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Management Discussion and Analysis

For the quarter and six-month period ended
June 30, 2017

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Executive Summary:

In 1H/17, Krungsri recorded a net profit of Baht 11,516 million, representing a 10.5% increase over the same period of 2016. The solid financial results were contributed by improved net interest income and non-interest income.

Total **loans** outstanding at the end of June 2017 were Baht 1,475,501 million, an increase of Baht 26,619 million, or 1.8%, from December 2016. Retail loans grew by 3.9%, driven by demand for auto hire purchase and mortgage, while corporate loans grew by 0.4% and SME loans slightly contracted by 0.2%.

Deposits totaled Baht 1,163,312 million, an increase of Baht 55,024 million, or 5.0%, from December 2016, mainly resulting from an increase in time deposits.

Non-interest income increased by 6.5% in the first half of 2017 compared to the same period of 2016, driven by both non-interest and non-fees income and net fees and service income, which grew by 8.9% and 5.2%, respectively.

Non-Performing Loans improved to 2.24%. In 2Q/17, Krungsri Group completed an NPL sale of Baht 1,858 million to third parties. Our loan loss reserves stood at Baht 52,425 million, with an excess of Baht 16,085 million over the Bank of Thailand's reserve requirements, representing 144.2% of the requirements. Concurrently, the loan loss coverage ratio increased from 143.0% at end of 1Q/17 to 143.6% at end of 2Q/17.

Corresponding to the higher net profit, **earnings per share (EPS)** rose to Baht 1.57 in 1H/17, compared to Baht 1.42 in 1H/16.

As for the outlook for the remainder of the year, the Thai economy is projected to gain further traction and record 3.4% for 2017, driven mainly by strong expansion of exports, the tourism sector and government spending. Private investment and consumption are also expected to continue expanding. Attributed to a favorable operating environment, Krungsri maintains our full year loan growth target at 6-8%.

NIM: 3.89%

**Net Profit:
Baht 5.9 billion**

Coverage Ratio: 143.6%

NPL: 2.24%

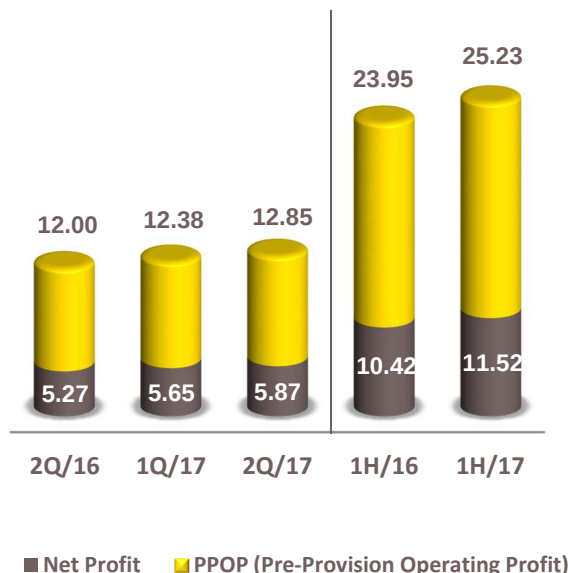
Summary of Financial Performance and Status:

Key 2Q/17 deliverables:

- **Loan Growth:**
Increased by 1.8%, or Baht 26,619 million, compared to December 2016, and an increase of 3.0% or Baht 43,462 million compared to March 2017.
- **Deposit Growth:**
Increased by 5.0%, or Baht 55,024 million, compared to December 2016, and an increase of 3.4% or Baht 37,848 million compared to March 2017.
- **Net Profit:**
Increased to Baht 5,871 million, representing a 4.0% increase over 1Q/17 and an 11.4% increase from 2Q/16.
- **Net Interest Margin (NIM):**
Recorded at 3.89% compared to 3.82% in 1Q/17, driven by improved yield on earning assets.
- **Non-Interest Income:**
Increased by 4.7% from 2Q/16, mainly driven by an increase in net fees and service income, and bad debt recovery income.
- **Cost to Income Ratio:**
Improved to 47.23% from 48.76% in 1Q/17, reflecting higher operating income and effective expense management.
- **Non-Performing Loans (NPLs):**
Improved to 2.24 %, compared to 2.33% in 1Q/17.
- **Coverage Ratio:**
Strong at 143.6%.
- **Capital Adequacy Ratio:**
Recorded at 15.96% compared to 14.16% in December 2016.

PPOP & Net Profit

Unit: Baht Billion



For the second quarter period ended June 30, 2017

In 2Q/17, operating profit was Baht 12,854 million, representing an increase of Baht 476 million, or 3.8% on a quarter-on-quarter basis, driven by an increase in net interest income and a decrease in operating expenses. Net profit in 2Q/17 totaled Baht 5,871 million, representing an increase of Baht 226 million, or 4.0%, when compared to 1Q/17, driven by higher operating profit.

On a year-on-year basis, operating profit increased by Baht 851 million or 7.1% from 2Q/16, largely driven by an increase in net interest income and net fees and service income. Net profit increased by Baht 602 million, or 11.4% from 2Q/16, mainly attributed to higher operating profit.

For the six-month period ended June 30, 2017

In the first half of 2017, net profit registered at Baht 11,516 million, an increase of Baht 1,097 million, or 10.5%, year-on-year, driven largely by higher net interest income, net fees and service income and non-interest and non-fees income, offsetting an increase in operating expenses.

