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Management Discussion and Analysis

For the quarter and six-month period ended
June 30, 2015

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Executive Summary:

Despite a weaker-than-expected economic backdrop in the first half of 2015, Krungsri has managed to deliver a satisfactory performance. **Net profit** recorded at Baht 8,787 million, representing a 29.1% increase over the same period of 2014. The growth in net profit was attributed to higher net interest income supported by loan growth and net fees and service income growth, mirroring both Krungsri's competitive strength and the successful integration of BTMU Bangkok Branch at the beginning of 2015.

For the first half of 2015, **loans** grew 22.9% to Baht 1,244,870 million, representing an increase of Baht 232,109 million compared to the December 2014 balance. Year to date, retail loans grew 2.0%, driven by demand for mortgage and auto hire purchase. Corporate loans grew 79.5%, primarily as a result of the loan transfer from BTMU Bangkok Branch in January. Meanwhile, SME loans contracted 5.6% in line with the slowing economy.

Deposits totalled Baht 1,007,315 million, an increase of Baht 169,759 million, or 20.3%, from December 2014. The growth in deposits was driven by the deposit transfer from the BTMU Bangkok Branch, the successful launch of the "8-month Step Up Time Deposit", and sustained performance of our special savings products --"Mee Tae Dai" and "Jad Hai".

Net fees and service income increased 20.9% in the first half of 2015 compared to same period of 2014, mainly driven by loan-related, wealth, fund management & securities-related, card business, auto hire purchase, and Bancassurance fees.

Krungsri's prudent portfolio management resulted in stable asset quality. As of June 2015, **non-performing loans** were maintained at 2.4% of total loans. In 2Q/15, Krungsri Group completed a NPL sale of Baht 1,396 million to a third party.

Meanwhile, our total **provision** stood at Baht 45,240 million, with an excess provision over the Bank of Thailand's reserve requirements of Baht 14,219 million, or 46%. The loan loss coverage ratio was 142%.

Following the higher net profit, **earnings per share (EPS)** rose to Baht 1.18 for the first half of 2015, compared to Baht 1.11 in 1H/14.

The economic slowdown observed in the first half of the year coupled with challenges concerning external turbulence for the rest of 2015 have softened our outlook for the year. As a result, we have revised down our 2015 economic growth forecast to 2.7-3.2% from the 3.3-3.8% projection at the beginning of the year. Nevertheless, the positive impact from an acceleration of public investment, an accommodative monetary policy stance, and robust tourism sector remain supportive to economic growth. With these baseline assumptions, we have lowered our 2015 loan growth target from 7-9% to 4-6%, excluding the effect of the loan transfer from the BTMU Bangkok branch.

NIM: 4.23% ytd

Coverage: 142%

Net Profit:

At Baht 4.4 billion

NPL: 2.35 %

Of Total loans

Summary of Financial Performance and Status:

Key 2Q/15 deliverables:

- **Loan Growth:**

Increased 22.9%, or Baht 232,109 million, compared to December 2014, and 0.8% or Baht 10,108 million compared to March 2015.

- **Deposit Growth:**

Increased 20.3%, or Baht 169,759 million, compared to December 2014, but a 0.3% decrease or Baht 3,169 million compared to March 2015.

- **Net Profit:**

Increased to Baht 4,408 million, representing a 0.7% increase over 1Q/15, and a 25.9% increase from 2Q/14.

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

Maintained at 4.23% year to date.

- **Net Fees and Service Income:**

Decreased 1.8% from 1Q/15, mainly owing to a decrease in loan-related fees.

- **Cost to Income Ratio:**

Recorded at 47.1%, up slightly from 46.3% in 1Q/15.

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

Steady at 2.35% of total loans, compared to 2.36% in the prior quarter.

- **Coverage Ratio:**

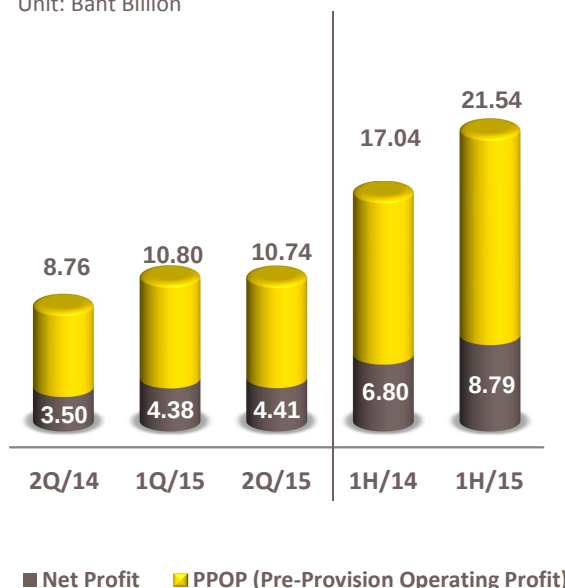
Strong at 142%.

- **Capital Adequacy Ratio:**

Recorded at 13.8% compared to 14.7% in December 2014.

PPOP & Net Profit

Unit: Baht Billion



For the second quarter period ended June 30, 2015

In 2Q/15, operating profit was Baht 10,740 million, representing a decrease of Baht 58 million, or 0.5%, when compared to 1Q/15, driven by lower net interest income and net fees and service income.

