



"Make Life Simple
เรื่องเงิน เรื่องง่าย"

Management Discussion and Analysis

For the quarter and six-month period ended
June 30, 2013

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4.31% NIM

Net Interest Margin:
Maintaining Strong NIM

5.1 billion

Core Profit:
Increased 37.8% YoY

Executive Summary:

For the first half of 2013, loans grew at 4.1%, representing an additional Baht 34,333 million in new loans compared to the December 2012 balance. Retail loans grew by 9.1%, driven by demand for auto hire purchase and mortgage. Meanwhile, SME recorded 1.6% growth, attributed to growth from all key SME segments. Corporate loans contracted 2.8% due to repayment in working capital related loans in the first quarter.

For the second quarter of 2013, core profit registered at Baht 5,118 million, representing a 25.7% increase on a quarter-on-quarter basis, and a 37.8% on a year-on-year basis. Notwithstanding continued satisfactory loan growth and sound credit fundamentals, Krungsri undertook a prudent step in posting an additional provision of Baht 2,552 million as countercyclical resource in the event of a potential slowdown in economic or business activities, either domestically or internationally. Impacted by the provision of a prudential surplus reserve, net profit for 2Q/13 stood at Baht 3,076 million, representing a 24.5% decrease on a quarter-on-quarter basis, and a 17.2% decrease on a year-on-year basis.

As a result of this countercyclical reserving, excess reserves over the Bank of Thailand's reserving requirement increased to Baht 15,661 million from Baht 12,286 million as of December 2012.

For the first half of 2013, core profit registered at Baht 9,190 million or an increase of 28.4% year-on-year. Including the one-off impact of the prudential surplus reserves of Baht 2,552 million, net profits recorded at 7,148 million, a slight decrease of Baht 9 million, or 0.1% year-on-year.

As a result, earnings per share (EPS) was Baht 1.17 for the first half of 2013.

As of June 30, 2013, asset quality remained sound with non-performing loans representing 2.4% of total loans, unchanged from December 2012.

Deposits totaled Baht 731,731 million, an increase of Baht 44,572 million, or 6.5%, from December 2012. The strong growth in deposits, in part, reflected the successful launch of the "9-months Step Up Time Deposit" introduced in March 2013.

For the remainder of 2013, Krungsri remains cautiously optimistic, given the economic growth expected to normalize in the range of 4% in 2H/13. Strong employment conditions supported by an accommodative monetary policy stance, and continued economic recovery in the US and Japan, are conducive to a stronger loan demand pattern typically observed in the second half of the year. With an expected seasonal rise in business volume for both retail and commercial lending, the projected loan growth for Krungsri is maintained at 12% for the whole year.

On July 2, 2013 the Bank of Tokyo-Mitsubishi UFJ (BTMU) announced of its plan to acquire a majority equity share in Krungsri. Krungsri Group believes that this development will support Krungsri moving in to a leading position in the Thai banking industry, particularly in the SME and corporate banking platforms as well as improve the Group's regional footprint and global connectivity. This move will complement Krungsri's already leading position in retail banking

Following the BTMU announcement, Moody's Investors Service adjusted the outlook of the Bank's deposit rating to "Positive", while Standard & Poor's and Fitch Ratings placed the Bank of Ayudhya on "Credit Watch Positive" and "Rating Watch Positive", respectively.

Loan Growth

3.2% QoQ

4.1% YTD

Increased Baht 34.3 billion
compared to December 2012

Non-Performing Loans

at 2.4%

Coverage at 152%

Excess reserves at Baht 15.7 billion

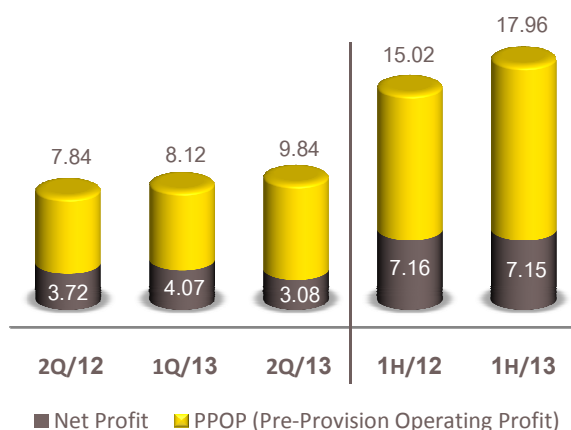
Summary of Financial Performance and Status:

2Q/13 key deliverables :

- **Loan Growth:**
Increased 4.1%, or Baht 34.3 billion, compared to December 2012, and 14%, or Baht 106.7 billion, compared to June 2012
- **Net Profit:**
Excluding the one-time impact of the countercyclical reserves of Baht 2,552 million, the core profit recorded at Baht 5.1 billion, increased by 25.7% from 1Q/13 and 37.8% from 2Q/12 . Including the one-time impact, the net profit registered at Baht 3.1 billion, decreased 24.5% from 1Q/13 and 17.2% from 2Q/12
- **Net Interest Margin (NIM):**
Improved to 4.31%
- **Cost to Income Ratio:**
Improved to 43.7% from 50.6% in 1Q/13, excluding the one-off gain from reversal of the excess provision for assets transferred to the Thai Asset Management Corporation (TAMC), the ratio stood at 49.9%
- **Coverage:**
Improved to 152% from 146% in December 2012
- **Fees and Service Income:**
Grew 1.2% from 1Q/13 and 14.2% from 2Q/12
- **Deposit Growth:**
Increased 6.5%, or Baht 44.6 billion, compared to December 2012
- **Capital Adequacy Ratio:**
Remained strong at 17.02%, amid a strong loan growth of 3.2% in 2Q/13

PPOP & Net Profit

Unit: Baht Billion



For the second quarter period ended June 30, 2013

In 2Q/13, the operating profit was Baht 9,843 million, representing a 21.2% increase from 1Q/13, driven by an increase in net interest income, and the one-off gain from reversal of the provision for assets transferred to TAMC.

Excluding the one-time impact of prudential surplus reserve at Baht 2,552 million, the core profit was Baht 5,118 million, representing an increase of 25.7% from 1Q/13, and 37.8% from 2Q/12. After the prudential provision, net profit was Baht 3,076 million, a decrease of Baht 996 million, or 24.5%, when compared to 1Q/13, and a decrease of 17.2% on a year-on-year basis.