1. Statements of Profit or Loss and Other Comprehensive Income

Consolidated	2Q/17	1Q/17	2Q/16	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	23,424	22,762	21,086	662	2.9	2,338	11.1
Interest Expenses	6,485	6,279	5,831	206	3.3	654	11.2
Interest Income, Net	16,939	16,483	15,255	456	2.8	1,684	11.0
Fees and Service Income	6,266	6,286	5,695	(20)	(0.3)	571	10.0
Fees and Service Expense	1,628	1,617	1,387	11	0.7	241	17.4
Fees and Service Income, Net	4,638	4,669	4,308	(31)	(0.7)	330	7.7
Non-interest and Non-fees Income	2,784	3,007	2,780	(223)	(7.4)	4	0.1
Other Operating Expenses	11,507	11,781	10,340	(274)	(2.3)	1,167	11.3
Pre-Provision Operating Profit (PPOP)	12,854	12,378	12,003	476	3.8	851	7.1
Impairment Loss of Loan and Debt Securities	5,439	5,243	5,255	196	3.7	184	3.5
Income Tax Expense	1,459	1,405	1,407	54	3.8	52	3.7
Net Profit	5,956	5,730	5,341	226	3.9	615	11.5
Other Comprehensive income, net	100	(162)	(531)	262	161.7	631	118.8
Total Comprehensive income	6,056	5,568	4,810	488	8.8	1,246	25.9
Net Profit Attributable To							
Owners of the Bank	5,871	5,645	5,269	226	4.0	602	11.4
Non-Controlling Interest	85	85	72	0	0.0	13	18.1
Net Profit	5,956	5,730	5,341	226	3.9	615	11.5
Total Comprehensive Income Attributable To							
Owners of the Bank	5,972	5,484	4,738	488	8.9	1,234	26.0
Non-Controlling Interest	84	84	72	0	0.0	12	16.7
Total Comprehensive income	6,056	5,568	4,810	488	8.8	1,246	25.9
Earning Per Share (Baht)	0.80	0.77	0.72	0.03	3.9	0.08	11.1

Consolidated	1H/17	1H/16	Change YoY	
			Baht mn	%
Interest Income	46,186	41,961	4,225	10.1
Interest Expense	12,765	11,713	1,052	9.0
Interest Income, Net	33,421	30,248	3,173	10.5
Fees and Service Income	12,552	11,725	827	7.1
Fees and Service Expense	3,245	2,874	371	12.9
Fees and Service Income, Net	9,307	8,851	456	5.2
Non-interest and Non-fees Income	5,791	5,320	471	8.9
Other Operating Expenses	23,287	20,469	2,818	13.8
Pre-Provision Operating Profit (PPOP)	25,232	23,950	1,282	5.4
Impairment Loss of Loan and Debt Securities	10,682	10,669	13	0.1
Income Tax Expense	2,864	2,726	138	5.1
Net Profit	11,686	10,555	1,131	10.7
Other Comprehensive income, net	(61)	107	(168)	(157.0)
Total Comprehensive income	11,625	10,662	963	9.0
Net Profit Attributable To				
Owners of the Bank	11,516	10,419	1,097	10.5
Non-Controlling Interest	170	136	34	25.0
Net Profit	11,686	10,555	1,131	10.7
Total Comprehensive Income Attributable To				
Owners of the Bank	11,456	10,526	930	8.8
Non-Controlling Interest	169	136	33	24.3
Total Comprehensive income	11,625	10,662	963	9.0
Earning Per Share (Baht)	1.57	1.42	0.15	10.6

2. Financial Performance

2.1 Net Interest Income

Consolidated	2Q/17	1Q/17	2Q/16	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	15,132	14,895	13,827	237	1.6	1,305	9.4
Interest on interbank and money market items	718	590	801	128	21.7	(83)	(10.4)
Hire purchase and financial lease income	6,906	6,592	5,949	314	4.8	957	16.1
Investments and trading transactions	14	41	25	(27)	(65.9)	(11)	(44.0)
Investments in debt securities	654	644	484	10	1.6	170	35.1
Total Interest Income	23,424	22,762	21,086	662	2.9	2,338	11.1
INTEREST EXPENSE							
Interest on deposits	3,074	2,993	3,105	81	2.7	(31)	(1.0)
Interest on interbank and money market items	919	944	775	(25)	(2.6)	144	18.6
Interest on borrowings	1,048	974	648	74	7.6	400	61.7
Contribution to Financial Institution Development Fund and Deposit Protection Agency	1,434	1,361	1,298	73	5.4	136	10.5
Borrowing fee expenses	6	3	1	3	100.0	5	500.0
Other interest expenses	4	4	4	0	0.0	0	0.0
Total Interest Expenses	6,485	6,279	5,831	206	3.3	654	11.2
Interest Income, net	16,939	16,483	15,255	456	2.8	1,684	11.0
Net Interest Margin	3.89%	3.82%	3.82%				
Yield on Earning Assets	5.38%	5.27%	5.28%				
Cost of Funds	1.64%	1.60%	1.60%				

Consolidated	1H/17	1H/16	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	30,027	27,709	2,318	8.4
Interest on interbank and money market items	1,308	1,424	(116)	(8.1)
Hire purchase and financial lease income	13,497	11,735	1,762	15.0
Investments and trading transactions	56	55	1	1.8
Investments in debt securities	1,298	1,038	260	25.0
Total Interest Income	46,186	41,961	4,225	10.1
INTEREST EXPENSE				
Interest on deposits	6,067	6,318	(251)	(4.0)
Interest on interbank and money market items	1,862	1,494	368	24.6
Interest on borrowings	2,022	1,325	697	52.6
Contributions to Financial Institution Development Fund and Deposit Protection Agency	2,796	2,561	235	9.2
Borrowing fee expenses	9	8	1	12.5
Other interest expenses	9	7	2	28.6
Total Interest Expenses	12,765	11,713	1,052	9.0
Interest Income, net	33,421	30,248	3,173	10.5
Net Interest Margin	3.82%	3.78%		
Yield on Earning Assets	5.27%	5.24%		
Cost of Funds	1.61%	1.62%		

For the second quarter period ended June 30, 2017

Net interest income in 2Q/17 was recorded at Baht 16,939 million, representing an increase of Baht 456 million, or 2.8%, on a quarter-on-quarter basis, driven by an increase in interest income from hire purchase and financial lease income and interest on loans. Meanwhile, interest expenses increased by Baht 206 million, or 3.3%, as a result of an increase in deposit volume as well as an increase in interest on borrowings, mainly from an issuance of new subordinated debentures in 2Q/17 of Baht 17,007 million.

