million, representing an increase of Baht 109,768 million, or 10.2%, from December 2012, largely attributed to a higher net loan volume of Baht 112,619 million, or 13.6%, and an increase in interbank and money market items of Baht 7,637 million, or 9.6%. Investments decreased 6.4%, or Baht 5,028 million, mainly from a decrease in investment in government securities.

On a quarter-on-quarter basis, assets grew by Baht 36,567 million, or 3.2%, largely attributed to a higher net loan volume of Baht 53,420 million, or 6.0%, offset by a decrease in investments of 12.1%, or Baht 10,111 million.

Liabilities grew 10.4%, or Baht 99,455 million. The growth in liabilities was driven by an increase in deposits of Baht 76,891 million, or 11.2%, mirroring the continuing robust demand by customers for our Big Bang products -- “Mee Tae Dai” and “Jad Hai” -- and the successful launch of time deposit products -- “9-month Step Up Time Deposit” on 28 March 2013 and “15-month Time Deposit” on 1 August 2013. Debt issued and borrowings increased 12.9%, or Baht 19,976 million, driven by an increase in debentures, while bills of exchange continued to decrease from the prior year.

On a quarter-on-quarter basis, liabilities grew 3.3%, or Baht 33,352 million, driven by growth in deposits of Baht 27,611 million, or 3.7%, mainly from time deposit and debt issued and borrowings of Baht 22,743 million, or 15.0%.

Total shareholders’ equity rose to Baht 123,800 million, an increase of Baht 10,313 million, or 9.1%, from December 2012. The increase was mainly due to equity holders’ net income of Baht 14,138 million in 2013, offset by interim dividends paid of Baht 4,859 million.

Book value per share as at December 31, 2013 increased 9.1% to Baht 20.38 from Baht 18.68 at the end of December 2012.

3.2 Loans to customers

3.2.1 Loans by segment

Consolidated	Dec. 31, 13	Sep. 30, 13	Dec. 31, 12	Change from Sep. 30, 13		Change from Dec. 31, 12	
				Baht mn	%	Baht mn	%
Corporate	243,593	214,694	211,914	28,899	13.5	31,679	14.9
SMEs	231,376	220,571	212,834	10,805	4.9	18,542	8.7
Retail	467,658	453,942	405,260	13,716	3.0	62,398	15.4
- Hire purchase	232,472	233,536	202,089	(1,064)	(0.5)	30,383	15.0
- Housing	120,571	114,787	103,080	5,784	5.0	17,491	17.0
- Credit cards and personal loans	114,615	105,619	100,091	8,996	8.5	14,524	14.5
Total *	**942,627**	**889,207**	**830,008**	**53,420**	**6.0**	**112,619**	**13.6**

* Loans to customers net of deferred income

In 2013, total outstanding loans stood at Baht 942,627 million, an increase of Baht 112,619 million, or 13.6%, from the prior year. The robust loan growth in 2013 was broad-based across all customer segments, reflecting the Bank's strategy to diversify risks across our portfolio. The retail segment was the key contributor with balanced growth in auto loans, mortgages, credit cards and personal loans of 15.4%, followed by the corporate and SME segments which grew 14.9% and 8.7%, respectively.

Under the **retail segment**, auto hire purchase loans grew 15% from last year. Growth was more pronounced in 1H/13 at 13.5% underpinned by the completion of the government's first car program. In line with the industry trend, auto hire purchase loans contracted slightly by 0.5% in 4Q/13.

Housing loans grew strongly at 17% in 2013, and 5% in 4Q/13. This notable growth in housing loans was fuelled by robust homebuyer demand together with Krungsri's strategic shift in partnering with top developers and targeting a higher income segment of customers, which was adopted in early 2013.

Credit cards and personal loans expanded 14.5% in 2013, largely attributed to a strong growth of 8.5% recorded in 4Q/13. The growth in 4Q/13 was attributed to holiday spending together with the year-end purchases of life insurance, LTF and RMF supported by a robust growth in assets under management of our fund management subsidiary (Krungsri Asset Management – KSAM), particularly in the mutual fund segment.

