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Management Discussion and Analysis

For the quarter and nine-month period ended
September 30, 2016

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Executive Summary:

Through our strategic execution capability, Krungsri Group's delivered a robust financial performance for the first nine months of 2016. **Net profit** totaled Baht 16,248 million, an increase of 20.1% over the same period of 2015. The solid financial results were attributed to notable increase in net interest income and non-interest income.

In addition, in September 2016, Krungsri successfully completed the acquisition of Hattha Kaksekar Limited (HKL), a leading microfinance institution in Cambodia. As a result, HKL has become a subsidiary of Krungsri Group. The consolidation of HKL business into Krungsri represented a net value of Baht 2,100 million, of which Baht 19,416 million were assets, and Baht 17,316 million were liabilities.

Loans totaled Baht 1,403,939 million. For the first nine months of 2016, loan growth of 7.7% was remarkably achieved, representing an increase of Baht 100,485 million compared to December 2015. Excluding the loan recorded from HKL, total loan still grew robustly at 6.6% year-to-date. Retail loans grew firmly at 11.2% year-to-date, attributed to a broad-based expansion in auto hire purchase, mortgage, as well as credit cards and personal loans. Meanwhile, corporate and SME loans grew by 5.3% and 4.6%, respectively.

Deposits totaled Baht 1,085,551 million, an increase of Baht 39,261 million, or 3.8%, from December 2015. The growth in deposits mainly resulted from savings deposit and deposit from HKL.

Non-Interest Income increased 13.7% compared with nine months of 2015, mainly driven by non-interest and non-fees income from bad debt recoveries income and gains on trading and foreign exchange transactions and investments.

Asset quality continued to improve, as of September 2016, **non-performing loans** recorded at 2.10%.

Meanwhile, our **total provision** stood at Baht 49,313 million, with an excess provision over the Bank of Thailand's reserve requirements of Baht 16,547 million, representing 150.5% of the Bank of Thailand's reserve requirement. Concurrently, the loan loss coverage ratio increased from 146.4% at end of 2Q/16 to 152.3% at end of 3Q/16.

Corresponding to the higher net profit, **earnings per share (EPS)** rose to Baht 2.21 for the first nine months of 2016 compared to Baht 1.84 for nine months of 2015.

As for the remaining period of 2016, we expect the continuation of economic momentum, although moderating activities may be observed in certain areas. With an expected seasonal rise in business for both retail and commercial lending, Krungsri revises loan growth target upward from 5-6% to 8-9% including consolidated loan from HKL.

NIM: 3.77%

Coverage: 152.3%

Net Profit:

At Baht 5.8 billion

NPL: 2.10%

Summary of Financial Performance and Status:

Key 3Q/16 deliverables:

- **Loan Growth:**

Increased by 7.7%, or Baht 100,485 million, compared to December 2015, and 3.4% increase or Baht 45,561 million compared to June 2016. Excluding the impact from HKL's consolidation, loan grew 6.6%, compared to December 2015 and 2.3% compared to June 2016.

- **Deposit Growth:**

Increased by 3.8%, or Baht 39,261 million, compared to December 2015, and 2.2% increase or Baht 23,448 million compared to June 2016. Excluding the impact from HKL's consolidation, deposit grew 2.6%, compared to December 2015 and 1.1% compared to June 2016.

- **Net Profit:**

Increased to Baht 5,829 million, representing a 10.6% increase over 2Q/16, and a 20.1% increase from 3Q/15.

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

Recorded at 3.77% compared to 3.82% in 2Q/16 owing to moderation in yield on earning assets while cost of funds continued to improve.

- **Non-Interest Income:**

Increased 12.6% or Baht 890 million from 2Q/16, mainly driven by non-interest and non-fees income from bad debt recoveries income and gains on trading and foreign exchange transactions.

- **Cost to Income Ratio:**

Recorded at 46.2%, slightly lower from 46.3% in 2Q/16.

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

Recorded a new low at 2.10%, compared to 2.20% in 2Q/16.

- **Coverage Ratio:**

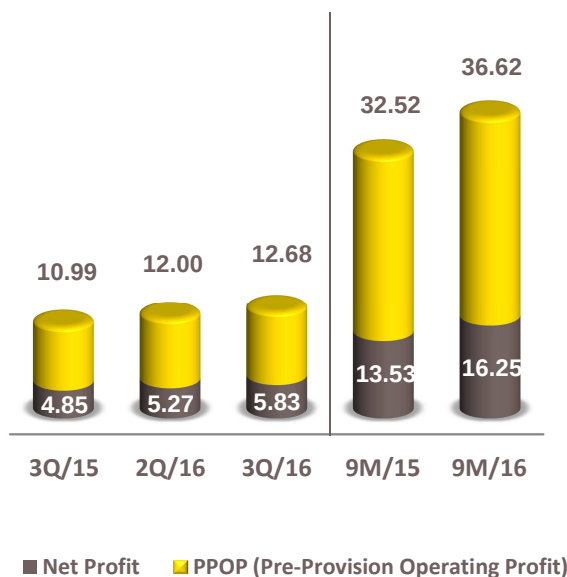
Strong at 152.3%.

- **Capital Adequacy Ratio:**

Recorded at 14.8%, increased from 13.8% in June 2016, driven mainly from an improvement in tier 2 capital as a result of issuance of Baht 10,000 million subordinated debenture.

PPOP & Net Profit

Unit: Baht Billion



For the third quarter ended September 30, 2016

In 3Q/16, operating profit was Baht 12,675 million, representing an increase of Baht 672 million, or 5.6%, when compared to 2Q/16, driven by both higher net interest income as a result of lending growth, and improvement on non-interest income.

Net profit in 3Q/16 was Baht 5,829 million, representing an increase of Baht 560 million, or 10.6%, when compared to 2Q/16, and an increase of Baht 977 million, or 20.1%, on a year-on-year basis, driven largely by higher net interest income, non-interest and non-fees income as well as net fees and service income.

For the nine-month period ended September 30, 2016

In the first nine months of 2016, net profit registered at Baht 16,248 million, an increase of Baht 2,721 million, or 20.1%, year-on-year, driven largely by higher net interest income, non-interest and non-fees income and net fees and service income.