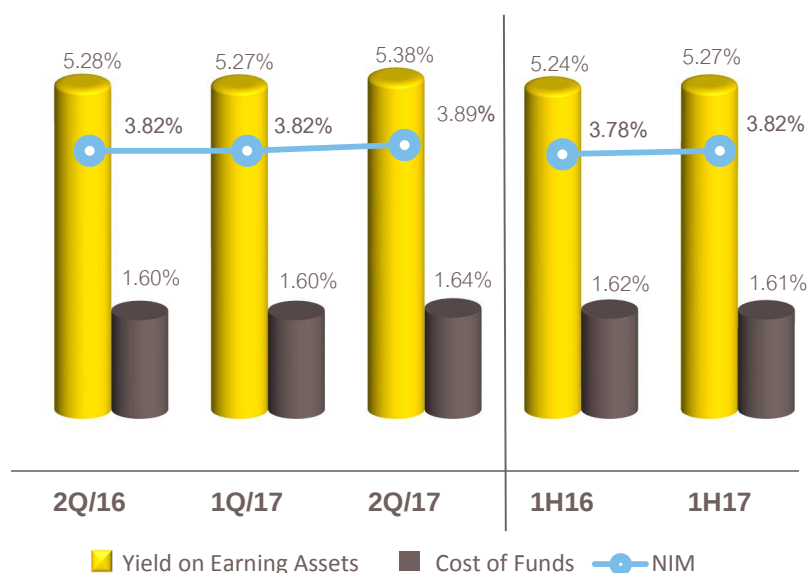
On a year-on-year basis, net interest income increased by Baht 1,684 million, or 11.0%, largely attributed to higher interest income on loans corresponding to an increase in net loan volume together with an increase in interest on hire purchase and financial lease income.

For the six-month period ended June 30, 2017

In the first half of 2017, net interest income reached Baht 33,421 million, an increase of Baht 3,173 million, or 10.5%, compared to the same period of last year, resulting primarily from higher interest on loans and hire purchase and financial lease income. Meanwhile, interest expenses increased by Baht 1,052 million, or 9.0%, owing to an increase in interest expense incurred on borrowings and interbank and money market items, offset by a lower interest expense on deposits.

Despite the lending rate cut in May 2017, Krungsri's overall yields increased to 5.38% in 2Q/17 from 5.27% in 1Q/17, reflecting larger component of high yield segments. Nevertheless, our cost of funds increased to 1.64% from 1.60% in 1Q/17 in line with a larger mix of higher-cost funds with longer tenor. Consequently, NIM increased to 3.89% from 3.82% in 1Q/17. For the first half of 2017, NIM also improved to 3.82% from 3.78% from the same period of last year.

Net Interest Margin (NIM)



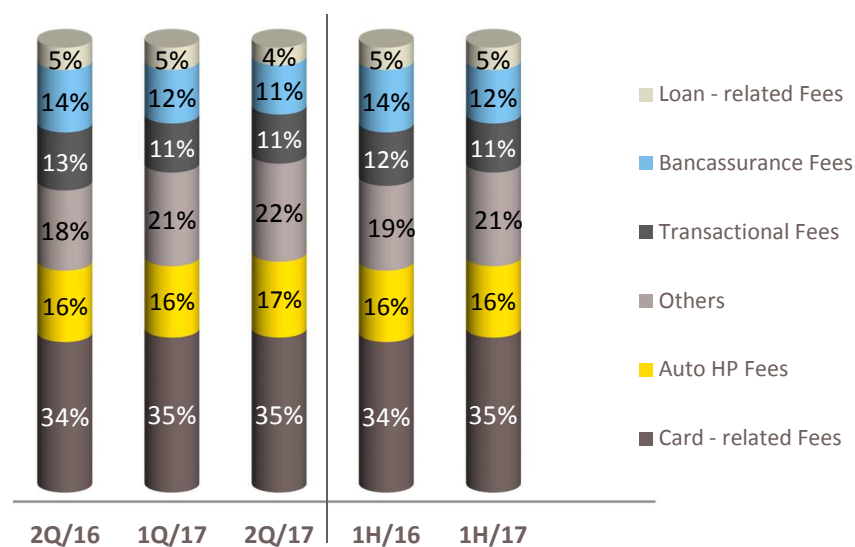
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Policy Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Krungsri Lending Rate	6.85%	6.85%	6.60%	6.60%	6.60%	6.60%	6.60%
Saving Rate	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
3 - month deposits	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%
6 - month deposits	0.90-1.20%	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	1.10-1.35%	1.10-1.35%	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	2Q/17	1Q/17	2Q/16	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	137	132	121	5	3.8	16	13.2
Other fees and service income	6,129	6,154	5,574	(25)	(0.4)	555	10.0
Fees and service income	6,266	6,286	5,695	(20)	(0.3)	571	10.0
Fees and service expense	1,628	1,617	1,387	11	0.7	241	17.4
Fees and Service Income, net	4,638	4,669	4,308	(31)	(0.7)	330	7.7

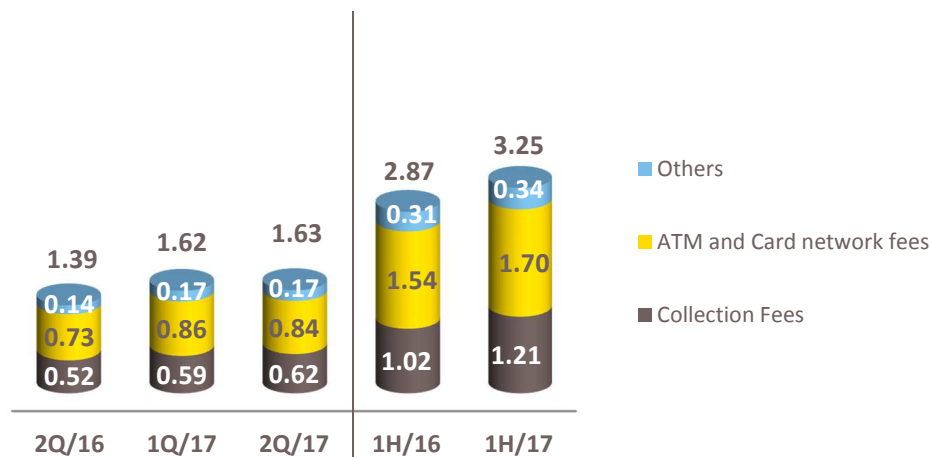
Consolidated	1H/17	1H/16	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	269	243	26	10.7
Other fees and service income	12,283	11,482	801	7.0
Fees and service income	12,552	11,725	827	7.1
Fees and service expense	3,245	2,874	371	12.9
Fees and Service Income, net	9,307	8,851	456	5.2

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the second quarter period ended June 30, 2017

A slight decrease in fees and service income of Baht 20 million, or 0.3%, attributed to a decrease in loan-related fees of Baht 46 million and bancassurance fees of Baht 58 million, offset by an increase in wealth & fund management and securities-related fees, auto hire purchase fees and card-related fees of Baht 81 million. Consequently, net fees and service income slightly decreased by Baht 31 million, or 0.7%, quarter-on-quarter.