Meanwhile, the 14.9% growth achieved in the **corporate segment** was largely driven by the 13.5% growth attained in 4Q/13, underpinned by seasonal demand for working capital and trade financing requirements supported by our corporate banking's key growth strategy adopted on total financial solutions.

The **SME portfolio** grew at 8.7% in 2013, and 4.9% quarter-on-quarter. The growth was broadly observed in all SME segments – SME-Medium, SME-Small, and SME-Retail – with the highest contribution from the SME-Medium segment.

In sum, Krungsri Group delivered a solid performance in 2013 against the backdrop of a slowing economy caused by an easing of domestic demand, a weaker-than-expected global recovery, and delays in the government's planned infrastructure investments.

For 2014, the Thai operating environment will remain uncertain as we continue to face politico-economic and market challenges. Yet, we expect economic growth to recover from 2013, driven by stronger exports and domestic demand recovery in the second half of the year. Accordingly, the outlook for loan growth for the year remains moderately positive, and we project loan growth of 9% for 2014.

Loan Composition

2012		2013	
Auto HP	24%	Auto HP	25%
Mortgage	13%	Mortgage	13%
Credit card and Personal Loans	12%	Credit card and Personal Loans	12%

3.2.2 Loan classification and provision

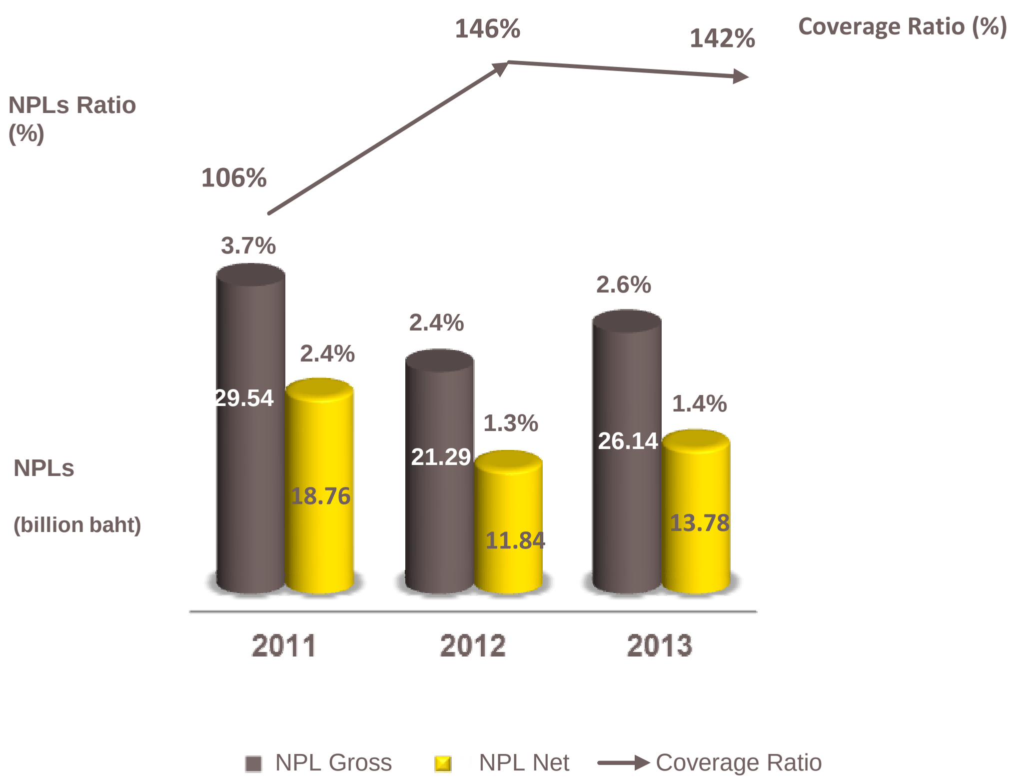
Unit : Baht mn

Consolidated	Dec. 31, 2013		Dec. 31, 2012		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	883,380	5,435	786,545	7,205	96,835	(1,770)
Special mention	35,748	3,495	24,414	1,651	11,334	1,844
Substandard	9,207	4,208	7,057	3,337	2,150	871
Doubtful	11,014	5,296	5,207	2,142	5,807	3,154
Doubtful of loss	5,926	2,470	9,042	3,685	(3,116)	(1,215)
Total	945,275	20,904	832,265	18,020	113,010	2,884
Surplus Reserve		14,403		12,286		2,117
Total	**945,275**	**35,307**	**832,265**	**30,306**	**113,010**	**5,001**