1. Statements of Profit or Loss and Other Comprehensive Income

Consolidated Statements of Profit or Loss and Other Comprehensive Income	3Q/16	2Q/16	3Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	21,475	21,086	20,084	389	1.8	1,391	6.9
Interest Expenses	5,897	5,831	6,023	66	1.1	(126)	(2.1)
Interest Income, Net	15,578	15,255	14,061	323	2.1	1,517	10.8
Fees and Service Income	6,082	5,695	5,678	387	6.8	404	7.1
Fees and Service Expense	1,481	1,387	1,380	94	6.8	101	7.3
Fees and Service Income, Net	4,601	4,308	4,298	293	6.8	303	7.0
Non-interest and Non-fees Income	3,376	2,780	2,414	596	21.4	962	39.9
Other Operating Expenses	10,880	10,340	9,788	540	5.2	1,092	11.2
Pre-Provision Operating Profit (PPOP)	12,675	12,003	10,985	672	5.6	1,690	15.4
Impairment Loss of Loan and Debt Securities	5,275	5,255	4,840	20	0.4	435	9.0
Income Tax Expense	1,494	1,407	1,230	87	6.2	264	21.5
Net Profit	5,906	5,341	4,915	565	10.6	991	20.2
Other Comprehensive income, net	2,369	(531)	(162)	2,900	546.1	2,531	1,562.3
Total Comprehensive income	8,275	4,810	4,753	3,465	72.0	3,522	74.1
Net Profit Attributable To							
Owners of the Bank	5,829	5,269	4,852	560	10.6	977	20.1
Non-Controlling Interest	77	72	63	5	6.9	14	22.2
Net Profit	5,906	5,341	4,915	565	10.6	991	20.2
Total Comprehensive Income Attributable To							
Owners of the Bank	8,198	4,738	4,689	3,460	73.0	3,509	74.8
Non-Controlling Interest	77	72	64	5	6.9	13	20.3
Total Comprehensive income	8,275	4,810	4,753	3,465	72.0	3,522	74.1
Earning Per Share (Baht)	0.79	0.72	0.66	0.07	9.7	0.13	19.7

Consolidated Statements of Profit or Loss and Other Comprehensive Income	9M/16	9M/15	Change YoY	
			Baht mn	%
Interest Income	63,435	61,261	2,174	3.5
Interest Expense	17,610	19,549	(1,939)	(9.9)
Interest Income, Net	45,825	41,712	4,113	9.9
Fees and Service Income	17,808	16,759	1,049	6.3
Fees and Service Expense	4,355	3,953	402	10.2
Fees and Service Income, Net	13,453	12,806	647	5.1
Non-interest and Non-fees Income	8,697	6,668	2,029	30.4
Other Operating Expenses	31,350	28,663	2,687	9.4
Pre-Provision Operating Profit (PPOP)	36,625	32,523	4,102	12.6
Impairment Loss of Loan and Debt Securities	15,944	15,310	634	4.1
Income Tax Expense	4,220	3,511	709	20.2
Net Profit	16,461	13,702	2,759	20.1
Other Comprehensive income, net	2,475	11	2,464	22,400.0
Total Comprehensive income	18,936	13,713	5,223	38.1
Net Profit Attributable To				
Owners of the Bank	16,248	13,527	2,721	20.1
Non-Controlling Interest	213	175	38	21.7
Net Profit	16,461	13,702	2,759	20.1
Total Comprehensive Income Attributable To				
Owners of the Bank	18,724	13,537	5,187	38.3
Non-Controlling Interest	212	176	36	20.5
Total Comprehensive income	18,936	13,713	5,223	38.1
Earning Per Share (Baht)	2.21	1.84	0.37	20.1

2. Financial Performance

2.1 Net Interest Income

Consolidated	3Q/16	2Q/16	3Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	13,988	13,827	13,584	161	1.2	404	3.0
Interest on interbank and money market items	711	801	503	(90)	(11.2)	208	41.4
Hire purchase and financial lease income	6,198	5,949	5,372	249	4.2	826	15.4
Investments and trading transactions	38	25	19	13	52.0	19	100.0
Investments in debt securities	540	484	606	56	11.6	(66)	(10.9)
Total Interest Income	21,475	21,086	20,084	389	1.8	1,391	6.9
INTEREST EXPENSE							
Interest on deposits	3,026	3,105	3,744	(79)	(2.5)	(718)	(19.2)
Interest on interbank and money market items	789	775	455	14	1.8	334	73.4
Interest on borrowings	760	648	606	112	17.3	154	25.4
Contribution to Financial Institution Development Fund and Deposit Protection Agency	1,315	1,298	1,212	17	1.3	103	8.5
Borrowing fee expenses	3	1	3	2	200.0	0	0.0
Other interest expenses	4	4	3	0	0.0	1	33.3
Total Interest Expenses	5,897	5,831	6,023	66	1.1	(126)	(2.1)
Interest Income, net	15,578	15,255	14,061	323	2.1	1,517	10.8
Net Interest Margin	3.77%	3.82%	3.79%				
Yield on Earning Assets	5.20%	5.28%	5.41%				
Cost of Funds	1.58%	1.60%	1.76%				

Consolidated	9M/16	9M/15	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	41,696	41,378	318	0.8
Interest on interbank and money market items	2,135	2,133	2	0.1
Hire purchase and financial lease income	17,933	15,811	2,122	13.4
Investments and trading transactions	93	63	30	47.6
Investments in debt securities	1,578	1,876	(298)	(15.9)
Total Interest Income	63,435	61,261	2,174	3.5
INTEREST EXPENSE				
Interest on deposits	9,344	11,834	(2,490)	(21.0)
Interest on interbank and money market items	2,283	1,177	1,106	94.0
Interest on borrowings	2,084	2,828	(744)	(26.3)
Contributions to Financial Institution Development Fund and Deposit Protection Agency	3,877	3,680	197	5.4
Borrowing fee expenses	11	19	(8)	(42.1)
Other interest expenses	11	11	0	0.0
Total Interest Expenses	17,610	19,549	(1,939)	(9.9)
Interest Income, net	45,825	41,712	4,113	9.9
Net Interest Margin	3.76%	4.24%		
Yield on Earning Assets	5.20%	6.22%		
Cost of Funds	1.60%	2.19%		