For the six-month period ended June 30, 2013

In the first half of 2013, net profit registered at Baht 7,148 million, a decrease of Baht 9 million, or 0.1% year-on-year, resulting from the countercyclical surplus reserve booked in 2Q/13. As a result of this countercyclical reserving, excess reserves over the Bank of Thailand's reserving requirement increased to Baht 15,661 million from Baht 12,286 million as of December 2012.

1. Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income	2Q/13	1Q/13	2Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	17,446	16,918	16,067	528	3.1	1,379	8.6
Interest Expenses	6,453	6,316	6,015	137	2.2	438	7.3
Interest Income, Net	10,993	10,602	10,052	391	3.7	941	9.4
Fees and Service Income	4,708	4,654	4,123	54	1.2	585	14.2
Fees and Service Expense	1,049	1,047	863	2	0.2	186	21.6
Fees and Service Income, Net	3,659	3,607	3,260	52	1.4	399	12.2
Non-interest and Non-fees Income	2,822	2,223	2,178	599	26.9	644	29.6
Other Operating Expenses	7,631	8,312	7,645	(681)	(8.2)	(14)	(0.2)
Pre-Provision Operating Profit (PPOP)	9,843	8,120	7,845	1,723	21.2	1,998	25.5
Impairment Loss of Loan and Debt Securities	5,907	3,081	2,990	2,826	91.7	2,917	97.6
Income Tax Expense	860	967	1,140	(107)	(11.1)	(280)	(24.6)
Net Profit	3,076	4,072	3,715	(996)	(24.5)	(639)	(17.2)
Other Comprehensive income	1,282	136	169	1,146	842.6	1,113	658.6
Total Comprehensive income	4,358	4,208	3,884	150	3.6	474	12.2
Net Profit Attributable To							
Owners of the Bank	3,038	4,046	3,699	(1,008)	(24.9)	(661)	(17.9)
Non-Controlling Interest	38	26	16	12	46.2	22	137.5
Net Profit	3,076	4,072	3,715	(996)	(24.5)	(639)	(17.2)
Total Comprehensive Income Attributable To							
Owners of the Bank	4,320	4,182	3,868	138	3.3	452	11.7
Non-Controlling Interest	38	26	16	12	46.2	22	137.5
Total Comprehensive income	4,358	4,208	3,884	150	3.6	474	12.2
Earning Per Share (Baht)	0.50	0.67	0.61	(0.17)	(25.4)	(0.11)	(18.0)

Statements of Comprehensive Income Consolidated	1H/13	1H/12	Change YoY	
			Baht mn	%
Interest Income	34,364	31,429	2,935	9.3
Interest Expense	12,769	11,997	772	6.4
Interest Income, Net	21,595	19,432	2,163	11.1
Fees and Service Income	9,362	7,859	1,503	19.1
Fees and Service Expense	2,096	1,727	369	21.4
Fees and Service Income, Net	7,266	6,132	1,134	18.5
Non-interest and Non-fees Income	5,045	4,107	938	22.8
Other Operating Expenses	15,943	14,652	1,291	8.8
Pre-Provision Operating Profit (PPOP)	17,963	15,019	2,944	19.6
Impairment Loss of Loan and Debt Securities	8,988	5,702	3,286	57.6
Income Tax Expense	1,827	2,160	(333)	(15.4)
Net Profit	7,148	7,157	(9)	(0.1)
Other Comprehensive income	1,418	301	1,117	371.1
Total Comprehensive income	8,566	7,458	1,108	14.9
Net Profit Attributable To				
Owners of the Bank	7,084	7,129	(45)	(0.6)
Non-Controlling Interest	64	28	36	128.6
Net Profit	7,148	7,157	(9)	(0.1)
Total Comprehensive Income Attributable To				
Owners of the Bank	8,502	7,430	1,072	14.4
Non-Controlling Interest	64	28	36	128.6
Total Comprehensive income	8,566	7,458	1,108	14.9
Earning Per Share (Baht)	1.17	1.17	0.00	0.0

2. Financial Performance

2.1 Net Interest Income

Consolidated	2Q/13	1Q/13	2Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	11,347	11,012	10,708	335	3.0	639	6.0
Interest on interbank and money market items	668	641	520	27	4.2	148	28.5
Hire purchase and financial lease income	4,866	4,674	4,116	192	4.1	750	18.2
Investments and trading transactions	33	53	49	(20)	(37.7)	(16)	(32.7)
Investments in debt securities	532	538	674	(6)	(1.1)	(142)	(21.1)
Total Interest Income	17,446	16,918	16,067	528	3.1	1,379	8.6
INTEREST EXPENSE							
Interest on deposits	3,844	3,744	3,109	100	2.7	735	23.6
Interest on interbank and money market items	380	332	259	48	14.5	121	46.7
Interest on borrowings	1,324	1,353	1,835	(29)	(2.1)	(511)	(27.8)
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	899	880	809	19	2.2	90	11.1
Borrowing fee expenses	1	3	-	(2)	(66.7)	1	-
Other interest expenses	5	4	3	1	25.0	2	66.7
Total Interest Expenses	6,453	6,316	6,015	137	2.2	438	7.3
Interest Income, net	10,993	10,602	10,052	391	3.7	941	9.4
Net Interest Margin	4.31%	4.28%	4.39%				
Yield on Earning Assets	6.83%	6.84%	7.02%				
Cost of Funds	2.79%	2.82%	2.90%				

Consolidated	1H/13	1H/12	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	22,359	20,683	1,676	8.1
Interest on interbank and money market items	1,309	1,232	77	6.3
Hire purchase and financial lease income	9,540	8,105	1,435	17.7
Investments and trading transactions	86	94	(8)	(8.5)
Investments in debt securities	1,070	1,315	(245)	(18.6)
Total Interest Income	34,364	31,429	2,935	9.3
INTEREST EXPENSE				
Interest on deposits	7,587	6,053	1,534	25.3
Interest on interbank and money market items	712	592	120	20.3
Interest on borrowings	2,677	3,849	(1,172)	(30.4)
Contributions to Financial Institution Development Fund and Deposit Protection Agency	1,779	1,497	282	18.8
Borrowing fee expenses	5	-	5	-
Other interest expenses	9	6	3	50.0
Total Interest Expenses	12,769	11,997	772	6.4
Interest Income, net	21,595	19,432	2,163	11.1
Net Interest Margin	4.30%	4.31%		
Yield on Earning Assets	6.84%	6.96%		
Cost of Funds	2.79%	2.92%		