On a year-on-year basis, fees and service income increased by Baht 571 million or 10.0% , mainly driven by an increase in card-related fees of Baht 227 million, wealth & fund management and securities-related fees of Baht 192 million, and auto hire purchase fees of Baht 142 million, offset by a decrease in bancassurance fees and loan-related fees. Concurrently, fees and service expenses increased by Baht 241 million, or 17.4%. Consequently, net fees and service income increased by Baht 330 million or 7.7%.

For the six-month period ended June 30, 2017

In the first half of 2017, fees and service income increased by Baht 827 million, or 7.1%, mainly driven by an increase in card-related fees of Baht 392 million, wealth & fund management and securities-related fees of Baht 345 million, and auto hire purchase fees of Baht 117 million, offset by a decrease in bancassurance fees and loan-related fees. Meanwhile, fees and service expenses increased Baht 371 million, or 12.9%. Correspondingly, net fees and service income increased by Baht 456 million, or 5.2%.

2.3 Non-interest and Non-fees Income

Consolidated	2Q/17	1Q/17	2Q/16	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign exchange transactions	906	1,018	945	(112)	(11.0)	(39)	(4.1)
Gains (losses) on investments	148	193	332	(45)	(23.3)	(184)	(55.4)
Share of profit (loss) from investment for using equity method	100	75	103	25	33.3	(3)	(2.9)
Bad debt recoveries	1,268	1,232	886	36	2.9	382	43.1
Other operating income	362	489	514	(127)	(26.0)	(152)	(29.6)
Total Non-interest and Non-fees Income	2,784	3,007	2,780	(223)	(7.4)	4	0.1

Consolidated	1H/17	1H/16	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign exchange transactions	1,923	1,796	127	7.1
Gains (losses) on investments	341	531	(190)	(35.8)
Share of profit (loss) from investment for using equity method	176	173	3	1.7
Bad debt recoveries	2,500	1,813	687	37.9
Other operating income	851	1,007	(156)	(15.5)
Total Non-interest and Non-fees Income	5,791	5,320	471	8.9

For the second quarter period ended June 30, 2017

On a quarter-on-quarter basis, non-interest and non-fees income decreased by Baht 223 million, or 7.4%, driven by a decrease in other operating income of Baht 127 million, mainly from a decrease in dividend income and gains on sales of properties for sale. Moreover, gains on trading and foreign exchange transactions decreased by Baht 112 million, and gains on investments decreased by Baht 45 million, mainly from a decrease in the Available for Sale (AFS) portfolio.

On a year-on-year basis, non-interest and non-fees income was stable with a marginal increase of 0.1%, driven by an increase in bad debt recoveries of Baht 382 million, offset by a decrease in gains on investment of Baht 184 million from the Available for Sales (AFS) portfolio, and a decrease in other operating income of Baht 152 million from gains on sales of properties for sale.

For the six-month period ended June 30, 2017

In the first half of 2017, non-interest and non-fees income increased by Baht 471 million or 8.9%, driven primarily by an increase in bad debt recoveries of Baht 687 million and gains on trading and foreign exchange transactions of Baht 127 million. Meanwhile, gains on investments decreased by Baht 190 million, or 35.8%, from the Available for Sales (AFS) portfolio, and other operating income decreased by Baht 156 million, or 15.5%, from gains on sales of properties for sale.

2.4 Other Operating Expenses

Consolidated	2Q/17	1Q/17	2Q/16	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee expenses	5,757	6,297	5,255	(540)	(8.6)	502	9.6
Premises and equipment expenses	2,031	2,037	1,767	(6)	(0.3)	264	14.9
Taxes and duties	647	647	640	0	0.0	7	1.1
Directors' remuneration	15	13	12	2	15.4	3	25.0
Other expenses	3,057	2,787	2,666	270	9.7	391	14.7
Total Other Operating Expenses	11,507	11,781	10,340	(274)	(2.3)	1,167	11.3

Consolidated	1H/17	1H/16	Change YoY	
			Baht mn	%
Employee expenses	12,054	10,415	1,639	15.7
Premises and equipment expenses	4,068	3,515	553	15.7
Taxes and duties	1,294	1,271	23	1.8
Directors' remuneration	28	23	5	21.7
Other expenses	5,843	5,245	598	11.4
Total Other Operating Expenses	23,287	20,469	2,818	13.8

For the second quarter period ended June 30, 2017

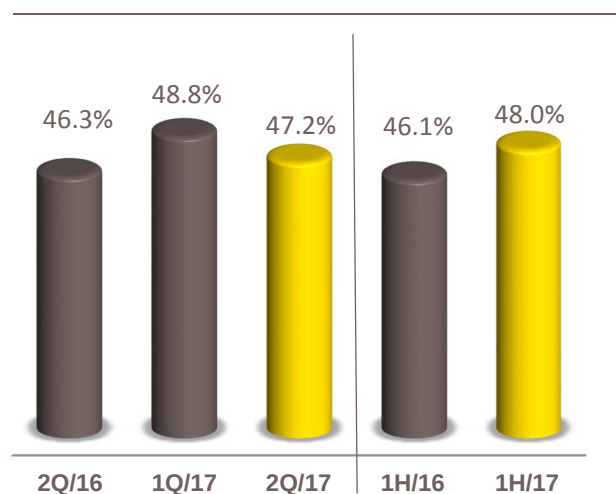
On a quarter-on-quarter basis, other operating expenses decreased by Baht 274 million, or 2.3%, largely driven by a decrease in employee expenses of Baht 540 million, or 8.6%, offsetting an increase in other expenses Baht 270 million, or 9.7%, mainly from higher promotion expenses relating to business activities during the quarter.