For the third quarter ended September 30, 2016

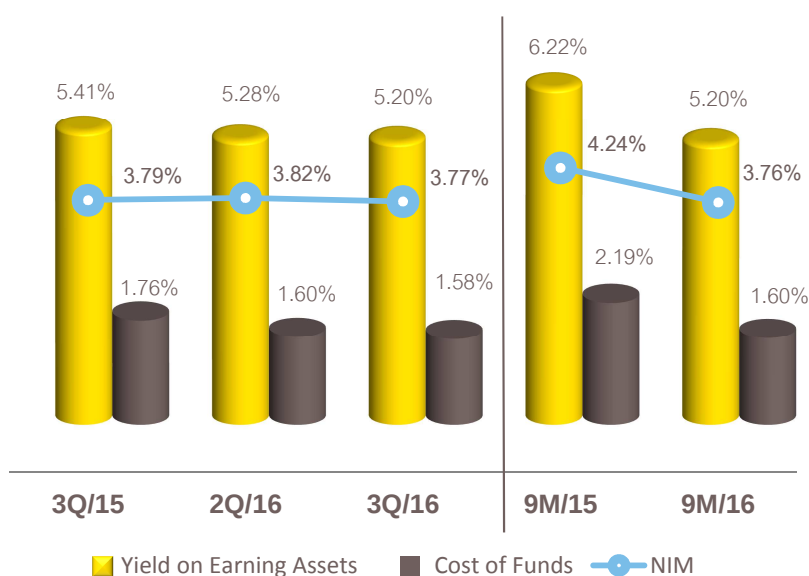
Net interest income in the third quarter was Baht 15,578 million, representing an increase of 2.1% on a quarter-on-quarter basis, driven by an increase in interest on loans as well as hire purchase and financial lease income. Interest expense increased owing to an increase in interest on borrowing result from issuance of subordinated debentures while interest on deposit decreased.

For the nine-month period ended September 30, 2016

In the first nine month of 2016, net interest income reached Baht 45,825 million, an increase of Baht 4,113 million, or 9.9%, compared to the same period last year, resulting primarily from higher hire purchase and financial lease income. Meanwhile, interest expenses decreased Baht 1,939 million owing to a decrease in interest on deposits together with lower cost of borrowings.

Year-to-date, NIM stood at 3.76%. In 3Q/16, NIM slightly moderated to 3.77% compared to 3.82% in 2Q/16, mainly resulting from moderation of overall yield which recorded at 5.20% in 3Q/16 compared to 5.28% in 2Q/16. Meanwhile, cost of funds recorded at 1.58%, a decrease from 1.60% in 2Q/16, as a result of higher portion of low cost funding.

Net Interest Margin (NIM)



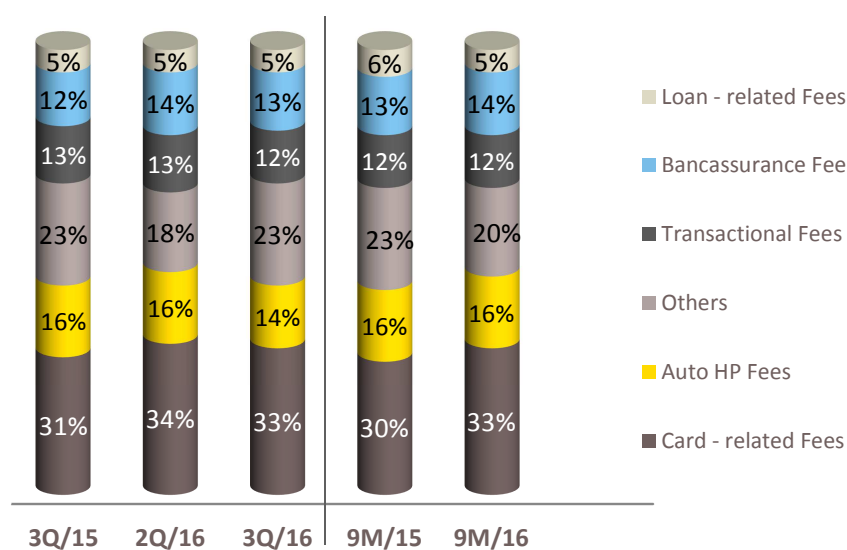
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Policy Rate	2.00%	1.75%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Krungsri Lending Rate	7.125%	6.975%	6.85%	6.85%	6.85%	6.85%	6.60%	6.60%
Saving Rate	0.40%	0.40%	0.40%	0.30%	0.30%	0.30%	0.30%	0.30%
3 - month deposits	1.10-1.30%	1.00-1.10%	0.80-1.00%	0.80-1.00%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

2.2 Net Fees and Service Income

Consolidated	3Q/16	2Q/16	3Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	128	121	127	7	5.8	1	0.8
Other fees and service income	5,954	5,574	5,551	380	6.8	403	7.3
Fees and service income	6,082	5,695	5,678	387	6.8	404	7.1
Fees and service expense	1,481	1,387	1,380	94	6.8	101	7.3
Fees and Service Income, net	4,601	4,308	4,298	293	6.8	303	7.0

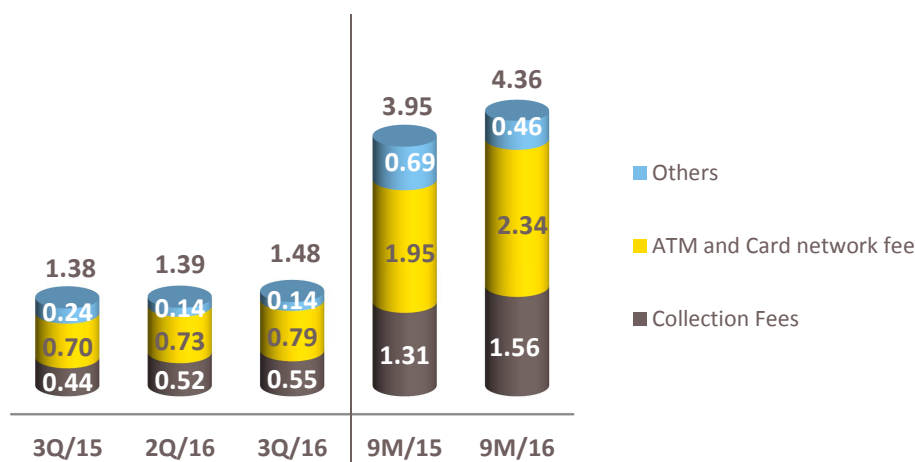
Consolidated	9M/16	9M/15	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	372	396	(24)	(6.1)
Other fees and service income	17,436	16,363	1,073	6.6
Fees and service income	17,808	16,759	1,049	6.3
Fees and service expense	4,355	3,953	402	10.2
Fees and Service Income, net	13,453	12,806	647	5.1

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the third quarter ended September 30, 2016

Net fees and service income increased Baht 293 million or 6.8% quarter-on-quarter, mainly from the higher fees and service income. An increase in fees and service income attributed to an increase in wealth, fund management, and securities-related fees of 19.3%, reflecting the recovery in capital market conditions in the third quarter, the loan-related fees of 11.5%, collection fees of 5.7%, and card-related fee of 1.1%, respectively. Meanwhile, auto hire purchase fee and transactional fee decreased by 4.1% and 1.1 %, respectively. Fees and service expenses increased by 6.8%.