For the second quarter period ended June 30, 2013

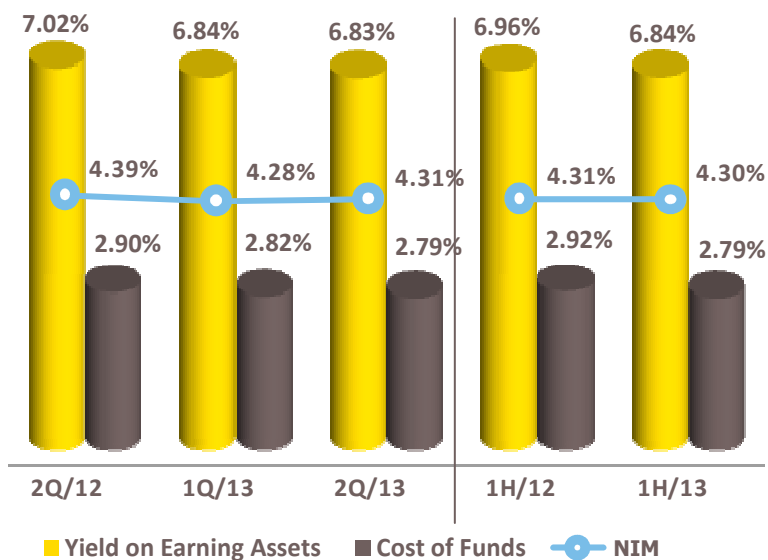
Net interest income in the second quarter was Baht 10,993 million, representing an increase of 3.7% on a quarter-on-quarter basis, and 9.4% on a year-on-year basis, as interest income grew by a larger magnitude than interest expense.

For the six-month period ended June 30, 2012

In the first half of 2013, net interest income reached Baht 21,595 million, an increase of Baht 2,163 million, or 11.1%, compared to the same period last year, resulting primarily from higher loan and hire purchase volumes, and higher average repurchase transactions. Correspondingly, interest expense increased mainly from the increase in deposit costs as a result of higher volume of deposits to support additional business growth.

In 2Q/13, NIM improved to 4.31%, compared to 4.28% in the prior quarter. The improvement was underscored by the overall improvement in the cost of funds. Cost of funds was 2.79% in 2Q/13, an improvement from 2.82% in 1Q/13.

Net Interest Margin (NIM)



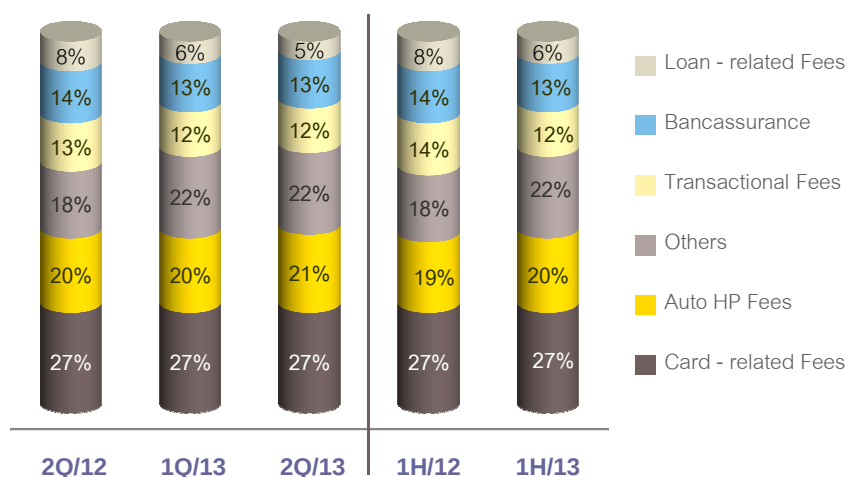
	Jan-12	Feb-12	Sep-12	Oct-12	Dec-12	Feb-13	May-13
Policy Rate	3.00%	3.00%	3.00%	2.75%	2.75%	2.75%	2.50%
Krungsri Lending Rate	7.625%	7.50%	7.50%	7.375%	7.375%	7.375%	7.375%
Saving Rate	0.87%	0.75-0.87%	0.75%	0.75%	0.70-0.75%	0.65%	0.65%
3 - month deposits	2.05-2.25%	2.05-2.25%	2.05-2.25%	1.80-2.00%	1.70-2.00%	1.70-2.00%	1.70-2.00%
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%
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%

2.2 Net Fees and Service Income

Consolidated	2Q/13	1Q/13	2Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	126	120	128	6	5.0	(2)	(1.6)
Other fees and service income	4,582	4,534	3,995	48	1.1	587	14.7
Fees and service income	4,708	4,654	4,123	54	1.2	585	14.2
Fees and service expense	1,049	1,047	863	2	0.2	186	21.6
Fees and Service Income, net	3,659	3,607	3,260	52	1.4	399	12.2

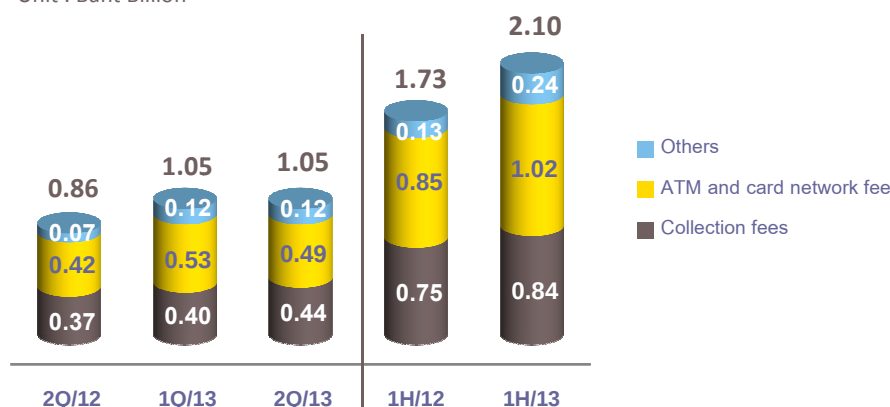
Consolidated	1H/13	1H/12	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	246	259	(13)	(5.0)
Other fees and service income	9,116	7,600	1,516	19.9
Fees and service income	9,362	7,859	1,503	19.1
Fees and service expense	2,096	1,727	369	21.4
Fees and Service Income, net	7,266	6,132	1,134	18.5

Fees & Service Income Breakdown



Fees & Service Expense

Unit : Baht Billion



For the second quarter period ended June 30, 2013

Net fees and service income increased 1.4% quarter-on-quarter, driven by an increase in fees from bancassurance, wealth and fund management. The 1.4% growth achieved in 2Q/13 was significant, given the strong growth of 6.9% quarter-on-quarter, observed in 1Q/13, and the recent capital market volatility.