On a year-on-year basis, other operating expenses increased by Baht 1,167 million, or 11.3%, largely driven by an increase in employee expenses of Baht 502 million, or 9.6%, mainly due to annual merit increases, staff promotions and acquisition of Hattha Kaksekar Limited (HKL) in September 2016. Moreover, other expenses increased by Baht 391 million, or 14.7%, mainly from an increase in promotion expenses.

For the six-month period ended June 30, 2017

For the first half of 2017, other operating expenses increased by Baht 2,818 million, or 13.8%, mainly driven by an increase in employee expenses of Baht 1,639 million, or 15.7%, due to annual merit increases, staff promotions, and additional headcounts from HKL. Moreover, other expenses increased by Baht 598 million, or 11.4%, driven by promotion expenses together with an increase in premises and equipment expenses from depreciation expenses.

Cost to Income Ratio



The cost to income ratio improved to 47.2% in 2Q/17, compared to 48.8% in 1Q17, as a result of higher operating income and effective expense management.

In 1H/17, the cost to income ratio stood at 48.0%, compared to 46.1% in 1H/16.

2.5 Impairment loss of loans and debt securities

Consolidated	2Q/17	1Q/17	2Q/16	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	5,070	4,851	4,941	219	4.5	129	2.6
Loss on Debt Restructuring	369	392	314	(23)	(5.9)	55	17.5
Total impairment loss of loan and debt securities	5,439	5,243	5,255	196	3.7	184	3.5

Consolidated	1H/17	1H/16	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	9,925	10,296	(371)	(3.6)
Loss on Debt Restructuring	757	373	384	102.9
Total impairment loss of loan and debt securities	10,682	10,669	13	0.1

Loan loss provisions in 2Q/17 amounted to Baht 5,439 million, an increase of Baht 196 million, or 3.7%, from 1Q/17, corresponding to loan growth in 2Q/17.

As of June 30, 2017, total loans loss reserves recorded at Baht 52,425 million, with an excess of Baht 16,085 million over the Bank of Thailand's reserve requirements, representing 144.2% of the requirements. Concurrently, the loan loss coverage ratio increased to 143.6% at end of 2Q/17 from 143.0% at end of 1Q/17.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at Jun. 30, 17	As at Mar. 31, 17	As at Dec. 31, 16	Change from Mar. 31, 17		Change from Dec. 31, 16	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	30,976	32,356	36,142	(1,380)	(4.3)	(5,166)	(14.3)
Interbank and money market items, net	207,021	184,959	200,283	22,062	11.9	6,738	3.4
Investments, net	125,377	150,415	131,782	(25,038)	(16.6)	(6,405)	(4.9)
Investments in subsidiaries and joint ventures, net	2,095	1,995	1,919	100	5.0	176	9.2
Loans to customers	1,538,256	1,491,574	1,506,222	46,682	3.1	32,034	2.1
Accrued interest receivable	3,953	4,084	3,865	(131)	(3.2)	88	2.3
Deferred revenue	(62,755)	(59,535)	(57,340)	(3,220)	(5.4)	(5,415)	(9.4)
Allowance for doubtful accounts	(50,831)	(50,153)	(48,274)	(678)	(1.4)	(2,557)	(5.3)
Revaluation allowance for debt restructuring	(1,259)	(1,242)	(1,188)	(17)	(1.4)	(71)	(6.0)
Properties for sale, net	3,935	4,047	4,256	(112)	(2.8)	(321)	(7.5)
Others	91,763	98,504	105,521	(6,741)	(6.8)	(13,758)	(13.0)
TOTAL ASSETS	1,888,531	1,857,004	1,883,188	31,527	1.7	5,343	0.3
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,163,312	1,125,464	1,108,288	37,848	3.4	55,024	5.0
Interbank and money market items, net	256,881	268,600	314,400	(11,719)	(4.4)	(57,519)	(18.3)
Debt issued and borrowings	173,122	173,876	160,326	(754)	(0.4)	12,796	8.0
Others	78,224	74,728	91,406	3,496	4.7	(13,182)	(14.4)
TOTAL LIABILITIES	1,671,539	1,642,668	1,674,420	28,871	1.8	(2,881)	(0.2)
Issued and paid-up share capital	73,558	73,558	73,558	0	0.0	0	0.0
Retained earning	85,999	83,389	77,680	2,610	3.1	8,319	10.7
Others	57,435	57,389	57,530	46	0.1	(95)	(0.2)
TOTAL SHAREHOLDERS' EQUITY	216,992	214,336	208,768	2,656	1.2	8,224	3.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,888,531	1,857,004	1,883,188	31,527	1.7	5,343	0.3
Book value per share (Baht)	29.50	29.14	28.38	0.36	1.2	1.12	3.9

As of June 30, 2017, assets stood at Baht 1,888,531 million, representing an increase of Baht 5,343 million, or 0.3%, from December 2016, largely attributed to a higher net loan volume of Baht 26,619 million, or 1.8%, offset by a decrease in other assets of Baht 13,758 million, or 13.0%, mainly from a decrease in derivative assets and claims on securities.

Compared to 1Q/17, total assets increased by Baht 31,527 million, or 1.7%, driven by an increase in net loan volume of Baht 43,462 million, or 3.0%, and an increase in interbank and money market items of Baht 22,062 million, or 11.9%. The increase in interbank and money market items was mainly owing to an increase in repurchase agreements of Baht 26,126 million, loans to financial institutions of Baht 11,032 million, while being offset by a decrease in foreign currency deposits and loans to financial institutions of Baht 15,096 million. Meanwhile, investment decreased by Baht 25,038 million, or 16.6% from the Available for Sale (AFS) and trading portfolios.

On a year-to-date basis, liabilities slightly decreased by Baht 2,881 million, or 0.2%. The decrease was driven by a decrease in interbank and money market items of Baht 57,519 million, from financial institutions loans amounting to Baht 51,518 million and repurchase agreement of Baht 5,300 million. Moreover, other liabilities decreased by Baht 13,182 million, or 14.4%, from a margin call from counterparty. Deposits increased by Baht 55,024 million, or 5.0%, from time deposits with maturity of less than one year. Debt issued and borrowings increased by Baht 12,796 million, or 8.0%, from the issuance of new subordinated debentures totaling Baht 17,007 million eligible for inclusion in tier-2 capital in May 2017 (with a tenor of 10.6 years and interest rate of 3.9%), offset by a decrease in bills of exchange of Baht 5,850 million.