On a year-on-year basis, net fees and service income increased Baht 303 million or 7.0%, driven by an increase in bancassurance fees of 14.1%, card-related fees of 12.6%, loan-related fees of 10.1% and wealth, fund management, and securities-related fees of 7.0%. Meanwhile, collection fees, auto hire purchase fee and transactional fee decreased by 19.9%, 4.8% and 0.9%, respectively. Fees and service expenses increased by 7.3%.

For the nine-month period ended September 30, 2016

Compared with 9M/15, net fees and service income increased Baht 647 million or 5.1% driven by an increase in card-related fees of 17.7%, bancassurance fees of 13.6%, auto hire purchase fees of 6.3% and transactional fees of 2.2%, respectively. Meanwhile, collection fees, loan related fees and wealth, fund management and securities-related fees decreased by 20.5%, 12.3% and 0.5%, respectively. Fees and service expenses increased by 10.2%.

2.3 Non-interest and Non-fees Income

Consolidated	3Q/16	2Q/16	3Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign exchange transactions	1,023	945	1,171	78	8.3	(148)	(12.6)
Gains (losses) on investments	83	332	(124)	(249)	(75.0)	207	166.9
Share of profit (loss) from investment for using equity method	93	103	84	(10)	(9.7)	9	10.7
Bad debt recoveries	1,796	886	760	910	102.7	1,036	136.3
Other operating income	381	514	523	(133)	(25.9)	(142)	(27.2)
Total Non-interest and Non-fees Income	3,376	2,780	2,414	596	21.4	962	39.9

Consolidated	9M/16	9M/15	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign exchange transactions	2,819	2,361	458	19.4
Gains (losses) on investments	613	307	306	99.7
Share of profit (loss) from investment for using equity method	266	270	(4)	(1.5)
Bad debt recoveries	3,610	2,196	1,414	64.4
Other operating income	1,389	1,534	(145)	(9.5)
Total Non-interest and Non-fees Income	8,697	6,668	2,029	30.4

For the third quarter ended September 30, 2016

On a quarter-on-quarter basis, non-interest and non-fees income increased by Baht 596 million or 21.4%, driven primarily by a significant increase in bad debt recoveries income of 102.7%, mainly owing to a recovery of one syndicated loan. If excluding such recovery, bad debt recoveries income would increase by 29.9%. Gains on trading and foreign exchange transactions increased by 8.3%. Meanwhile, gains on investments from Available-for-Sale (AFS) portfolio decreased by 75.0% and other operating income decreased by 25.9% from a decrease in gain on sales of properties for sale.

Compared to 3Q/15, non-interest and non-fees income increased by Baht 962 million or 39.9%, driven primarily by bad debt recoveries income of 136.3%, if excluding bad debt recovery of one syndicated loan as mentioned above, bad debt recoveries income would increase by 51.4%. Gains on investments from Available-for-Sale (AFS) portfolio increased by Baht 207 million while gains on trading and foreign exchange transactions decreased by 12.6%. Other operating income decreased by 27.2% largely due to a decrease in gain on sales of properties for sale of 61.6%.

For the nine-month period ended September 30, 2016

For the first nine-month of 2016, non-interest and non-fees income increased Baht 2,029 million or 30.4%, driven primarily by an increase in bad debt recoveries of 64.4%, if excluding bad debt recovery of one syndicated loan as mentioned above, bad debt recoveries income would increase by 35.0%. Gains on trading and foreign exchange transactions increased by 19.4% and gains on investments from Available-for-Sales (AFS) increase 99.7%. Other operating income decreased by 9.5% from a decrease in gain on sales of property for sale of 13.4% and a decrease of dividend income of 10.6%.

2.4 Other Operating Expenses

Consolidated	3Q/16	2Q/16	3Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	5,430	5,255	4,631	175	3.3	799	17.3
Premises and equipment expenses	1,831	1,767	1,689	64	3.6	142	8.4
Taxes and duties	633	640	631	(7)	(1.1)	2	0.3
Directors' remuneration	13	12	12	1	8.3	1	8.3
Other expenses	2,973	2,666	2,825	307	11.5	148	5.2
Total Other Operating Expenses	10,880	10,340	9,788	540	5.2	1,092	11.2

Consolidated	9M/16	9M/15	Change YoY	
			Baht mn	%
Employee's expenses	15,845	13,826	2,019	14.6
Premises and equipment expenses	5,346	5,072	274	5.4
Taxes and duties	1,904	1,915	(11)	(0.6)
Directors' remuneration	36	36	0	0.0
Other expenses	8,219	7,814	405	5.2
Total Other Operating Expenses	31,350	28,663	2,687	9.4

For the third quarter ended September 30, 2016

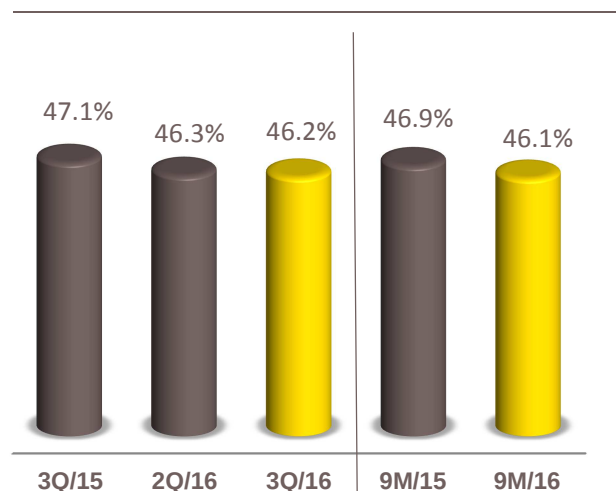
On a quarter-on-quarter basis, other operating expenses increased Baht 540 million, or 5.2%, largely driven by an increase in other expenses of Baht 307 million, mainly from amortisation expense of computer software and promotion expenses. Employee's expense increased Baht 175 million, or 3.3%, mainly due to an increase in staff salaries and incentives as well as additional expenses of 2,269 employees from HKL.

Other operating expenses increased Baht 1,092 million, or 11.2%, compared to 3Q/15, driven by an increase in employee's expenses of Baht 799 million, or 17.3%, mainly due to annual merit increase, staff promotions, and the additional headcounts from HKL.

For the nine-month period ended September 30, 2016

For the nine months of 2016, other operating expenses increased Baht 2,687 million, or 9.4%, mainly driven by an increase in employee's expense of Baht 2,019 million, or 14.6%, mainly due to an increase in annual merit, and staff promotions, as well as the additional headcounts from HKL. Moreover, other expenses increased Baht 405 million, or 5.2%.