On a year-on-year basis, net fees and service income increased 12.2%, driven by the increase in fees from wealth, fund management and security fees (an increase of 91.9%), auto hire purchase (an increase of 19.8%), card businesses (an increase of 12.1%), and bancassurance (an increase of 10.8%).

Corresponding to the robust fees growth recorded in 2Q/13, fees and service expense increased 21.6%, year-on-year, mainly due to the increase in wealth and fund management fees and card network fees.

For the six-month period ended June 30, 2013

Compared with 1H/12, net fees and service income grew strongly by Baht 1,134 million, or 18.5%, driven by the continued focus of Krungsri Group in growing fees and wealth and fund management franchises. Wealth, fund management and security fees improved 91.9%, in part attributed to the robust growth in assets under management and capital market conditions. Fees from auto hire purchase grew strongly at 25.3%, while the card business and bancassurance grew at 18.7% and 12.3%, respectively in 1H/13. Fees and service expense increased 21.4%, mainly due to an increase in variable expenses relating to the fees growth in the card business and wealth and fund management.

2.3 Non-interest and Non-fees Income

Consolidated	2Q/13	1Q/13	2Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign							
exchange transactions	365	463	380	(98)	(21.2)	(15)	(3.9)
Gains (losses) on investments	205	112	394	93	83.0	(189)	(48.0)
Share of profit (loss) from investment for							
using equity method	39	66	46	(27)	(40.9)	(7)	(15.2)
Bad debt recoveries	1,410	823	734	587	71.3	676	92.1
Other operating income	803	759	624	44	5.8	179	28.7
Total Non-interest and Non-fees Income	2,822	2,223	2,178	599	26.9	644	29.6

Consolidated	1H/13	1H/12	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign				
exchange transactions	828	774	54	7.0
Gains (losses) on investments	317	461	(144)	(31.2)
Share of profit (loss) from investment for				
using equity method	105	106	(1)	(0.9)
Bad debt recoveries	2,233	1,523	710	46.6
Other operating income	1,562	1,243	319	25.7
Total Non-interest and Non-fees Income	5,045	4,107	938	22.8

For the second quarter period ended June 30, 2013

On a quarter-on-quarter basis, non-interest and non-fees income increased by Baht 599 million, or 26.9%, driven primarily by bad debt recoveries income from Dubai World Group Finance Limited's account of Baht 550 million recognized in 2Q/13.

Non-interest and non-fees income increased by Baht 644 million, or 29.6%, compared to 2Q/12, driven primarily by bad debt recoveries.

For the six-month period ended June 30, 2013

Non-interest and non-fees income increased by Baht 938 million, or 22.8%, compared to 1H/12, driven by increases in bad debt recoveries income of Baht 710 million and other operating income of Baht 319 million. The increase in bad debt recoveries was largely attributed to the income recovered from the Dubai World Group Finance Limited's account. Meanwhile, the improvement in other operating income was driven by an increase in dividend income of Baht 230 million booked in 1Q/13. These improvements were partially offset by a decrease in gains on investment.

2.4 Other Operating Expenses

Consolidated	2Q/13	1Q/13	2Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	3,712	3,882	3,392	(170)	(4.4)	320	9.4
Premises and equipment expenses	1,406	1,481	1,358	(75)	(5.1)	48	3.5
Taxes and duties	541	524	536	17	3.2	5	0.9
Directors' remuneration	9	8	9	1	12.5	0	0.0
Other expenses	1,963	2,417	2,350	(454)	(18.8)	(387)	(16.5)
Total Other Operating Expenses	7,631	8,312	7,645	(681)	(8.2)	(14)	(0.2)

Consolidated	1H/13	1H/12	Change YoY	
			Baht mn	%
Employee's expenses	7,594	6,599	995	15.1
Premises and equipment expenses	2,887	2,568	319	12.4
Taxes and duties	1,065	1,029	36	3.5
Directors' remuneration	17	17	0	0.0
Other expenses	4,380	4,439	(59)	(1.3)
Total Other Operating Expenses	15,943	14,652	1,291	8.8

For the second quarter period ended June 30, 2013

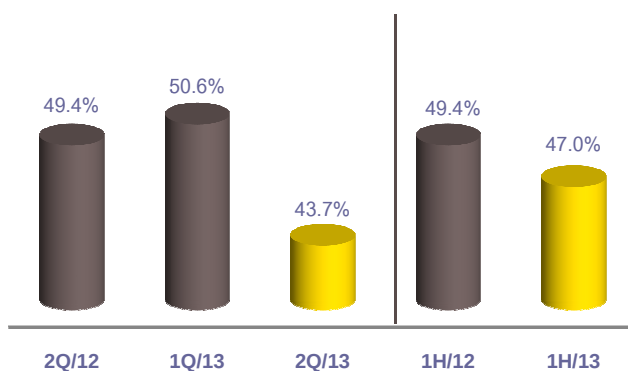
On a quarter-on-quarter basis, operating expenses decreased by Baht 681 million, or 8.2%, driven by a decrease in employee's expenses of Baht 170 million, or 4.4%, and other expenses of Baht 454 million, or 18.8%, mainly due to a reversal of reserve on TAMC totaling Baht 1,085 million of the original reserve booked of Baht 2,132 million. The aforementioned improvement was offset by an increase in reserve for contingent liabilities of Baht 715 million, largely attributed to one commercial account.

Operating expenses decreased by Baht 14 million, or 0.2%, compared to 2Q/12, driven by an increase in employee expenses of Baht 320 million, or 9.4%, mainly due to annual merit increases, offset by a decrease in other expenses of Baht 387 million, or 16.5%, mainly due to a reversal of reserve on TAMC of Baht 1,085 million recognized in 2Q/13. Yet, the aforementioned improvement was partially offset by an increase in reserve for contingent liabilities of Baht 715 million.

For the six-month period ended June 30, 2013

For first half year of 2012, other operating expenses increased by Baht 1,291 million, or 8.8%, driven by an increase in employee expenses of Baht 995 million, or 15.1%, mainly due to annual merit increases, and an increase in premises and equipment expenses of Baht 319 million, or 12.4%, driven by an increase in depreciation expenses and IT service expenses.