3.2.3 Non-performing loans

Consolidated	Dec 31, 13	Sep 30, 13	Dec 31, 12	Change from Sep 30, 13		Change from Dec 31, 12	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	13,780	13,839	11,835	(59)	(0.4)	1,945	16.4
Non-Performing Loans (Gross)	26,138	25,092	21,292	1,046	4.2	4,846	22.8
Loans loss reserves (LLR)	37,026	35,845	31,127	1,181	3.3	5,899	19.0
Coverage	**141.7%**	**142.9%**	**146.2%**	**(1.2%)**	**(0.8)**	**(4.5%)**	**(3.1)**
BOT Requirement	22,623	20,486	18,841	2,137	10.4	3,782	20.1
Actual / Required LLR	**163.7%**	**175.0%**	**165.2%**	**(11.3%)**	**(6.5)**	**(1.5%)**	**(0.9)**

NPLs and Coverage Ratio



As of December 31, 2013, gross NPLs increased Baht 1,046 million from September 2013 to Baht 26,138 million, driven largely by commercial accounts of our leasing subsidiary. The ratio of gross NPLs to total loans stood at 2.6%. Furthermore, Krungsri Group completed Baht 1,900 million in NPL sales to a third party in 4Q/13.

Total provisions stood at Baht 37,026 million, with an excess provision over Bank of Thailand requirements of Baht 14,403 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 163.7%; while the Group's coverage ratio was 141.7%.

3.3 Funding Structure

Consolidated	Dec. 31, 13	Sep. 30, 13	Dec. 31, 12	Change from Sep. 30, 13		Change from Dec. 31, 12	
				Baht mn	%	Baht mn	%
Current	19,470	19,572	18,646	(102)	(0.5)	824	4.4
Savings	383,471	378,161	350,814	5,310	1.4	32,657	9.3
Time	361,109	338,706	317,699	22,403	6.6	43,410	13.7
< 6 Months	133,061	131,575	147,053	1,486	1.1	(13,992)	(9.5)
6 Months - 1 Year	127,010	144,511	120,927	(17,501)	(12.1)	6,083	5.0
> 1 Year	101,038	62,620	49,719	38,418	61.4	51,319	103.2
Total Deposit	**764,050**	**736,439**	**687,159**	**27,611**	**3.7**	**76,891**	**11.2**
B/E	**38,649**	**39,121**	**48,523**	**(472)**	**(1.2)**	**(9,874)**	**(20.3)**
Debenture	**101,053**	**77,836**	**71,170**	**23,217**	**29.8**	**29,883**	**42.0**
Total Funding	**903,752**	**853,396**	**806,852**	**50,356**	**5.9**	**96,900**	**12.0**

As of December 31, 2013, overall funding for the Bank including deposits, bills of exchange and debentures increased Baht 96,900 million, or 12.0%, from December 2012.

Deposits totaled Baht 764,050 million, an increase of Baht 76,891 million, or 11.2%, from December 2012, mirroring the continued robust demand by customers for our Big Bang products -- “Mee Tae Dai” and “Jad Hai” -- and the successful launch of time deposit products -- “9-month Step Up Time Deposit” on 28 March 2013 and “15-month Time Deposit” on 1 August 2013. “Mee Tae Dai” balances exceeded Baht 165,000 million, while “Jad Hai” increased more than 450,000 accounts since the end of 2012.

As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased slightly to 52.7%, compared to 53.8% as of December 2012.