Cost to Income Ratio



In 3Q/16, the cost-to-income ratio slightly improved, and recorded at 46.2%.

In 9M/16, the cost-to-income ratio improved to 46.1% compared to 46.9% in 9M/15, reflecting a continuous enhancement of efficiency.

2.5 Impairment loss of loans and debt securities

Consolidated	3Q/16	2Q/16	3Q/15	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Impairment loss on debt instrument (reversal)	0	0	(4)	0	0.0	4	100.0
Bad Debt and Doubtful Accounts	4,929	4,941	4,454	(12)	(0.2)	475	10.7
Loss on Debt Restructuring	346	314	390	32	10.2	(44)	(11.3)
Total impairment loss of loan and debt securities	5,275	5,255	4,840	20	0.4	435	9.0

Consolidated	9M/16	9M/15	Change YoY	
			Baht mn	%
Impairment loss on debt instrument (reversal)	0	(4)	4	100.0
Bad Debt and Doubtful Accounts	15,226	14,345	881	6.1
Loss on Debt Restructuring	718	969	(251)	(25.9)
Total impairment loss of loan and debt securities	15,944	15,310	634	4.1

Loan loss provision in 3Q/16 amounted to Baht 5,275 million, an increase of Baht 20 million, or 0.4%, from 2Q/16.

As of September 30, 2016, total provision was Baht 49,313 million, with an excess provision over the Bank of Thailand's reserve requirements of Baht 16,547 million, representing 150.5% of the Bank of Thailand's reserve requirements. The coverage ratio was strong at 152.3%.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at Sep. 30, 16	As at Jun. 30, 16	As at Dec. 31, 15	Change from Jun. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	29,725	29,528	33,690	197	0.7	(3,965)	(11.8)
Interbank and money market items, net	194,267	197,405	194,094	(3,138)	(1.6)	173	0.1
Investments, net	115,155	103,996	110,027	11,159	10.7	5,128	4.7
Investments in subsidiaries, associates and joint ventures, net	1,842	1,749	1,576	93	5.3	266	16.9
Loans to customers	1,459,013	1,411,779	1,353,559	47,234	3.3	105,454	7.8
Accrued interest receivable	4,080	3,602	3,572	478	13.3	508	14.2
Deferred revenue	(55,074)	(53,401)	(50,105)	(1,673)	(3.1)	(4,969)	(9.9)
Allowance for doubtful accounts	(47,542)	(46,895)	(43,218)	(647)	(1.4)	(4,324)	(10.0)
Revaluation allowance for debt restructuring	(1,466)	(1,431)	(1,726)	(35)	(2.4)	260	15.1
Properties for sale, net	4,512	4,624	5,050	(112)	(2.4)	(538)	(10.7)
Others	123,359	127,845	98,998	(4,486)	(3.5)	24,361	24.6
TOTAL ASSETS	1,827,871	1,778,801	1,705,517	49,070	2.8	122,354	7.2
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,085,551	1,062,103	1,046,290	23,448	2.2	39,261	3.8
Interbank and money market items, net	302,254	299,099	275,059	3,155	1.1	27,195	9.9
Debt issued and borrowings	133,712	112,622	108,121	21,090	18.7	25,591	23.7
Others	102,636	106,592	85,299	(3,956)	(3.7)	17,337	20.3
TOTAL LIABILITIES	1,624,153	1,580,416	1,514,769	43,737	2.8	109,384	7.2
Issued and paid-up share capital	73,558	73,558	73,558	0	0.0	0	0.0
Retained earning	72,492	69,502	61,938	2,990	4.3	10,554	17.0
Others	57,668	55,325	55,252	2,343	4.2	2,416	4.4
TOTAL SHAREHOLDERS' EQUITY	203,718	198,385	190,748	5,333	2.7	12,970	6.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,827,871	1,778,801	1,705,517	49,070	2.8	122,354	7.2
Book value per share (Baht)	27.69	26.97	25.93	0.72	2.7	1.76	6.8

The acquisition of HKL which completed on September 12, 2016, and HKL was added as a subsidiary of Krungsri, of which its assets and liabilities comprised:

Assets: Total amount of Baht 19,416 million, mainly comprising

- Loan to customers: Baht 14,304 million
- Interbank and money market items: Baht 4,423 million

Liabilities: Total amount of Baht 17,316 million, mainly comprising

- Deposits: Baht 10,988 million
- Interbank and money market items: Baht 950 million
- Debt issued and borrowings: Baht 4,603 million

As of September 30, 2016, assets stood at Baht 1,827,871 million, representing an increase of Baht 122,354 million, or 7.2% from December 2015, largely attributed to a higher net loan volume of Baht 100,485 million, or 7.7%, and an increase in other assets of Baht 24,361 million, or 24.6%, mainly from an increase in claim on securities.

Compared to 2Q/16, total assets increased Baht 49,070 million, or 2.8%, driven by an increase in net loan volume of Baht 45,561 million, or 3.4%, and an increase in investment of Baht 11,159 million, or 10.7%. Other assets decreased Baht 4,486 million, or 3.5%, mainly from a decrease in derivative assets.

On a year-to-date basis, liabilities grew 7.2%, or Baht 109,384 million. The growth in liabilities was driven by an increase in deposits of Baht 39,261 million, or 3.8%, mainly resulting from an increase in savings deposit. Moreover, interbank and money market items increased Baht 27,195 million, largely driven by an increase in repurchase agreement and loans from financial institution. Debt issued and borrowing increased by 23.7%, or Baht 25,591 million, driven in part by the new issuance of subordinated debenture in the amount of Baht 10,000 million in 3Q/16, an increased debenture of Baht 17,232 million, and debt issued and borrowing from HKL of Baht 4,487 million, offset by a decrease in bills of exchange of Baht 6,121 million.

Compared to 2Q/16, liabilities increased 2.8%, or Baht 43,737 million, driven by an increase in deposits of Baht 23,448 million, or 2.2%, mainly from savings deposit, and an increase in debt issued and borrowing of Baht 21,096 million, or 18.7%, mainly due to the new issuance of subordinated debenture, debt issued and borrowing from HKL, and an increase in debenture of Baht 2,652 million and bills of exchange of Baht 3,953 million.

Total shareholders' equity rose to Baht 203,718 million, reflecting an increase of Baht 12,970 million, or 6.8%, from December 2015. The increase was mainly due to an increase in equity holders' net income of Baht 16,248 million for 9M/16 and an increase in land and building revaluation of Baht 2,335 million. This increase was partially offset by dividends paid of Baht 5,885 million.