Net profit in 2Q/15 was Baht 4,408 million, representing an increase of Baht 29 million, or 0.7%, when compared to 1Q/15, and an increase of Baht 907 million, or 25.9%, on a year-on-year basis, driven largely by higher net interest income resulting from lending growth as well as net fees and service income largely driven by the business transfer from BTMU Bangkok branch.

For the six-month period ended June 30, 2015

In the first half of 2015, net profit registered at Baht 8,787 million, an increase of Baht 1,983 million, or 29.1%, year-on-year, driven largely by higher net interest income and net fees and service income largely driven by the business transfer from BTMU Bangkok branch.

1. Statements of Profit or Loss and Other Comprehensive Income

Consolidated Statements of Profit or Loss and Other Comprehensive Income	2Q/15	1Q/15	2Q/14	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	20,401	20,776	18,352	(375)	(1.8)	2,049	11.2
Interest Expenses	6,607	6,919	6,476	(312)	(4.5)	131	2.0
Interest Income, Net	13,794	13,857	11,876	(63)	(0.5)	1,918	16.2
Fees and Service Income	5,510	5,572	4,633	(62)	(1.1)	877	18.9
Fees and Service Expense	1,294	1,280	1,043	14	1.1	251	24.1
Fees and Service Income, Net	4,216	4,292	3,590	(76)	(1.8)	626	17.4
Non-interest and Non-fees Income	2,284	1,970	1,771	314	15.9	513	29.0
Other Operating Expenses	9,554	9,321	8,476	233	2.5	1,078	12.7
Pre-Provision Operating Profit (PPOP)	10,740	10,798	8,761	(58)	(0.5)	1,979	22.6
Impairment Loss of Loan and Debt Securities	5,217	5,253	4,255	(36)	(0.7)	962	22.6
Income Tax Expense	1,115	1,166	1,005	(51)	(4.4)	110	10.9
Net Profit	4,408	4,379	3,501	29	0.7	907	25.9
Other Comprehensive income, net	75	98	429	(23)	(23.5)	(354)	(82.5)
Total Comprehensive income	4,483	4,477	3,930	6	0.1	553	14.1
Net Profit Attributable To							
Owners of the Bank	4,349	4,326	3,460	23	0.5	889	25.7
Non-Controlling Interest	59	53	41	6	11.3	18	43.9
Net Profit	4,408	4,379	3,501	29	0.7	907	25.9
Total Comprehensive Income Attributable To							
Owners of the Bank	4,424	4,424	3,889	0	0.0	535	13.8
Non-Controlling Interest	59	53	41	6	11.3	18	43.9
Total Comprehensive income	4,483	4,477	3,930	6	0.1	553	14.1
Earning Per Share (Baht)	0.59	0.59	0.57	0.00	0.0	0.02	3.5

Consolidated Statements of Profit or Loss and Other Comprehensive Income	1H/15	1H/14	Change YoY	
			Baht mn	%
Interest Income	41,177	36,627	4,550	12.4
Interest Expense	13,526	13,254	272	2.1
Interest Income, Net	27,651	23,373	4,278	18.3
Fees and Service Income	11,081	9,124	1,957	21.4
Fees and Service Expense	2,573	2,087	486	23.3
Fees and Service Income, Net	8,508	7,037	1,471	20.9
Non-interest and Non-fees Income	4,254	3,413	841	24.6
Other Operating Expenses	18,875	16,782	2,093	12.5
Pre-Provision Operating Profit (PPOP)	21,538	17,041	4,497	26.4
Impairment Loss of Loan and Debt Securities	10,470	8,339	2,131	25.6
Income Tax Expense	2,281	1,898	383	20.2
Net Profit	8,787	6,804	1,983	29.1
Other Comprehensive income, net	174	1,000	(826)	(82.6)
Total Comprehensive income	8,961	7,804	1,157	14.8
Net Profit Attributable To				
Owners of the Bank	8,675	6,727	1,948	29.0
Non-Controlling Interest	112	77	35	45.5
Net Profit	8,787	6,804	1,983	29.1
Total Comprehensive Income Attributable To				
Owners of the Bank	8,849	7,727	1,122	14.5
Non-Controlling Interest	112	77	35	45.5
Total Comprehensive income	8,961	7,804	1,157	14.8
Earning Per Share (Baht)	1.18	1.11	0.07	6.3

2. Financial Performance

2.1 Net Interest Income

Consolidated	2Q/15	1Q/15	2Q/14	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	13,748	14,047	12,197	(299)	(2.1)	1,551	12.7
Interest on interbank and money market items	758	871	597	(113)	(13.0)	161	27.0
Hire purchase and financial lease income	5,255	5,183	5,019	72	1.4	236	4.7
Investments and trading transactions	16	28	40	(12)	(42.9)	(24)	(60.0)
Investments in debt securities	624	647	499	(23)	(3.6)	125	25.1
Total Interest Income	20,401	20,776	18,352	(375)	(1.8)	2,049	11.2
INTEREST EXPENSE							
Interest on deposits	3,932	4,158	3,726	(226)	(5.4)	206	5.5
Interest on interbank and money market items	406	317	347	89	28.1	59	17.0
Interest on borrowings	1,003	1,219	1,388	(216)	(17.7)	(385)	(27.7)
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,249	1,219	1,008	30	2.5	241	23.9
Borrowing fee expenses	13	2	4	11	550.0	9	225.0
Other interest expenses	4	4	3	0	0.0	1	33.3
Total Interest Expenses	6,607	6,919	6,476	(312)	(4.5)	131	2.0
Interest Income, net	13,794	13,857	11,876	(63)	(0.5)	1,918	16.2
Net Interest Margin	3.70%	4.21%	4.31%				
Yield on Earning Assets	5.48%	6.31%	6.66%				
Cost of Funds	1.95%	2.31%	2.60%				