Cost-to-Income Ratio



In 2Q/13, the cost-to-income ratio stood at 43.7%, decreasing from 50.6% in 1Q/13. Excluding the one-off gain from the TAMC's reserve reversal, the cost-to-income ratio for 2Q/13 registered at 49.9%.

2.5 Impairment loss of loans and debt securities

Consolidated	2Q/13	1Q/13	2Q/12	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	5,987	2,903	2,742	3,084	106.2	3,245	118.3
Loss on Debt Restructuring	(80)	178	248	(258)	(144.9)	(328)	(132.3)
Total impairment loss of loan and debt securities	5,907	3,081	2,990	2,826	91.7	2,917	97.6

Consolidated	1H/13	1H/12	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	8,890	5,333	3,557	66.7
Loss on Debt Restructuring	98	369	(271)	(73.4)
Total impairment loss of loan and debt securities	8,988	5,702	3,286	57.6

Loan loss provisions in the current period amounted to Baht 5,907 million, an increase of Baht 2,826 million, or 91.7%, from the prior quarter. Notwithstanding continued satisfactorily loan growth and sound credit fundamentals, the higher allowances were assigned as a countercyclical resource in the event of a potential slowdown in economic or business activities, either domestically or internationally. Excluding the prudential surplus reserve of Baht 2,552 million, loan loss provisions amounted to Baht 3,355 million, representing an increase of 8.9% compared to 1Q/13. The 8.9% increase was largely attributed to the default of one corporate account, which was classified as a special mention loan in 1Q/13.

As at June 30, 2013, our total provision stood at Baht 34,638 million, with an excess provision over Bank of Thailand's reserve requirements of Baht 15,661 million, or 182.5% of the Bank of Thailand's reserving requirements. The loan loss coverage ratio further improved to 151.8% from 146.2% at the end of December 2012.

3. Financial Status

3.1 Financial Position

Consolidated	As at Jun. 30, 13	As at Mar. 31, 13	As at Dec. 31, 12	Change from Mar. 31, 13		Change from Dec. 31, 12	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	24,486	24,137	25,079	349	1.4	(593)	(2.4)
Interbank and money market items, net	109,446	99,337	79,390	10,109	10.2	30,056	37.9
Investments, net	77,552	81,380	78,302	(3,828)	(4.7)	(750)	(1.0)
Investments in subsidiaries and associates, net	1,052	1,013	947	39	3.8	105	11.1
Loans to customers	908,602	879,191	869,382	29,411	3.3	39,220	4.5
Accrued interest receivable	2,359	2,341	2,257	18	0.8	102	4.5
Deferred revenue	(44,261)	(41,954)	(39,374)	(2,307)	(5.5)	(4,887)	(12.4)
Allowance for doubtful accounts	(34,007)	(31,504)	(30,306)	(2,503)	(7.9)	(3,701)	(12.2)
Revaluation allowance for debt restructuring	(498)	(743)	(723)	245	33.0	225	31.1
Properties for sale, net	8,847	9,318	9,452	(471)	(5.1)	(605)	(6.4)
Others	76,578	80,261	77,560	(3,683)	(4.6)	(982)	(1.3)
TOTAL ASSETS	1,130,156	1,102,777	1,071,966	27,379	2.5	58,190	5.4
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	731,731	702,449	687,159	29,282	4.2	44,572	6.5
Interbank and money market items, net	53,002	62,193	48,821	(9,191)	(14.8)	4,181	8.6
Debt issued and borrowings	159,558	143,668	154,629	15,890	11.1	4,929	3.2
Others	66,243	76,773	67,870	(10,530)	(13.7)	(1,627)	(2.4)
TOTAL LIABILITIES	1,010,534	985,083	958,479	25,451	2.6	52,055	5.4
Issued and paid-up share capital	60,741	60,741	60,741	0	0.0	0	0.0
Retained earning	37,543	36,908	32,796	635	1.7	4,747	14.5
Others	21,338	20,045	19,950	1,293	6.5	1,388	7.0
TOTAL SHAREHOLDERS' EQUITY	119,622	117,694	113,487	1,928	1.6	6,135	5.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,130,156	1,102,777	1,071,966	27,379	2.5	58,190	5.4

As at June 30, 2013, assets reached Baht 1,130,156 million, representing an increase of Baht 58,190 million, or 5.4% from December 2012, largely driven by interbank and money market items of Baht 30,056 million, or 37.9%, and net loan volume of Baht 34,333 million, or 4.1%. The increase in interbank and money market items was mainly driven by an increase in repurchase agreements of Baht 24,230 million for transactions under our active Primary Dealer role.

Compared to 1Q/13, assets grew by Baht 27,379 million, or 2.5%, largely driven by net loan volume of Baht 27,104 million, or 3.2%, and an increase in interbank and money market items of Baht 10,109 million, or 10.2%. Meanwhile, investments decreased by Baht 3,828 million, or 4.7%, and others asset decreased by Baht 3,683 million, or 4.6%.

On a year-to-date basis, liabilities grew 5.4%, or Baht 52,055 million. The growth in liabilities was driven by an increase in deposits of 6.5%, or Baht 44,572 million. The deposit growth in 2Q/13, in part, reflected our successful launch of the time deposit product – “9-month Step Up Time Deposit”- on 28 March 2013.

Compared to 1Q/13, liabilities grew 2.6%, or Baht 25,451 million in 2Q/13. The growth in liabilities was driven by an increase in deposits of 4.2%, or Baht 29,282 million and debt issues and borrowings of 11.1%, or Baht 15,890 million. The increase in debt issues and borrowings was driven by an increase in debentures of Baht 24,165 million offset by a decrease in bills of exchange of Baht 8,268 million. Meanwhile, other liabilities decreased 13.7%, or Baht 10,531 million, mainly driven by a decrease in liabilities to deliver security from repurchase agreement of Baht 7,137 million for transactions under our active Primary Dealer role and a decrease in account payable for investment of Baht 4,520 million.

Total shareholders’ equity rose to Baht 119,622 million, an increase of Baht 6,135 million, or 5.4%, from December 2012. The increase was mainly due to equity holders’ net income of Baht 7,084 million in 1H/13 and an increase in revaluation surplus on properties of Baht 1,828 million. The aforementioned increases were partially offset by dividends paid of Baht 2,430 million.

Book value per share as at June 30, 2013 increased 5.41% to Baht 19.69 from Baht 18.68 at the end of 2012.