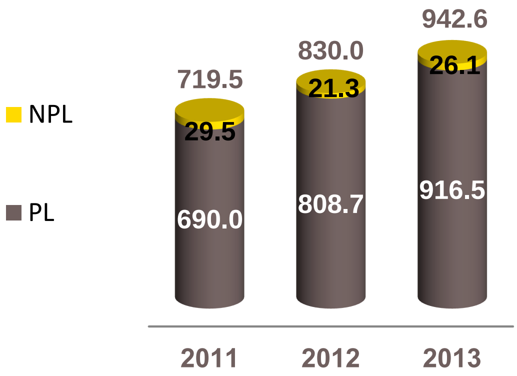
Bills of exchange totaled Baht 38,649 million, representing a decrease of Baht 9,874 million, or 20.3%, from December 2012.

Debentures stood at Baht 101,053 million as of December 2013. The increase of Baht 29,883 million, or 42.0%, from December 2012, was driven by issuances in support of our matched funding discipline.

Consequently, the loan to deposit ratio registered at 123%, and the loan to deposit plus bills of exchange and debentures ratio increased slightly to 104% from 103% at the end of last year.

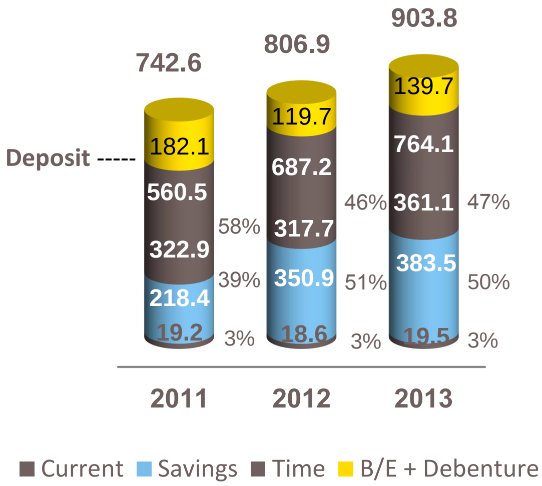
Loans

Unit: Baht Billion



Deposits + B/E + Debenture

Unit: Baht Billion



	2011	2012	2013
L/D	128%	121%	123%
L/D+B/E+Debenture	97%	103%	104%

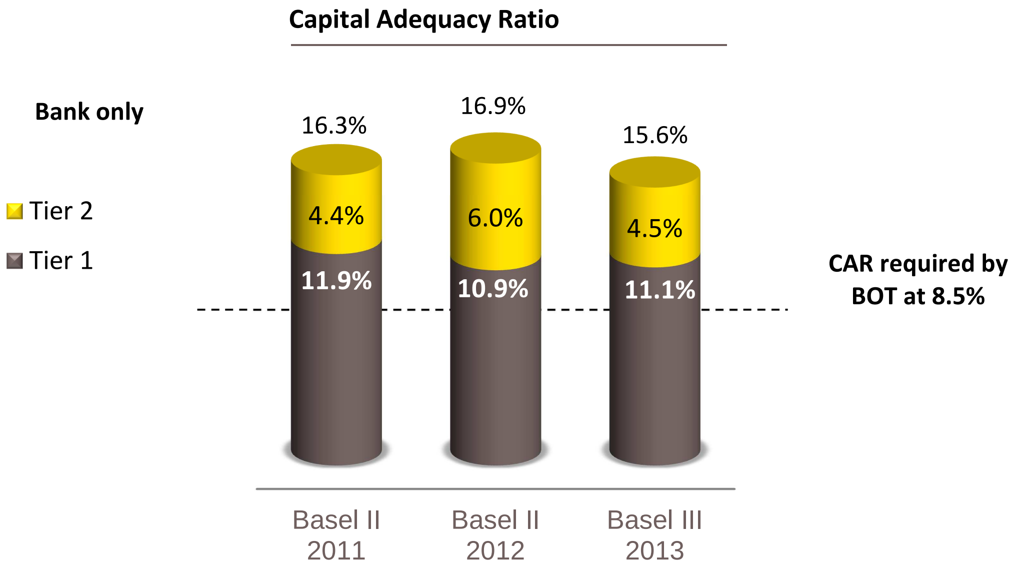
3.4 Contingencies

Consolidated	Dec. 31, 13	Sep. 30, 13	Dec. 31, 12	Change from Sep. 30, 13		Change from Dec. 31, 12	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,315	1,472	1,067	(157)	(10.7)	248	23.2
Liability under unmatured import bills	1,559	1,368	1,548	191	14.0	11	0.7
Letters of credit	9,335	8,527	8,043	808	9.5	1,292	16.1
Other contingencies	102,337	101,620	94,727	717	0.7	7,610	8.0
Total	**114,546**	**112,987**	**105,385**	**1,559**	**1.4**	**9,161**	**8.7**