Consolidated	1H/15	1H/14	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	27,794	24,312	3,482	14.3
Interest on interbank and money market items	1,630	1,235	395	32.0
Hire purchase and financial lease income	10,439	9,987	452	4.5
Investments and trading transactions	44	72	(28)	(38.9)
Investments in debt securities	1,270	1,021	249	24.4
Total Interest Income	41,177	36,627	4,550	12.4
INTEREST EXPENSE				
Interest on deposits	8,091	7,716	375	4.9
Interest on interbank and money market items	722	683	39	5.7
Interest on borrowings	2,222	2,841	(619)	(21.8)
Contributions to Financial Institution Development Fund and Deposit Protection Agency	2,468	2,003	465	23.2
Borrowing fee expenses	16	4	12	300.0
Other interest expenses	7	7	0	0.0
Total Interest Expenses	13,526	13,254	272	2.1
Interest Income, net	27,651	23,373	4,278	18.3
Net Interest Margin	4.23%	4.25%		
Yield on Earning Assets	6.30%	6.66%		
Cost of Funds	2.28%	2.66%		

For the second quarter period ended June 30, 2015

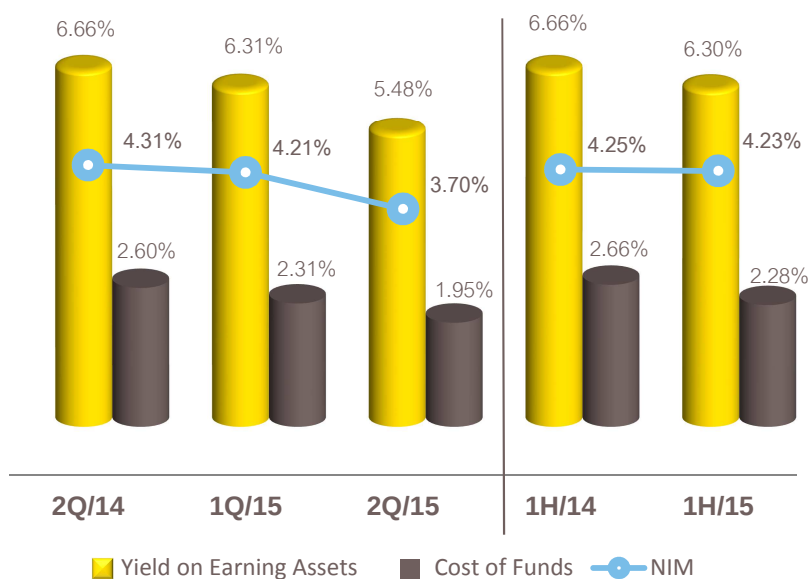
Net interest income in the second quarter was Baht 13,794 million, representing a decrease of 0.5% on a quarter-on-quarter basis, driven by a decrease of interest income, particularly a decrease in interest on loans, reflecting a policy rate decrease during the 2Q/15.

For the six-month period ended June 30, 2015

In the first half of 2015, net interest income reached Baht 27,651 million, an increase of Baht 4,278 million, or 18.3%, compared to the same period last year, resulting primarily from higher loan volumes, and higher interbank and money market transactions. Meanwhile, interest expenses increased Baht 272 million owing to an increase in deposit cost, reflecting a higher volume of deposits, offset by a lower cost of borrowings, mainly from maturity of debentures and bills of exchange during the period.

Year to date, NIM stood at 4.23%. During 2Q/15, NIM moderated to 3.7%, compared to 4.21% in the prior quarter, mainly resulting from higher average earning assets calculated from the loan transfer from BTMU Bangkok branch on 5 January 2015. Meanwhile, cost of funds improved to 1.95% in 2Q/15, from 2.31% in 1Q/15.

Net Interest Margin (NIM)