Compared to 1Q/17, liabilities increased by Baht 28,871 million, or 1.8%, driven by an increase in deposits of Baht 37,848 million, or 3.4%, from time deposits with maturity of less than 6 months. At the same time, interbank and money market items decreased by Baht 11,719 million, from financial institutions loans of Baht 27,557 million, offset by an increase in repurchase agreements of Baht 15,400 million. Debt issued and borrowings slightly decreased by Baht 754 million, or 0.4%, as the issuance of new subordinated debentures totaling Baht 17,007 million eligible for inclusion in tier-2 capital in May 2017 was largely offset by a decrease in bills of exchange of Baht 12,835 million and debentures reaching their maturity amounting to Baht 5,500 million during the quarter.

Total shareholders' equity rose to Baht 216,992 million, reflecting an increase of Baht 8,224 million, or 3.9%, from December 2016 due to an increase in equity holders' net income of Baht 11,516 million in 1H/17, which was partially offset by dividends paid of Baht 3,310 million.

Book value per share as of June 30, 2017 increased by 3.9% to Baht 29.50 from Baht 28.38 at the end of 2016.

3.2 Loans to customers

3.2.1 Loans by segment

Consolidated	Jun. 30, 17	Mar. 31, 17	Dec. 31, 16	Change from Mar. 31, 17		Change from Dec. 31, 16	
				Baht mn	%	Baht mn	%
Corporate	590,263	571,448	588,167	18,815	3.3	2,096	0.4
- Thai Corporate	434,359	414,518	426,445	19,841	4.8	7,914	1.9
- International Corporate (JPC/MNC)	155,904	156,930	161,722	(1,026)	(0.7)	(5,818)	(3.6)
SMEs	215,096	208,942	215,549	6,154	2.9	(453)	(0.2)
Retail	670,142	651,649	645,166	18,493	2.8	24,976	3.9
- Hire purchase	311,216	300,853	292,268	10,363	3.4	18,948	6.5
- Mortgage	204,804	200,391	196,385	4,413	2.2	8,419	4.3
- Credit cards and personal loans	139,025	135,558	141,625	3,467	2.6	(2,600)	(1.8)
- HKL personal loans	15,097	14,847	14,888	250	1.7	209	1.4
Total *	1,475,501	1,432,039	1,448,882	43,462	3.0	26,619	1.8

* Loans to customers net of deferred revenue

As of June 30, 2017, total outstanding loans stood at Baht 1,475,501 million, an increase of Baht 26,619 million or 1.8% from December 2016 balance. Retail loans grew by 3.9%, driven by rising demand for auto hire purchase and mortgage. Meanwhile, corporate loans grew by 0.4%. SME loans, on a contrary, slightly contracted by 0.2%.

Corporate loans grew by 3.3% in the second quarter, driven by the Thai Corporate segment. The growth momentum for Thai Corporate loans in 2Q/17 was driven by both an increase in term loans and working capital demand. Meanwhile, international corporate loans contracted at a slower rate of 0.7%, compared to a contraction of 3.0% in 1Q/17, mirroring an improvement of global economic conditions.

The **SME** portfolio slightly contracted by 0.2% year-to-date and increased by 2.9% during the second quarter. The growth of SME loans in 2Q/17 was driven by medium and small-sized SMEs.

The **Retail** segment loan recorded a growth of Baht 24,976 million, or 3.9% on a year-to-date basis, and 2.8% in the second quarter.

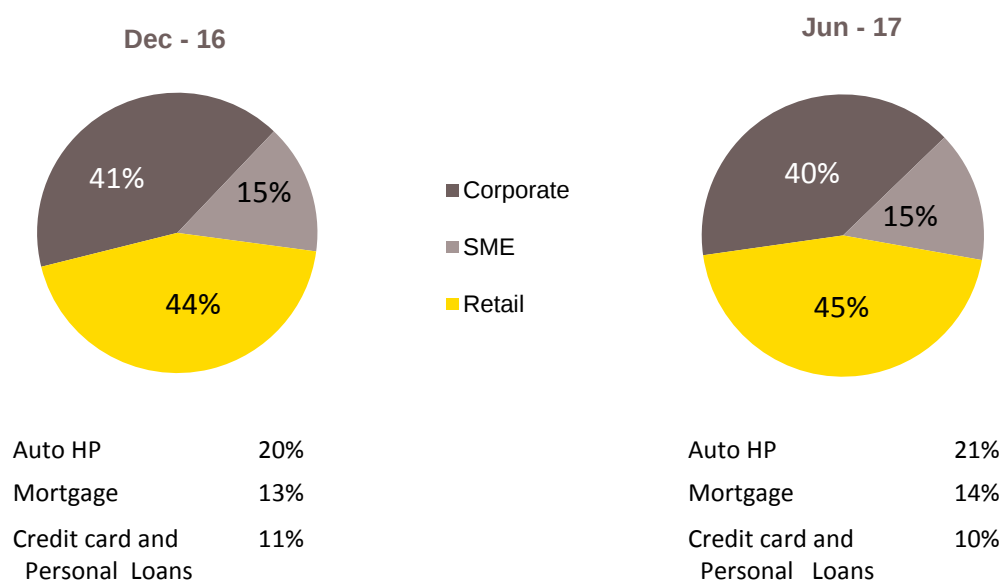
Auto hire purchase loans recorded a 6.5% growth year-to-date and a 3.4% growth in the second quarter. The robust growth of auto hire purchase reflected an improvement in domestic car sales together with rising demand for both new and used car loans.

Mortgage loans grew at 4.3% year-to-date and 2.2% in 2Q/17. The growth of mortgage loans was largely supported by Krungsri's strategic shift to digitalized internal process for customer experience improvement as well as simplifying product offerings.

Credit cards and personal loans contracted by 1.8% year-to-date. In the second quarter, credit card and personal loans grew by 2.6%, compared to a contraction of 4.3% in 1Q/17. The improvement in 2Q/17 was mainly driven by seasonality as reflected in industry transactions and volume growth.