Book value per share as of September 30, 2016 increased 6.8% to Baht 27.69 from Baht 25.93 at the end of 2015.

3.2 Loans to customers

3.2.1 Loans by segment

Consolidated	Sep. 30, 16	Jun. 30, 16	Dec. 31, 15	Change from Jun. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Corporate	573,344	563,711	544,413	9,633	1.7	28,931	5.3
- Thai Corporate	404,553	390,127	374,232	14,426	3.7	30,321	8.1
- International Corporate (JPC/MNC)	168,791	173,584	170,181	(4,793)	(2.8)	(1,390)	(0.8)
SMEs	211,750	207,469	202,469	4,281	2.1	9,281	4.6
Retail	618,845	587,198	556,572	31,647	5.4	62,273	11.2
- Hire purchase	285,497	278,399	264,820	7,098	2.5	20,677	7.8
- Mortgage	189,880	180,479	160,157	9,401	5.2	29,723	18.6
- Credit cards and personal loans	130,399	128,320	131,595	2,079	1.6	(1,196)	(0.9)
- HKL personal loans	13,069	0	0	13,069	-	13,069	-
Total *	1,403,939	1,358,378	1,303,454	45,561	3.4	100,485	7.7

* Loans to customers net of deferred revenue

The successful acquisition of HKL contributed an additional Baht 14,595 million in loans, mainly comprising personal loans, to Krungsri Group.

As of September 30, 2016, total outstanding loans stood at Baht 1,403,939 million, an increase of Baht 100,485 million, or 7.7%, from December 2015 balance. Excluding the loan recorded from HKL, total loan still grew robustly at 6.6% year-to-date. Retail loans grew by 11.2% year-to-date, driven by continued strong demand for mortgage and auto hire purchase as well as loan consolidation from HKL. Meanwhile, corporate and SME loans grew by 5.3% and 4.6%, respectively.

Year-to-date, **corporate loans** grew 5.3%. In 3Q/16, corporate loans grew 1.7%, driven from Thai corporate loan demand. International corporate loan contracted by 2.8% during the quarter, driven largely by loan repayment and sluggish export growth.

The **SME's** portfolio increased 4.6% year-to-date and 2.1% during the third quarter. The growth observed in SME was driven by medium and small-sized SMEs.

Year-to-date, **retail** segment recorded growth of Baht 62,273 million, or 11.2%. During the third quarter, retail loan, recorded 5.4% growth, or notable increase of Baht 31,647 million, attributed to a broad-based expansion in auto hire purchase, mortgage, credit cards, and personal loans.

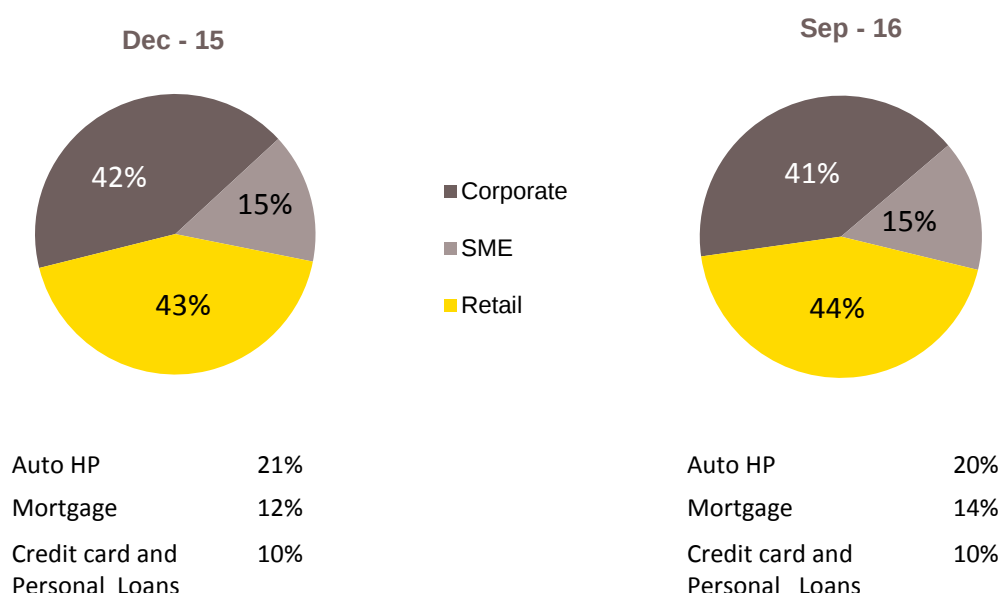
Auto hire purchase loan recorded 7.8% growth year-to-date and 2.5% growth during the third quarter. The strong auto business franchise as well as an increase in volume from partners contributed to the growth in auto hire purchase loan.

Year-to-date, **mortgage loan** grew strongly at 18.6%, and 5.2% in 3Q/16. This notable growth in mortgage loans, amid tepid demand for housing after the government's property stimulus measure expired, was driven by Krungsri's strategies in partnering with leading developers and top local developers in the key economic provinces, as well as innovative campaigns (5-year and 7-year fixed-rate mortgage) launched during the period.

Credit cards and personal loans contracted 0.9% year-to-date. During the third quarter, credit cards and personal loans grew slightly at 1.6%, in line with industry trend.

As for the remaining period of 2016, we expect the continuation of economic momentum, although moderating activities may be observed in certain areas. With an expected seasonal rise in business for both retail and commercial lending, Krungsri revises loan growth target upward from 5-6% to 8-9% including consolidated loan from HKL.