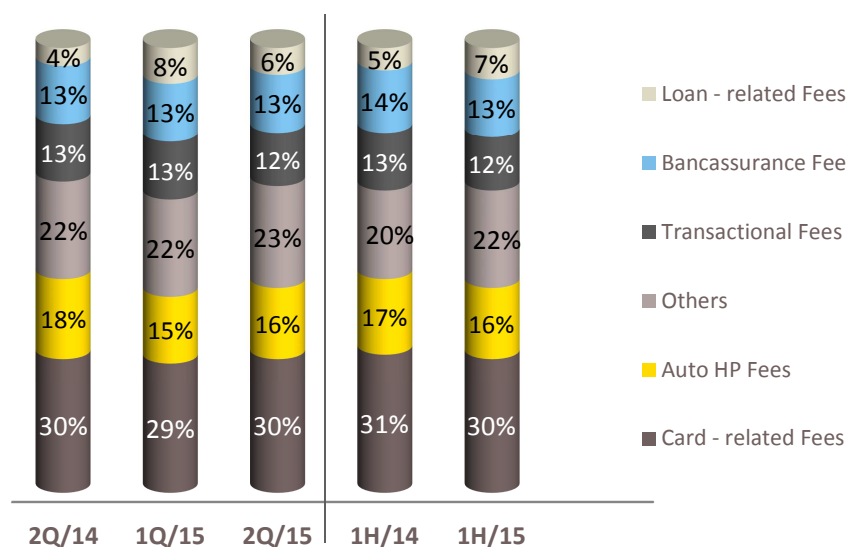
	Jan-14	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Policy Rate	2.25%	2.00%	2.00%	2.00%	2.00%	1.75%	1.50%
Krungsri Lending Rate	7.25%	7.125%	7.125%	7.125%	7.125%	6.975%	6.85%
Saving Rate	0.50%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
3 - month deposits	1.50-1.75%	1.25-1.55%	1.10-1.30%	1.10-1.30%	1.10-1.30%	1.00-1.10%	0.80-1.00%
6 - month deposits	1.85-2.00%	1.50-1.70%	1.35-1.50%	1.35-1.50%	1.35-1.50%	1.25-1.30%	1.00-1.20%
12 - month deposits	2.25%	1.95-2.05%	1.50-1.75%	1.50-1.75%	1.50-1.75%	1.25-1.50%	1.10-1.50%

2.2 Net Fees and Service Income

Consolidated	2Q/15	1Q/15	2Q/14	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	134	135	129	(1)	(0.7)	5	3.9
Other fees and service income	5,376	5,437	4,504	(61)	(1.1)	872	19.4
Fees and service income	5,510	5,572	4,633	(62)	(1.1)	877	18.9
Fees and service expense	1,294	1,280	1,043	14	1.1	251	24.1
Fees and Service Income, net	4,216	4,292	3,590	(76)	(1.8)	626	17.4

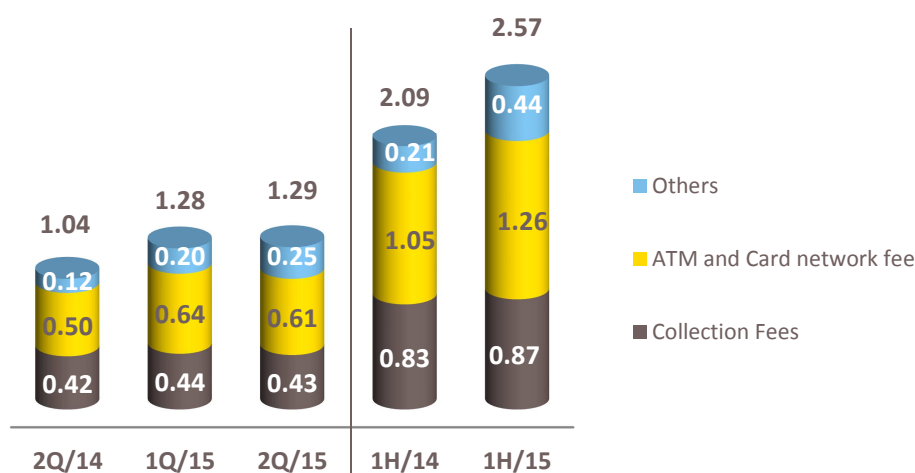
Consolidated	1H/15	1H/14	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	268	256	12	4.7
Other fees and service income	10,813	8,868	1,945	21.9
Fees and service income	11,081	9,124	1,957	21.4
Fees and service expense	2,573	2,087	486	23.3
Fees and Service Income, net	8,508	7,037	1,471	20.9

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the second quarter period ended June 30, 2015

Compared with 1Q/15, net fees and service income decreased by Baht 76 million, or 1.8%, quarter-on-quarter. Meanwhile, wealth & fund management and security fees increased 8.2%. Fees from Bancassurance, auto hire purchases, and card-related fees increased 4.8%, 4.4% and 2.4%, respectively in 2Q/15. Fees and service expense increased 1.1%.

On a year-on-year basis, net fees and service income increased Baht 626 million, or 17.4%, largely driven by a significant increase of 49.0% in wealth, fund management & securities-related fees, loan-related fees which increased 43.7%, Bancassurance and card-related fees which grew 19.8% and 19.2% respectively. Meanwhile, auto hire purchase fees grew 4.8%.

For the six-month period ended June 30, 2015

The synergy with MUFG/BTMU enhanced fee income generation, compared with 1H/14, leading to an increase in net fees and service income of Baht 1,471 million, or 20.9%. The increase was mainly driven by a significant increase of 68.1% in loan-related fees, and a 51.1% increase in wealth & fund management & securities-related fees. Meanwhile, card business, auto-hire purchase fees and Bancassurance fees grew 18.6%, 12.9% and 9.9%, respectively. Fees and service expense increased 23.3%, mainly due to an increase in variable expenses relating to the fee growth in the card business and wealth & fund management & securities-related activities.