3.2 Loans to customers

3.2.1 Loans by segment

Consolidated	Jun. 30, 13	Mar. 31, 13	Dec. 31, 12	Change from Mar. 31, 13		Change from Dec. 31, 12	
				Baht mn	%	Baht mn	%
Corporate	205,887	203,416	211,914	2,471	1.2	(6,027)	(2.8)
SMEs	216,246	213,038	212,834	3,208	1.5	3,412	1.6
Retail	442,208	420,783	405,260	21,425	5.1	36,948	9.1
- Hire purchase	229,419	217,353	202,089	12,066	5.6	27,330	13.5
- Housing	110,817	105,988	103,080	4,829	4.6	7,737	7.5
- Credit cards and personal loans	101,972	97,442	100,091	4,530	4.6	1,881	1.9
Total *	864,341	837,237	830,008	27,104	3.2	34,333	4.1

* Loans to customers net of deferred income

As at June 30, 2013, total outstanding loans stood at Baht 864,341 million, an increase of Baht 34,333 million, or 4.1%, from December 2012 .

The **retail segment** continue to record favorable growth, with a notable increase of Baht 36,948 million, or 9.1% year-to-date, attributed to an expansion in auto hire purchase loans and mortgage loans.

Auto hire purchase loans grew strongly at 13.5% year-to-date, and 5.6% quarter-on-quarter. The strong growth was underpinned by both new and used cars volumes. With the completed delivery of cars under the first time buyer program, auto hire purchase loan growth will normalize in 2H/13.

Housing loans grew 7.5% on a year-to-date basis, and 4.6% quarter-on-quarter, reflecting our strategic shift in partnering with top developers and targeting a higher income segment of customers.

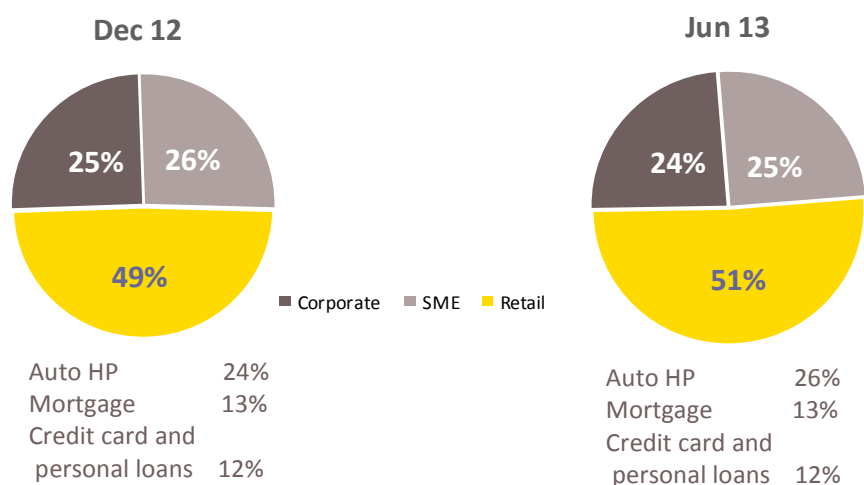
Credit cards and personal loans grew 1.9% year-to-date, and 4.6% quarter-on-quarter. The improvement in 2Q/13 was attributed to normal seasonality as reflected by industry transactions and volume growth.

On a consolidated basis, the SME portfolio grew 1.6% year-to-date, with the growth broadly observed in all SME segments – SME-Medium, SME-Small, and SME-Retail.

Year-to-date **corporate loans** contracted by 2.8%, driven mainly by working capital repayments in the first quarter. Yet, on a quarter-on-quarter basis, the loan grew 1.2% in 2Q/13.

For the remainder of 2013, Krungsri remains cautiously optimistic, given the economic growth expected to normalize in the range of 4% in 2H/13. Strong employment conditions supported by accommodative monetary policy stance, and continued economic recovery in the US and Japan, are conducive to the stronger loan demand pattern typically observed in the second half of the year. With an expected seasonal rise in business volume for both retail and commercial lending, the projected loan growth for Krungsri Group is maintained at 12% for the whole year.

Loan Composition



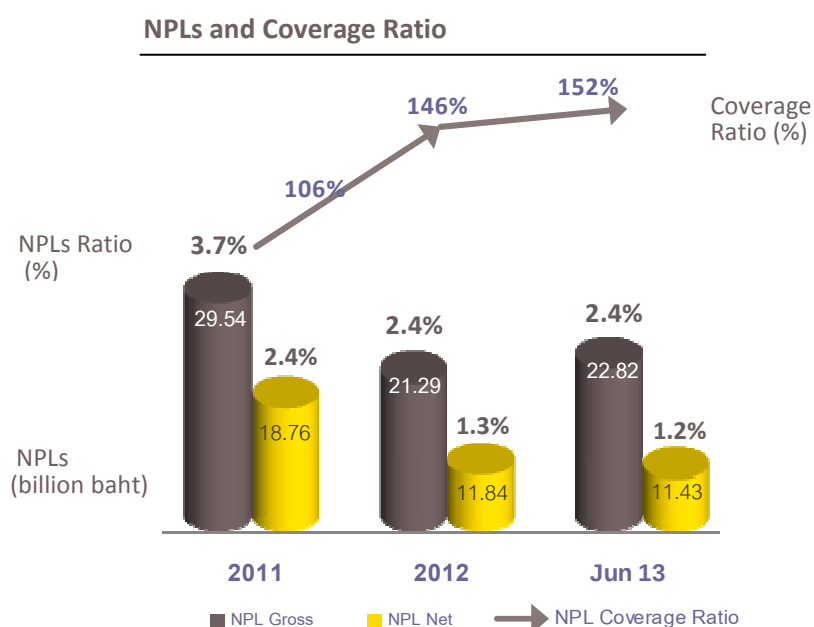
3.2.2 Loan classification and provision

Unit : Baht mn

Consolidated	Jun. 30, 2013		Dec. 31, 2012		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	819,335	5,100	786,545	7,205	32,790	(2,105)
Special mention	24,535	2,134	24,414	1,651	121	483
Substandard	9,430	5,471	7,057	3,337	2,373	2,134
Doubtful	4,728	1,651	5,207	2,142	(479)	(491)
Doubtful of loss	8,672	3,990	9,042	3,685	(370)	305
Total	866,700	18,346	832,265	18,020	34,435	326
Surplus Reserve		15,661		12,286		3,375
Total	866,700	34,007	832,265	30,306	34,435	3,701