As for the outlook for the remainder of the year, the Thai economy is projected to gain further traction and record a 3.4% growth for 2017, driven mainly by strong expansion of exports, the tourism sector, and government spending. Private investment and consumption are also expected to continue expanding. Attributed to a favorable operating environment, Krungsri maintains our full year loan growth target at 6-8%.

Loan Composition



3.2.2 Loan classification and provision

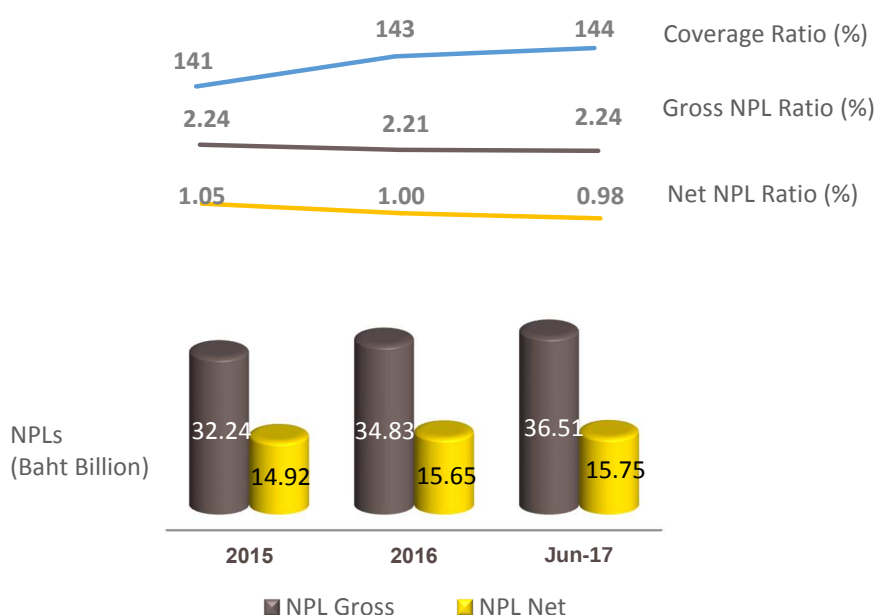
Unit : Baht mn

Consolidated	Jun. 30, 17		Dec. 31, 16		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	1,389,094	10,923	1,359,936	10,426	29,158	497
Special mention	53,854	3,064	57,976	3,100	(4,122)	(36)
Substandard	10,336	6,389	12,564	7,254	(2,228)	(865)
Doubtful	5,794	2,505	5,876	2,388	(82)	117
Doubtful of loss	20,377	11,865	16,395	9,050	3,982	2,815
Total	1,479,455	34,746	1,452,747	32,218	26,708	2,528
Surplus Reserve		16,085		16,056		29
Total	1,479,455	50,831	1,452,747	48,274	26,708	2,557

3.2.3 Non-performing loans

Consolidated	Jun. 30, 17	Mar. 31, 17	Dec. 31, 16	Change from Mar. 31, 17		Change from Dec. 31, 16	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	15,747	16,493	15,653	(746)	(4.5)	94	0.6
Non-Performing Loans (Gross)	36,506	36,137	34,834	369	1.0	1,672	4.8
Loans Loss Reserves (LLR)	52,425	51,687	49,900	738	1.4	2,525	5.1
Coverage Ratio	143.6%	143.0%	143.3%	0.6%	0.4	0.3%	0.2
BOT Requirement	36,346	34,908	33,844	1,438	4.1	2,502	7.4
Actual / Required LLR	144.2%	148.1%	147.4%	(3.9%)	(2.6)	(3.2%)	(2.2)

NPLs and Coverage Ratio



As of June 30, 2017, gross NPLs increased by Baht 1,672 million from December 2016 to Baht 36,506 million, driven largely by one corporate account. In 2Q/17, gross NPLs increased by Baht 369 million. The gross NPLs ratio was recorded at 2.24% in 2Q/17, compared to 2.33% in 1Q/17. In 2Q/17, Krungsri Group completed an NPL sale of Baht 1,858 million to third parties.

As of June 30, 2017, loan loss reserves stood at Baht 52,545 million, with an excess of Baht 16,085 million over the Bank of Thailand's reserve requirements. Correspondingly, the actual provisioning ratio when compared to the Bank of Thailand's requirements represented 144.2% of the Bank of Thailand's reserve requirements. The coverage ratio was strong at 143.6%.

The continued improvement in NPL ratio, relatively stable excess reserves, and strong coverage ratio all resonated Krungsri's continuous prudential management of its portfolio.

3.3 Funding Structure

Consolidated	Jun. 30, 17	Mar. 31, 17	Dec. 31, 16	Change from Mar. 31, 17		Change from Dec. 31, 16	
				Baht mn	%	Baht mn	%
Current	31,033	31,388	33,173	(355)	(1.1)	(2,140)	(6.5)
Savings	549,513	544,393	550,757	5,120	0.9	(1,244)	(0.2)
Time	582,766	549,683	524,358	33,083	6.0	58,408	11.1
< 6 Months	239,189	204,694	188,335	34,495	16.9	50,854	27.0
6 Months and < 1 Year	267,833	267,000	260,313	833	0.3	7,520	2.9
1 Year and over 1 Year	75,744	77,989	75,710	(2,245)	(2.9)	34	0.0
Total Deposit	1,163,312	1,125,464	1,108,288	37,848	3.4	55,024	5.0
B/E	35,967	48,802	41,817	(12,835)	(26.3)	(5,850)	(14.0)
Debenture	91,175	95,975	89,275	(4,800)	(5.0)	1,900	2.1
Total Funding	1,290,454	1,270,241	1,239,380	20,213	1.6	51,074	4.1

As of June 30, 2017, overall funding for the Bank, including deposits, bills of exchange and debentures, increased by Baht 51,074 million, or 4.1%, from December 2016.

Deposits totaled Baht 1,163,312 million, an increase of Baht 55,024 million, or 5.0%, from December 2016. The growth of deposits mainly resulted from time deposits with maturity less than one year, offset by a decrease in current and savings deposits.