2.3 Non-interest and Non-fees Income

Consolidated	2Q/15	1Q/15	2Q/14	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign							
exchange transactions	749	441	351	308	69.8	398	113.4
Gains (losses) on investments	152	279	115	(127)	(45.5)	37	32.2
Share of profit (loss) from investment for							
using equity method	79	106	58	(27)	(25.5)	21	36.2
Bad debt recoveries	719	717	687	2	0.3	32	4.7
Other operating income	585	427	560	158	37.0	25	4.5
Total Non-interest and Non-fees Income	2,284	1,970	1,771	314	15.9	513	29.0

Consolidated	1H/15	1H/14	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign				
exchange transactions	1,190	776	414	53.4
Gains (losses) on investments	431	140	291	207.9
Share of profit (loss) from investment for				
using equity method	186	120	66	55.0
Bad debt recoveries	1,436	1,399	37	2.6
Other operating income	1,011	978	33	3.4
Total Non-interest and Non-fees Income	4,254	3,413	841	24.6

For the second quarter period ended June 30, 2015

On a quarter-on-quarter basis, non-interest and non-fees income increased Baht 314 million, or 15.9%, compared to 1Q/15, mainly driven by gains on trading and foreign exchange transactions of Baht 308 million, or 69.8%, and an increase of other operating income of Baht 158 million, or 37.0% mainly from an increase of gain on sales of properties for sales of Baht 202 million, while gains on investments decreased Baht 127 million, or 45.5%, reflecting capital market conditions in 2Q/15.

On a year-on-year basis, non-interest and non-fees income increased Baht 513 million, or 29.0%, mainly driven by gains on trading and foreign exchange transactions of Baht 398 million, or 113.4%.

For the six-month period ended June 30, 2015

For the first half of 2015, non-interest and non-fees income increased Baht 841 million, or 24.6%, driven primarily by an increase in gains on trading and foreign exchange transactions of Baht 414 million, or 53.4%, and gains on investments from Available for Sales (AFS) of Baht 291 million.

2.4 Other Operating Expenses

Consolidated	2Q/15	1Q/15	2Q/14	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	4,621	4,575	4,004	46	1.0	617	15.4
Premises and equipment expenses	1,687	1,696	1,586	(9)	(0.5)	101	6.4
Taxes and duties	649	635	569	14	2.2	80	14.1
Directors' remuneration	13	11	13	2	18.2	0	0.0
Other expenses	2,584	2,404	2,304	180	7.5	280	12.2
Total Other Operating Expenses	9,554	9,321	8,476	233	2.5	1,078	12.7

Consolidated	1H/15	1H/14	Change YoY	
			Baht mn	%
Employee's expenses	9,195	8,039	1,156	14.4
Premises and equipment expenses	3,383	3,171	212	6.7
Taxes and duties	1,284	1,146	138	12.0
Directors' remuneration	24	22	2	9.1
Other expenses	4,989	4,404	585	13.3
Total Other Operating Expenses	18,875	16,782	2,093	12.5

For the second quarter period ended June 30, 2015

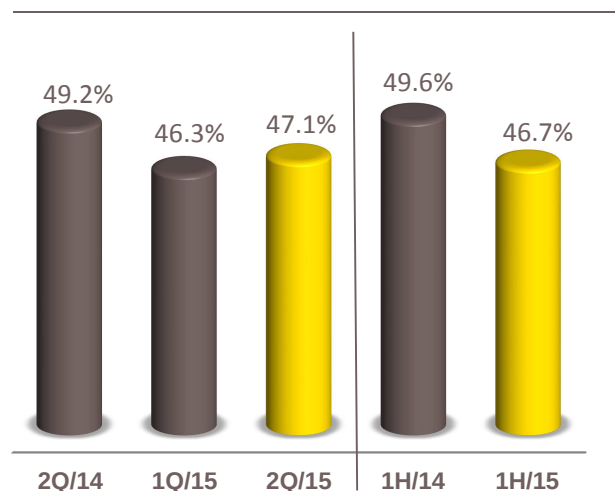
On a quarter-on-quarter basis, other operating expenses increased Baht 233 million, or 2.5%, driven by an increase in other expenses of Baht 180 million, or 7.5%, mainly due to an increase in promotion expense of Baht 62 million and an increase in advertising expense of Baht 97 million.

Other operating expenses increased Baht 1,078 million, or 12.7%, compared to 2Q/14, driven by an increase in employee's expenses of Baht 617 million, or 15.4%, mainly due to annual merit increases and the transfer of employees from BTMU Bangkok Branch in 1Q/15. Furthermore, other expenses increased Baht 280 million, or 12.2%, mainly driven by an increase in promotion expense of Baht 193 million.

For the six-month period ended June 30, 2015

For the first half of 2015, other operating expenses increased Baht 2,093 million, or 12.5%, mainly driven by an increase in employee's expenses of Baht 1,156 million, or 14.4%, mainly due to annual merit increases, staff promotions and the additional headcounts from BTMU Bangkok branch. Moreover, other expenses increased Baht 585 million, mainly from an increase in promotion expenses of Baht 327 million.

Cost to Income Ratio



In 2Q/15, the cost-to-income ratio slightly increased to 47.1% from 46.3% in 1Q/15. However, compared to 2Q/14, the cost-to-income ratio significantly improved. This was a result of our disciplined expenses management and increased efficiency.

In 1H/15, the cost-to-income ratio improved to 46.7% compared to 49.6% in 1H/14.

2.5 Impairment loss of loans and debt securities

Consolidated	2Q/15	1Q/15	2Q/14	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	4,911	4,980	3,918	(69)	(1.4)	993	25.3
Loss on Debt Restructuring	306	273	337	33	12.1	(31)	(9.2)
Total impairment loss of loan and debt securities	5,217	5,253	4,255	(36)	(0.7)	962	22.6

Consolidated	1H/15	1H/14	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	9,891	7,611	2,280	30.0
Loss on Debt Restructuring	579	728	(149)	(20.5)
Total impairment loss of loan and debt securities	10,470	8,339	2,131	25.6

Loan loss provisions in 2Q/15 amounted to Baht 5,217 million, a decrease of Baht 36 million from the prior quarter.