3.2.3 Non-performing loans

Consolidated	Jun 30, 13	Mar 31, 13	Dec 31, 12	Change from Mar 31, 13		Change from Dec 31, 12	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	11,431	12,003	11,835	(572)	(4.8)	(404)	(3.4)
Non-Performing Loans (Gross)	22,817	21,903	21,292	914	4.2	1,525	7.2
Loans loss reserves (LLR)	34,638	32,378	31,127	2,260	7.0	3,511	11.3
Coverage	151.8%	147.8%	146.2%	4.0%	2.7	5.6%	3.8
BOT Requirement	18,977	19,885	18,841	(908)	(4.6)	136	0.7
Actual / Required LLR	182.5%	162.8%	165.2%	19.7%	12.1	17.3%	10.5



As of June 30, 2013, gross NPLs increased Baht 914 million from March 2013 to Baht 22,817 million, driven largely by a classification of one commercial customer with the loan facility of Baht 2,377 million to NPL status. This commercial customer was classified as a special mention account in 1Q/13. Furthermore, in 2Q/13, Krungsri Group completed Baht 2,297 million in NPL sales to a third party.

Total provision stood at Baht 34,638 million, with an excess provision over Bank of Thailand requirements increasing by Baht 3,375 million from December 2012 to Baht 15,661 million. The sharp rise in surplus reserve was largely attributed to the one-time additional prudential surplus reserve of Baht 2,552 million booked in 2Q/13. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 182.5%; while the Group's coverage ratio further improved to 151.8% from 146.2% at the end of December 2012.

3.3 Funding Structure

Consolidated	Jun. 30, 13	Mar. 31, 13	Dec. 31, 12	Change from Mar. 31, 13		Change from Dec. 31, 12	
				Baht mn	%	Baht mn	%
Current	18,269	19,865	18,646	(1,596)	(8.0)	(377)	(2.0)
Savings	354,949	372,798	350,814	(17,849)	(4.8)	4,135	1.2
Time	358,513	309,786	317,699	48,727	15.7	40,814	12.8
< 6 months	156,875	142,058	147,053	14,817	10.4	9,822	6.7
6M - 1 Year	154,653	121,036	120,927	33,617	27.8	33,726	27.9
> 1 Year	46,985	46,692	49,719	293	0.6	(2,734)	(5.5)
Total Deposit	731,731	702,449	687,159	29,282	4.2	44,572	6.5
B/E	43,402	51,670	48,523	(8,268)	(16.0)	(5,121)	(10.6)
Debenture	81,240	57,075	71,170	24,165	42.3	10,070	14.1
Total Funding	856,373	811,194	806,852	45,179	5.6	49,521	6.1

As at June 30, 2013, overall funding for the Bank including deposits, bills of exchange and debentures increased Baht 49,521 million, or 6.1%, from December 2012.

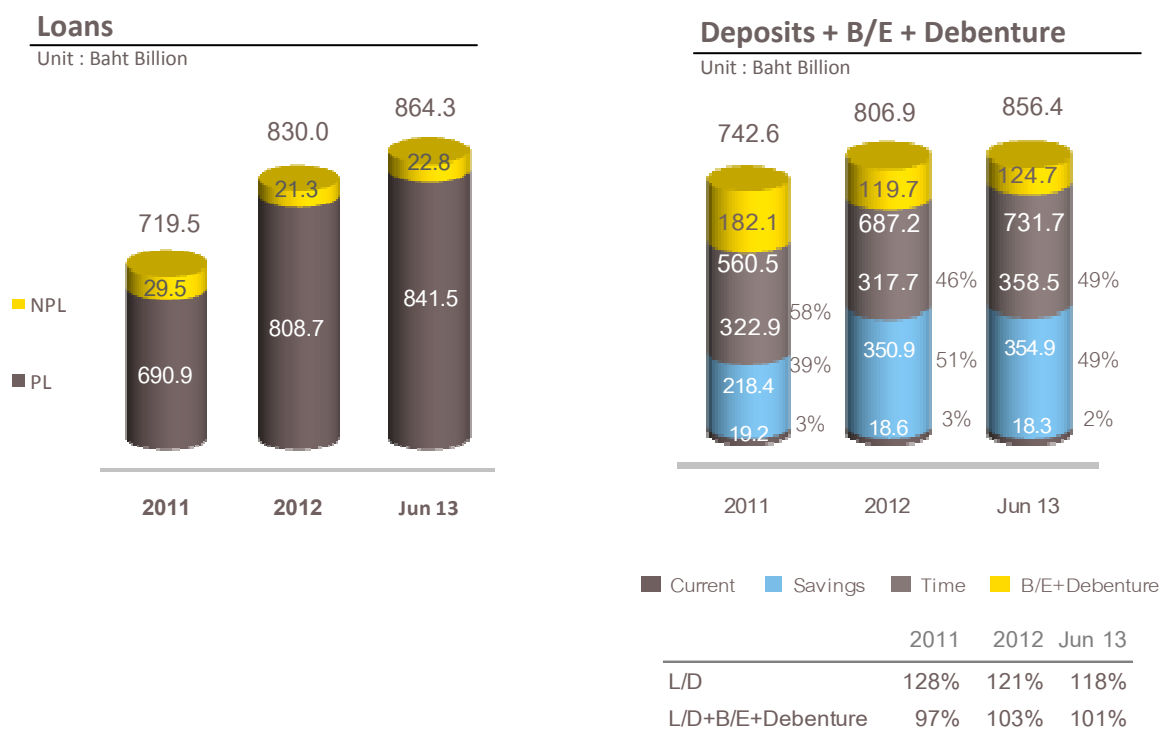
Deposits totaled Baht 731,731 million, an increase of Baht 44,572 million, or 6.5%, from December 2012. Of particular importance, deposits grew Baht 29,282 million in 2Q/13, reflecting our successful launch of the “9-months Step Up Time Deposit” in March 2013. Meanwhile, our Big Bang products -- “Mee Tai Dai” and “Jad Hai” -- continued to book more than Baht 155,000 million as of June 2013.

As a result of the strong success in the “9-months Step Up”, the proportion of savings and current deposit (CASA) as a percentage of total deposits decreased to 51%, compared to 53.8% as of December 2012.

Bills of exchange totaled Baht 43,402 million, representing a decrease of Baht 5,121 million, or 10.6%, from December 2012.