Loan Composition



3.2.2 Loan classification and provision

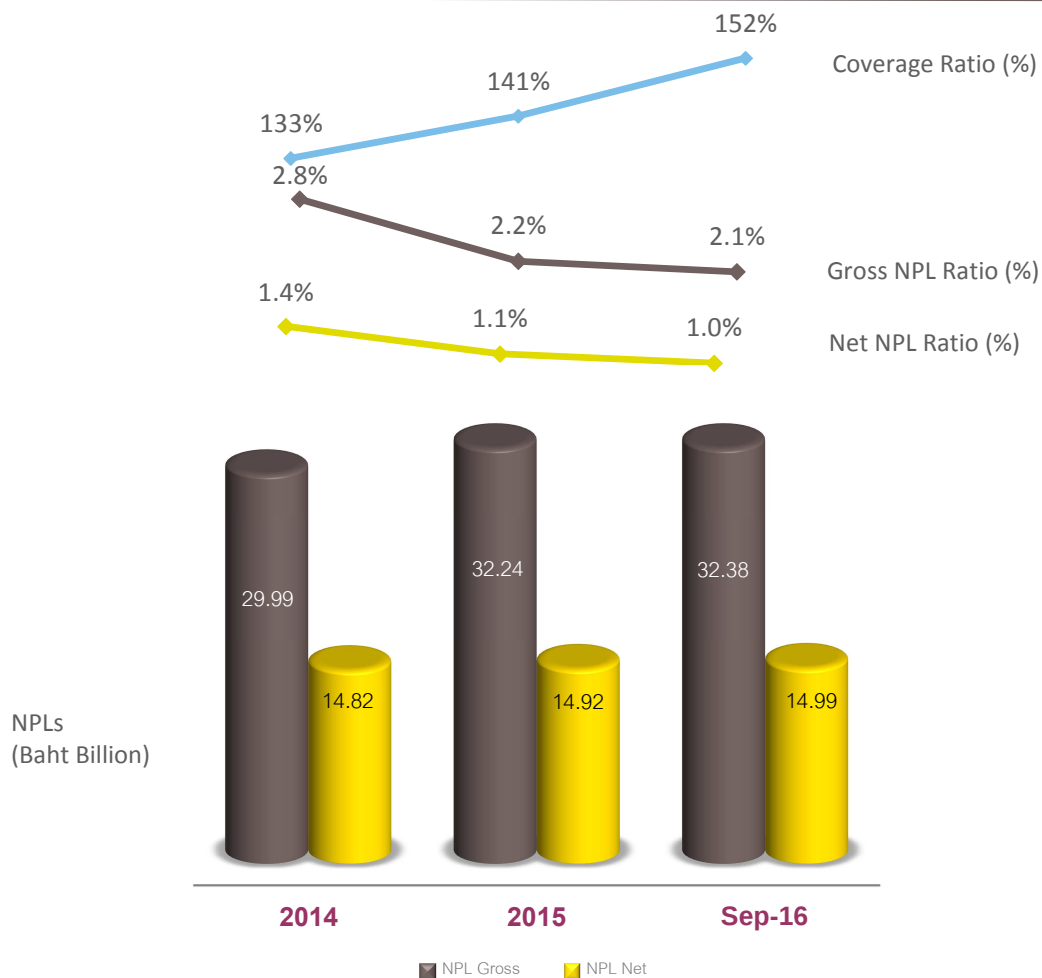
Unit : Baht mn

Consolidated	Sep. 30, 16		Dec. 31, 15		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	1,316,703	9,851	1,226,187	9,204	90,516	647
Special mention	58,935	4,236	48,598	3,802	10,337	434
Substandard	9,346	5,459	10,824	6,255	(1,478)	(796)
Doubtful	6,383	3,088	8,412	4,271	(2,029)	(1,183)
Doubtful of loss	16,651	8,361	13,006	6,346	3,645	2,015
Total	1,408,018	30,995	1,307,027	29,878	100,991	1,117
Surplus Reserve		16,547		13,340		3,207
Total	1,408,018	47,542	1,307,027	43,218	100,991	4,324

3.2.3 Non-performing loans

Consolidated	Sep. 30, 16	Jun. 30, 16	Dec. 31, 15	Change from Jun. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	14,992	14,545	14,919	447	3.1	73	0.5
Non-Performing Loans (Gross)	32,379	33,263	32,239	(884)	(2.7)	140	0.4
Loans loss reserves (LLR)	49,313	48,697	45,313	616	1.3	4,000	8.8
Coverage Ratio	152.3%	146.4%	140.6%	5.9%	4.0	11.7%	8.3
BOT Requirement	32,766	33,765	31,973	(999)	(3.0)	793	2.5
Actual / Required LLR	150.5%	144.2%	141.7%	6.3%	4.4	8.8%	6.2

NPLs and Coverage Ratio



Asset quality continued to improve throughout the quarter. As of September 30, 2016, gross NPLs reduced to Baht 32,379 million from Baht 33,263 million at the end of 2Q/16. During 3Q/16, gross NPLs decreased by Baht 884 million, driven largely by prudential management and continued efforts to resolve NPL (one corporate account, which was classified as NPL on a qualitative basis in 1Q/16, was reclassified as normal loan in 3Q/16), and to a certain extent, the gradually improving economic environment. The gross NPLs ratio at 3Q/16 recorded a new low at 2.10%, compared to 2.20% in 2Q/16.

As of September 30, 2016, total provision was Baht 49,313 million, with an excess provision over Bank of Thailand's reserve requirements of Baht 16,547 million. Correspondingly, the actual provisioning ratio when compared to the Bank of Thailand requirements represented 150.5% of the Bank of Thailand's reserve requirements. The coverage ratio was strong at 152.3%.

3.3 Funding Structure

Consolidated	Sep. 30, 16	Jun. 30, 16	Dec. 31, 15	Change from Jun. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Current	30,580	29,598	29,615	982	3.3	965	3.3
Savings	558,911	542,765	509,428	16,146	3.0	49,483	9.7
Time	496,060	489,740	507,247	6,320	1.3	(11,187)	(2.2)
< 6 Months	150,820	150,390	164,737	430	0.3	(13,917)	(8.4)
6 Months - 1 Year	283,831	290,799	315,806	(6,968)	(2.4)	(31,975)	(10.1)
> 1 Year	61,409	48,551	26,704	12,858	26.5	34,705	130.0
Total Deposit	1,085,551	1,062,103	1,046,290	23,448	2.2	39,261	3.8
B/E	31,300	27,346	37,421	3,954	14.5	(6,121)	(16.4)
Debenture	73,075	70,423	55,843	2,652	3.8	17,232	30.9
Total Funding	1,189,926	1,159,872	1,139,554	30,054	2.6	50,372	4.4

As of September 30, 2016, overall funding for the Bank, including deposits, bills of exchange and debentures, increased Baht 50,372 million, or 4.4%, from December 2015.

Deposits totaled Baht 1,085,551 million, an increase of Baht 39,261 million, or 3.8%, from December 2015. The growth in deposits resulted from an increase in savings deposit of Baht 49,483 million and deposit from HKL (a total of Baht 11,778 million, 90% of which were time deposits), offset by a decrease in time deposits with maturity less than one year.

As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits increased to 54.3%, compared to 51.5% as of December 2015.

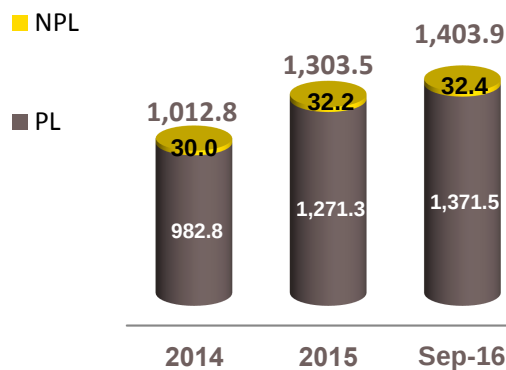
Bills of exchange (B/E) totaled Baht 31,300 million, a decrease of Baht 6,121 million, or 16.4%, from December 2015.