As of June 30, 2015, our total provision stood at Baht 45,240 million, with an excess provision over the Bank of Thailand's reserve requirements of Baht 14,219 million, or 46%. The loan loss coverage ratio was 142%.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at Jun. 30, 15	As at Mar. 31, 15	As at Dec. 31, 14	Change from Mar. 31, 15		Change from Dec. 31, 14	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	27,667	26,916	31,155	751	2.8	(3,488)	(11.2)
Interbank and money market items, net	180,566	190,591	80,364	(10,025)	(5.3)	100,202	124.7
Investments, net	109,095	112,083	60,573	(2,988)	(2.7)	48,522	80.1
Investments in subsidiaries, associates and joint ventures, net	1,403	1,324	1,217	79	6.0	186	15.3
Loans to customers	1,291,301	1,280,204	1,057,636	11,097	0.9	233,665	22.1
Accrued interest receivable	3,709	3,840	2,636	(131)	(3.4)	1,073	40.7
Deferred revenue	(46,430)	(45,442)	(44,875)	(988)	(2.2)	(1,555)	(3.5)
Allowance for doubtful accounts	(43,114)	(42,603)	(38,159)	(511)	(1.2)	(4,955)	(13.0)
Revaluation allowance for debt restructuring	(1,614)	(1,609)	(1,617)	(5)	(0.3)	3	0.2
Properties for sale, net	5,183	5,299	5,456	(116)	(2.2)	(273)	(5.0)
Others	84,544	102,225	56,976	(17,681)	(17.3)	27,568	48.4
TOTAL ASSETS	1,612,310	1,632,828	1,211,362	(20,518)	(1.3)	400,948	33.1
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,007,315	1,010,484	837,556	(3,169)	(0.3)	169,759	20.3
Interbank and money market items, net	270,056	213,948	46,612	56,108	26.2	223,444	479.4
Debt issued and borrowings	81,297	138,074	151,805	(56,777)	(41.1)	(70,508)	(46.4)
Others	69,334	87,555	43,719	(18,221)	(20.8)	25,615	58.6
TOTAL LIABILITIES	1,428,002	1,450,061	1,079,692	(22,059)	(1.5)	348,310	32.3
Issued and paid-up share capital	73,558	73,558	60,741	0	0.0	12,817	21.1
Retained earning	55,075	53,633	49,329	1,442	2.7	5,746	11.6
Others	55,675	55,576	21,600	99	0.2	34,075	157.8
TOTAL SHAREHOLDERS' EQUITY	184,308	182,767	131,670	1,541	0.8	52,638	40.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,612,310	1,632,828	1,211,362	(20,518)	(1.3)	400,948	33.1
Book value per share (Baht)	25.06	24.85	21.68	0.21	0.8	3.38	15.6

As of June 30, 2015, total assets stood at Baht 1,612,310 million, representing an increase of Baht 400,948 million, or 33.1% from December 2014, largely attributed to a higher net loan volume of Baht 232,109 million, or 22.9%, and an increase in interbank and money market items of Baht 100,202 million, or 124.7%. The increase in interbank and money market items was mainly driven by an increase in repurchase agreements and loans to money market.

Compared to 1Q/15, total assets decreased Baht 20,518 million, or 1.3%, driven by a decrease in other assets of Baht 17,681 million, or 17.3%, mainly from a decrease in claim on securities. Moreover, interbank and money market items decreased Baht 10,025 million, or 5.3%, mainly from a decrease in repurchase agreements of Baht 38,240 million, and deposit to financial institution of Baht 15,924 million, offset by an increase in foreign currency deposits at financial institution of Baht 22,609 million, and loans to money market of Baht 21,736 million. Meanwhile, net loan volume increased Baht 10,108 million, or 0.8%.

On a year-to-date basis, liabilities grew 32.3%, or Baht 348,310 million. The growth in liabilities was driven by an increase in interbank and money market items of 479.4%, or Baht 223,444 million, mainly from an increase in loans from financial institution amounting to Baht 212,492 million, and an increase in deposits of 20.3%, or Baht 169,759 million, mainly resulting from the deposit transfer from BTMU Bangkok branch, the successful launch of the “8-month Step Up Time Deposit”, and sustained performance of our special savings products --“Mee Tae Dai” and “Jad Hai”. Meanwhile, debt issued and borrowings decreased Baht 70,508 million, or 46.4%, in part driven by maturity of debentures, totaling Baht 58,271 million, offset by new issuance of debentures in the amount of Baht 9,000 million. In addition, the decrease in debt issued and borrowings was also due to early redemption of subordinated debenture no. 1/2010 totaling Baht 20,000 million.

Compared to 1Q/15, liabilities decreased 1.5%, or Baht 22,059 million, driven by a decrease in debt issued and borrowings of Baht 56,777 million, largely driven by maturity of debentures, totaling Baht 25,779 million, a decreased in bill of exchange of Baht 11,997 million and early redemption of subordinated debenture in the amount of Baht 20,000 million in 2Q/15. In addition, other liabilities decreased Baht 18,221 million, or 20.8%, mainly from a decrease in liabilities to deliver securities. Interbank and liabilities increased 26.2%, or Baht 56,108 million, driven by an increase in loans from financial institutions of Baht 54,823 million.