The Krungsri Group's contingencies as of December 31, 2013, totaled Baht 114,546 million, an increase of Baht 9,161 million, or 8.7%, from December 31, 2012. This increase was driven mainly by an increase in other contingencies and letters of credit of Baht 7,610 million and Baht 1,292 million, respectively.

3.5 Statutory Capital

Effective in January 2013, the BIS ratio is calculated under Basel III guidance as prescribed by the Bank of Thailand. As at December 31, 2013, the Bank's capital remained strong at Baht 131,206 million, equivalent to 15.6% of risk-weighted assets, with 11.1% in Tier 1 capital.



Baht Billion	2011	2012	2013
	Basel II	Basel II	Basel III
Tier 1	80.84	81.75	93.61
Tier 2	30.28	44.80	37.60
Total Capital	111.12	126.55	131.21

4. Credit Ratings

Following the successful completion of the Voluntary Tender Offer conducted by the Bank of Tokyo-Mitsubishi UFJ, Ltd.(BTMU), resulting in a majority stake of 72% in Krungsri, Moody's Investors Service and Standard & Poor's upgraded Krungsri ratings from "Baa2" to "Baa1" and from "BBB-" to "BBB+", respectively. Similarly, TRIS Ratings also took a positive action by upgrading the bank's rating from "AA-" to "AAA".

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 December 31, 2013 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**
Bank Financial Strength Ratings	**D+**
Outlook	**Stable**
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 Rating (Foreign Currency)	
- Long Term	**BBB,** placed on Rating Watch Positive
- Subordinated Debt	**BBB-**
- Short Term	**F3**
- Viability Rating	**bbb**
- Support	**3**
- Support Rating Floor	**BB+**
- Outlook	**Stable**
National Ratings	
- Long Term – Debenture	**AA- (tha)**, placed on Rating Watch Positive
- Subordinated Debt	**A+ (tha)**
- Short Term	**F1+ (tha)**
- Outlook	**Stable**

4. TRIS Rating	
National Ratings	
- Company Rating	**AAA**
- Issue Rating	**AA+**
Outlook	**Stable**

5. 2014 Key Performance Targets

Consolidated	4Q/12	4Q/13	2012	2013	2013 Targets		2014 Targets
Loan Growth (Net)	+46.1 bn +5.9%	+53.4 bn +6.0%	+110.5 bn +15.4%	+112.6 bn +13.6%	12%+	✓	~ 9%
NPLs Ratio	2.39%	2.59%	2.39%	2.59%	~ 2.5%	✓	~ 2.5%
Deposit Mix: Savings and Current	54%	53%	54%	53%	~ 50%	✓	~ 50%
Loan Mix : Retail	49%	50%	49%	50%	50%	✓	n.d.
L/D Ratio	121%	123%	121%	123%	n.d.	✓	n.d.
L/Deposit+Debentures+B/E	103%	104%	103%	104%	95-96%	~	100%
NIM	4.30%	4.53%	4.33%	4.37%	4.4%	✓	~ 4.2%
Fee income growth (YoY)	26.0%	8.5%	18.8%	14.2%	15%	✓	12%+
Cost to Income Ratio	52.28%	50.94%	50.33%	49.04%	<48%	✓	<49%
Provisions	143 bps	198 bps	137 bps	177 bps*	130 bps	~	~ 160 bps
Loan Loss Coverage	146%	142%	146%	142%	150%	✓	~ 150%
CAR *(Bank Only)*	16.9%	15.6%	16.9%	15.6%	n.d.	✓	n.d.

** Include one-time prudential surplus reserves of THB 2,552 mn. booked in 2Q/13*
*** Bank only*