Debentures stood at Baht 81,240 million as of June 2013. An increase of Baht 10,070 million, or 14.1%, from December 2012, mainly driven by the issuance of long-term debentures to support our “matched funding” discipline.

Consequently, the loan to deposit ratio improved to 118% and the loan to deposit plus bills of exchange and debentures ratio improved to 101%.



3.4 Contingencies

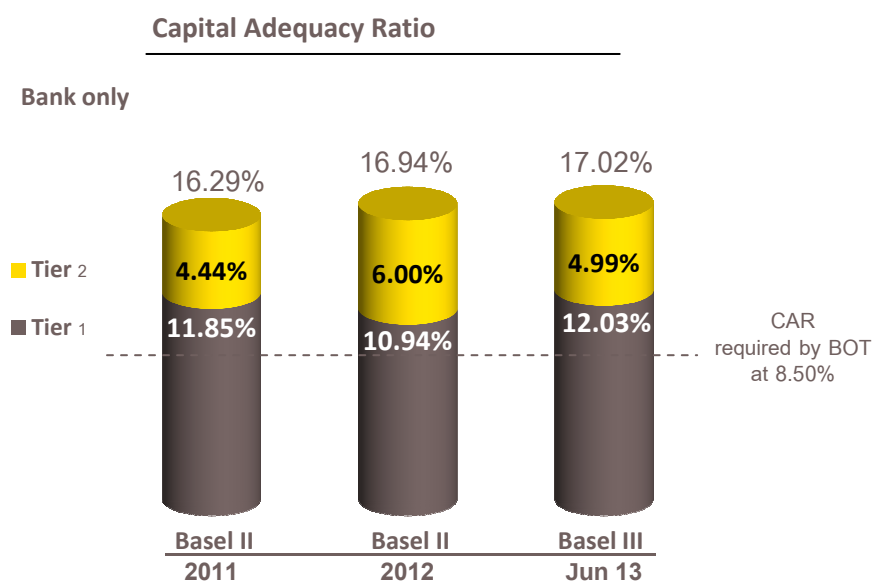
Consolidated	Jun. 30, 13	Mar. 31, 13	Dec. 31, 12	Change from Mar. 31, 13		Change from Dec. 31, 12	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,167	1,152	1,067	15	1.3	100	9.4
Liability under unmatured import bills	1,575	1,578	1,548	(3)	(0.2)	27	1.7
Letters of credit	8,886	9,098	8,043	(212)	(2.3)	843	10.5
Other contingencies	103,256	95,036	94,727	8,220	8.6	8,529	9.0
Total	114,884	106,864	105,385	8,020	7.5	9,499	9.0

The Krungsri Group's contingencies as at June 30, 2013 totaled Baht 114,884 million, an increase of Baht 9,499 million, or 9%, from December 31, 2012. This increase was driven by letters of credit of Baht 843 million and other contingencies of Baht 8,529 million.

3.5 Statutory Capital

Effective in January 2013, the BIS ratio is calculated under Basel III guidance as prescribed by the Bank of Thailand. A modest impact was observed in the Tier 2 capital due to the rule governing the qualification of subordinate debentures, which will be amortized over time.

As at June 30, 2013, the Bank's capital remained strong at Baht 131,113 million, equivalent to 17.02% of risk-weighted assets, with 12.03% in Tier 1 capital.



Baht Billion	2011	2012	Jun 13
	Basel II	Basel II	Basel III
Tier 1	80.84	81.75	92.65
Tier 2	30.28	44.80	38.46
Total Capital	111.12	126.55	131.11

4. Credit Ratings

Following the Bank of Tokyo-Mitsubishi UFJ (BTMU)'s announcement on July 2, 2013 of its intention to acquire a majority stake in Krungsri, Moody's Investors Service adjusted the outlook of the Bank's deposit rating to "Positive", while Standard & Poor's and Fitch Ratings placed the Bank of Ayudhya on "Credit Watch Positive" and "Rating Watch Positive", respectively.

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's and Fitch Ratings as at June 30, 2013 are shown in the table below.

<u>Moody's Investors Service</u>	
Bank Deposits	
- Long Term	Baa2
- Short Term	Prime-2
Debt	
- Long Term -Senior Debt	Baa2
- Long Term –Subordinated Debt	Ba2
- Short Term	Prime-3
Debt and Deposit Rating Outlook	Stable
Bank Financial Strength Ratings	D+
Outlook	Stable
<u>Standard and Poor's</u>	
Issuer Credit Rating (ICR)	
- Long Term	BBB-
- Short Term	A-3
Foreign Currency	
- Long Term - Senior Debt	BBB-
- Short Term	A-3
Stand-alone Credit Profile (SACP)	bb+
Outlook	Stable
<u>Fitch Ratings</u>	
International Rating (Foreign Currency)	
- Long Term	BBB
- Subordinated Debt	BBB-
- Short Term	F3
- Viability Rating	bbb
- Support	3
- Support Rating Floor	BB+
- Outlook	Stable
National Ratings	
- Long Term – Debenture	AA- (tha)
- Subordinated Debt	A+ (tha)
- Short Term	F1+ (tha)
- Outlook	Stable

5. 2013 Key Performance Targets

Consolidated	2012	1Q/13	2Q/13	1H/13	2013 Targets	
Loan Growth (Net)	+110.5 bn +15.4%	+7.2 bn +0.9%	+27.1 bn +3.2%	+34.3 bn +4.1%	n.d.	✓
Performing Loan Growth	+118.8 bn +17.2%	+6.6 bn +0.8%	+26.2 bn +3.2%	+32.8 bn +4.1%	12%+	✓
NPLs Ratio	2.39%	2.38%	2.40%	2.40%	~ 2.5%	✓
Deposit Mix: Savings and Current	54%	56%	51%	51%	~ 50%	✓
Loan Mix : Retail	49%	50%	51%	51%	50%	✓
L/D Ratio	121%	119%	118%	118%	n.d.	✓
L/Deposit+Debentures+B/E	103%	103%	101%	101%	95-96%	~
NIM	4.33%	4.28%	4.31%	4.30%	4.4%	✓
Fee income growth (YoY)	18.8%	24.5%	14.2%	19.1%	15%	✓
Cost to Income Ratio	50.33%	50.59%	43.67%	47.02%	<48%	✓
Provisions	137 bps	146 bps	273 bps	207 bps	130 bps	~
Loan Loss Coverage	146%	148%	152%	152%	150%	✓
CAR *	16.9%	16.6%	17.0%	17.0%	n.d.	✓

* Bank only