Total shareholders’ equity rose to Baht 184,308 million, reflecting an increase of Baht 52,638 million, or 40.0%, from December 2014. The increase was mainly due to an increase in additional new share issued in 1Q/15 and equity holders’ net income of Baht 8,787 million in 1H/15. These increase was partially offset by dividends paid of Baht 2,942 million.

Book value per share as of June 30, 2015 increased 15.6% to Baht 25.06 from Baht 21.68 at the end of 2014.

3.2 Loans to customers

3.2.1 Loans by segment

Consolidated	Jun. 30, 15	Mar. 31, 15	Dec. 31, 14	Change from Mar. 31, 15		Change from Dec. 31, 14	
				Baht mn	%	Baht mn	%
Corporate	529,453	525,612	294,955	3,841	0.7	234,498	79.5
- Thai Corporate	356,519	349,371	267,147	7,148	2.0	89,372	33.5
- International Corporate (JPC/MNC)	172,934	176,241	27,808	(3,307)	(1.9)	145,126	521.9
SMEs	208,386	212,715	220,651	(4,329)	(2.0)	(12,265)	(5.6)
Retail	507,031	496,435	497,155	10,596	2.1	9,876	2.0
- Hire purchase	248,519	244,407	241,008	4,112	1.7	7,511	3.1
- Housing	139,477	134,835	132,966	4,642	3.4	6,511	4.9
- Credit cards and personal loans	119,035	117,193	123,181	1,842	1.6	(4,146)	(3.4)
Total *	1,244,870	1,234,762	1,012,761	10,108	0.8	232,109	22.9

* Loans to customers net of deferred revenue

As of June 30, 2015, total outstanding loans stood at Baht 1,244,870 million, an increase of Baht 232,109 million, or 22.9%, from December 31, 2014. As at June 30, 2015, commercial lending, comprising corporate and SME customers accounted for 59% of our total loan portfolio, while retail lending represented the remaining 41%.

Retail segment loan recorded growth of Baht 9,876 million, or 2.0% on a year-to-date basis, and 2.1% during the second quarter, compared to a contraction of 0.1% in the first quarter.

Housing loans grew 4.9% on a year-to-date basis, and 3.4% during the quarter.

Despite a contraction in domestic car sales, underlying our strong Auto business franchise and well-balanced auto hire purchase portfolio, **auto hire purchase** loans recorded 3.1% growth year-to-date and 1.7% growth during the second quarter.

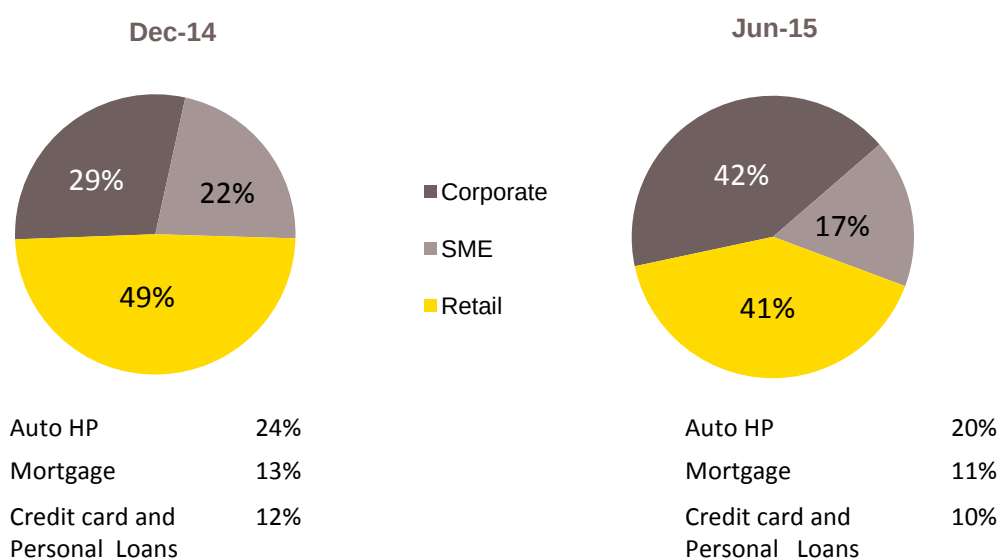
Credit cards and personal loans contracted 3.4% year-to-date. During the second quarter, credit cards and personal loans grew 1.6%. The improvement in 2Q/15 was attributed to normal seasonality as reflected by industry transactions and volume growth.

The **SME's portfolio** contracted 5.6% year-to-date and 2.0% during the second quarter. The contraction in SME loans reflected the slowing economy.

Corporate loan grew 0.7% during the second quarter, largely driven by Thai corporate loan demand. Year-to-date corporate loans grew 79.5%, primarily as a result of corporate loan transfer from the BTMU Bangkok branch in January.

The economic slowdown observed in the first half of the year coupled with challenges concerning external turbulence for the rest of 2015 have softened our outlook for the year. As a result, we have revised down our 2015 economic growth forecast to 2.7-3.2% from the 3.3-3.8% projection at the beginning of the year. Nevertheless, the positive impact from an acceleration of public investment, an accommodative monetary policy stance, and robust tourism sector remain supportive to economic growth. With these baseline assumptions, we have lowered our 2015 loan growth target from 7-9% to 4-6%, excluding the effect of the loan transfer from the BTMU Bangkok branch.