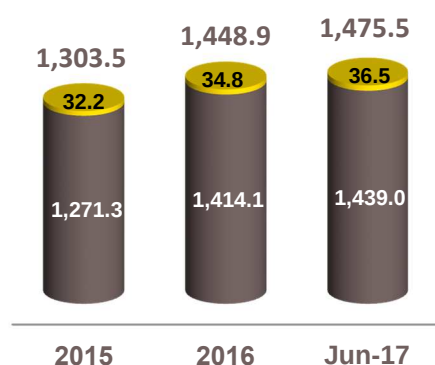
As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased to 49.9%, compared to 52.7% as of December 2016.

Bills of exchange (B/E) totaled Baht 35,967 million, a decrease of Baht 5,850 million or 14.0%, from December 2016.

Debentures stood at Baht 91,175 million as of June 2017. The increase of Baht 1,900 million or 2.1% from December 2016 was driven largely by the net issuance of long-term debentures. Consequently, the loan to deposit ratio decreased to 127%, and the loan to deposit (plus bills of exchange and debentures) ratio decreased to 114%.

Loans

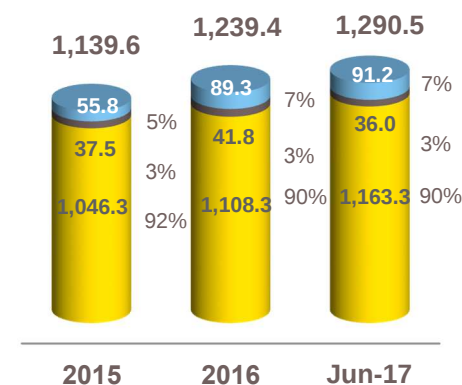
Unit: Baht Billion



■ Non-Performing Loan (NPL)
■ Performing Loan (PL)

Deposits + B/E + Debenture

Unit: Baht Billion



■ Deposit ■ B/E ■ Debenture

	2015	2016	Jun-17
L/D	125%	131%	127%
L/D+B/E+Debentures	114%	117%	114%

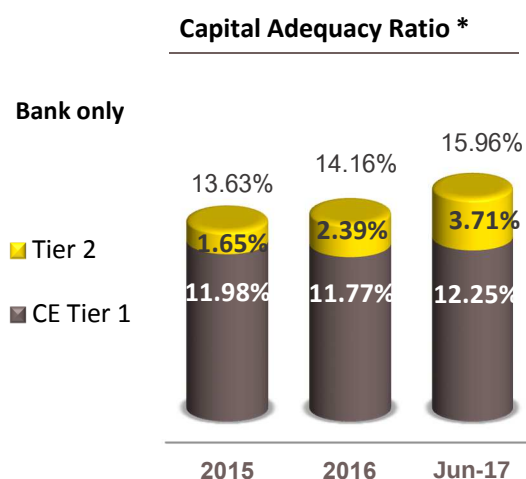
3.4 Contingencies

Consolidated	Jun. 30, 17	Mar. 31, 17	Dec. 31, 16	Change from Mar. 31, 17		Change from Dec. 31, 16	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,995	1,719	1,565	276	16.1	430	27.5
Liability under unmatured import bills	1,600	1,488	1,601	112	7.5	(1)	(0.1)
Letters of credit	7,113	8,354	8,425	(1,241)	(14.9)	(1,312)	(15.6)
Other contingencies	101,897	101,720	110,105	177	0.2	(8,208)	(7.5)
Total	112,605	113,281	121,696	(676)	(0.6)	(9,091)	(7.5)

Krungsri Group's contingencies as of June 30, 2017 totaled Baht 112,605 million, a decrease of Baht 9,091 million, or 7.5%, from December 31, 2016. The decrease was driven mainly by a decrease in other contingencies of Baht 8,208 million.

3.5 Statutory Capital

As of June 30, 2017, the Bank's capital increased to Baht 212,331 million, equivalent to 15.96% of risk-weighted assets, compared to 14.16% in December 2016. The improvement in the capital adequacy ratio was largely attributed to the issuance of new subordinated debenture totaling Baht 17,007 million in May 2017. 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 2015, at 9.125% for 2016 and at 9.75% for 2017

Baht Billion	2015	2016	Jun-17
CE Tier 1	146.18	158.83	162.95
Tier 2	20.08	32.26	49.38
Total Capital	166.26	191.09	212.33

4. Credit Ratings

In May 2017, Fitch Ratings revised the rating outlook for the Bank's credit ratings to Stable from Negative. This outlook revision reflected revision of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)'s credit rating outlook, which came after the outlook of the Japanese sovereign was revised to Stable from Negative on 27 April 2017. Nevertheless, Fitch Ratings has affirmed the Long-Term Issuer Default Rating (IDR) and National Long-Term rating of the Bank at A- and AAA (tha) respectively.

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's, Fitch Ratings and TRIS Rating as of June 30, 2017 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
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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	Stable

3. Fitch Ratings

National Ratings

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

4. TRIS Rating

National Ratings

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

5. 2017 Key Performance Targets

Consolidated	2016	1Q/17	2Q/17	1H/17	2017 Targets	
Loan Growth (Net)	+145.4 bn +11.2%	-16.8 bn -1.2%	+43.5 bn +3.0%	+26.6 bn +1.8%	6-8%	~
NPLs Ratio	2.21%	2.33%	2.24%	2.24%	< 2.5%	✓
Deposit Mix: Savings and Current	53%	51%	50%	50%	> 50%	✓
Loan Mix : Retail	44%	45%	45%	45%	~ 40%	✓
L/Deposit+Debenture+B/E	117%	113%	114%	114%	n.d.	n.d.
NIM	3.74%	3.82%	3.89%	3.82%	~ 3.7%	✓
Non-interest income growth* (YoY)	11.7%	8.3%	4.7%	6.5%	5.0%+	✓
Cost to Income Ratio	47.1%	48.8%	47.2%	48.0%	< 50%	✓
Provisions	147 bps	151 bps	146 bps	146 bps	~ 140 bps	~
Loan Loss Coverage	143%	143%	144%	144%	140%+	✓
CAR (Bank Only)	14.16%	14.40%	15.96%	15.96%	n.d.	n.d.

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