Debentures stood at Baht 73,075 million as of September 2016. The increase of Baht 17,232 million or 30.9% from December 2015 was driven by the new issuance of debentures in the amount of Baht 29,300 million, offsetting the maturity of debentures totaling Baht 12,068 million.

Consequently, the loan to deposit ratio increased to 129%, and the loan to deposit plus bill of exchange and debentures ratio increased to 118%.

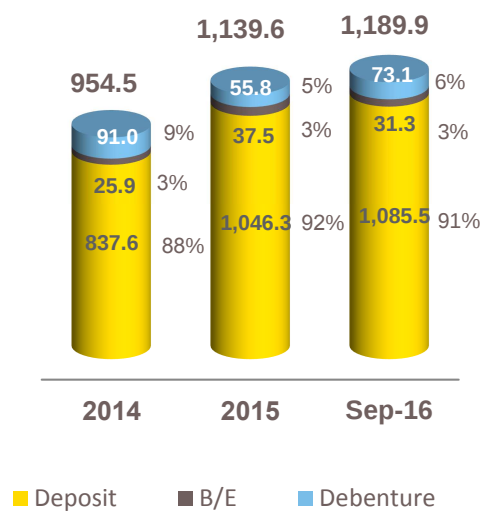
Loans

Unit: Baht Billion



Deposits + B/E + Debenture

Unit: Baht Billion



	2014	2015	Sep-16
L/D	121%	125%	129%
L/D+B/E+Debenture	106%	114%	118%

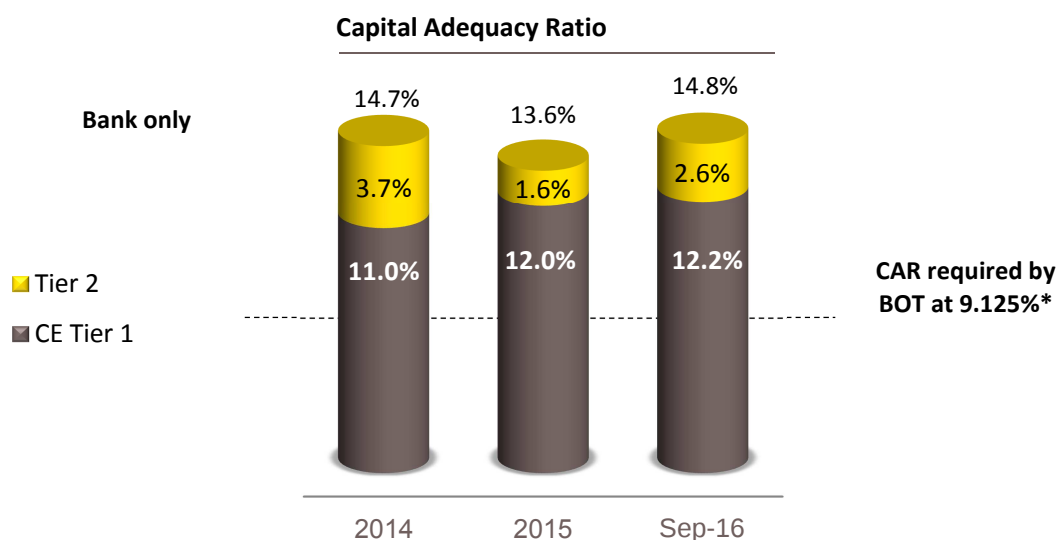
3.4 Contingencies

Consolidated	Sep. 30, 16	Jun. 30, 16	Dec. 31, 15	Change from Jun. 30, 16		Change from Dec. 31, 15	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,247	632	2,266	615	97.3	(1,019)	(45.0)
Liability under unmatured import bills	1,598	1,503	2,560	95	6.3	(962)	(37.6)
Letters of credit	6,744	6,274	4,727	470	7.5	2,017	42.7
Other contingencies	126,608	126,924	138,421	(316)	(0.2)	(11,813)	(8.5)
Total	136,197	135,333	147,974	864	0.6	(11,777)	(8.0)

The Krungsri Group's contingencies as of September 30, 2016 totaled Baht 136,197 million, a decrease of Baht 11,777 million, or 8.0%, from December 31, 2015. This decrease was driven mainly by a decrease in other contingencies of Baht 11,813 million.

3.5 Statutory Capital

As of September 30, 2016, The Bank's capital increased to Baht 191,515 million, equivalent to 14.8% of risk-weighted assets, with 12.2% in common equity tier 1 capital. The improvement of capital position resulted from an increase in net income, land and building revaluation, as well as the issuance of Baht 10,000 million subordinated debenture. The current level of capital is sufficient to provide Krungsri with 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	Sep-16
CE Tier 1	98.99	146.18	158.60
Tier 2	33.44	20.08	32.92
Total Capital	132.43	166.26	191.52

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 September 30, 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
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Debt and Deposit Rating Outlook	Stable
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Baseline Credit Assessment (BCA)	Ba1
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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. 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. 2016 Key Performance Targets

Consolidated	2015	1H/16	3Q/16	9M/16	2016 Targets	
Loan Growth (Net)	+290.7 bn +28.7%	+113.5 bn +9.1%	+45.6 bn +3.4%	+167.2 bn +13.5%	8-9%*	~
NPLs Ratio	2.24%	2.20%	2.10%	2.10%	< 2.5%	✓
Deposit Mix: Savings and Current	52%	54%	54%	54%	> 50%	✓
Loan Mix : Retail	43%	43%	44%	44%	~ 40%	✓
L/Deposit+Debenture+B/E	114%	117%	118%	118%	n.d.	~
NIM	4.15%	3.78%	3.77%	3.76%	~ 3.7%	✓
Non-interest income growth (YoY)	18.1%	11.0%	18.9%	13.7%	7.0%+	✓
Cost to Income Ratio	47.1%	46.1%	46.2%	46.1%	< 50%	✓
Provisions	153 bps	157 bps	152 bps	152 bps	~ 145 bps	~
Loan Loss Coverage	141%	146%	152%	152%	135%+	✓
CAR (Bank Only)	13.6%	13.8%	14.8%	14.8%	n.d.	~

* Loan growth target revised up from 5-6% to 8-9% including consolidated loan from HKL