Loan Composition



3.2.2 Loan classification and provision

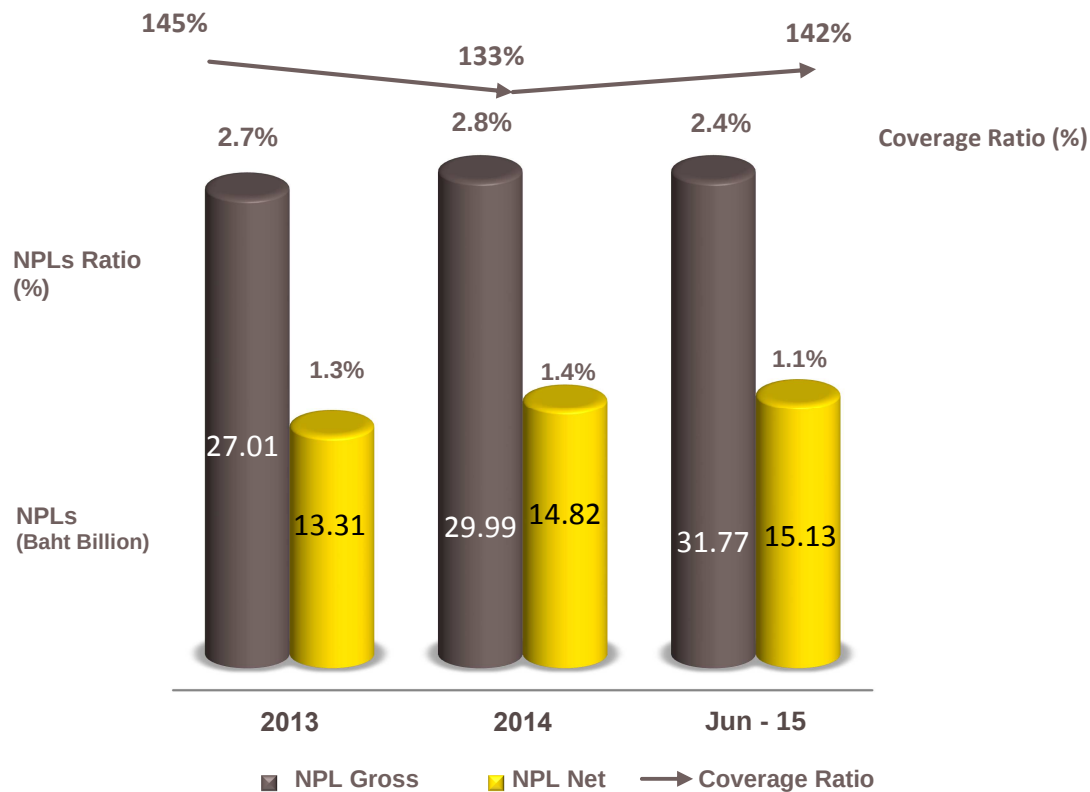
Unit : Baht mn

Consolidated	Jun. 30, 15		Dec. 31, 14		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	1,169,913	8,940	952,203	6,665	217,710	2,275
Special mention	46,889	3,702	33,202	3,239	13,687	463
Substandard	10,193	5,581	10,031	4,969	162	612
Doubtful	8,620	3,241	8,601	3,341	19	(100)
Doubtful of loss	12,964	7,431	11,360	6,441	1,604	990
Total	1,248,579	28,895	1,015,397	24,655	233,182	4,240
Surplus Reserve		14,219		13,504		715
Total	1,248,579	43,114	1,015,397	38,159	233,182	4,955

3.2.3 Non-performing loans

Consolidated	Jun 30, 15	Mar 31, 15	Dec 31, 14	Change from Mar 31, 15		Change from Dec 31, 14	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	15,129	15,168	14,818	(39)	(0.3)	311	2.1
Non-Performing Loans (Gross)	31,774	32,053	29,988	(279)	(0.9)	1,786	6.0
Loans loss reserves (LLR)	45,240	44,606	39,958	634	1.4	5,282	13.2
Coverage Ratio	142.4%	139.2%	133.2%	3.2%	2.3	9.2%	6.9
BOT Requirement	31,021	30,518	26,453	503	1.6	4,568	17.3
Actual / Required LLR	145.8%	146.2%	151.1%	(0.4%)	(0.3)	(5.3%)	(3.5)

NPLs and Coverage Ratio



Krungsri's prudent portfolio management resulted in a stable asset quality despite challenging operating environment. As of June 30, 2015, gross NPLs increased Baht 1,786 million from December 2014 to Baht 31,774 million. The ratio of gross NPLs to total loans at 2Q/15 stood at 2.35%, compared to 2.79% in December 2014. In 2Q/15, Krungsri Group completed a NPL sale of Baht 1,396 million to a third party.

Total provisions stood at Baht 45,240 million, with an excess provision over the Bank of Thailand's requirements of Baht 14,219 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 146%, while the Group's coverage ratio was 142%.

3.3 Funding Structure

Consolidated	Jun. 30, 15	Mar. 31, 15	Dec. 31, 14	Change from Mar. 31, 15		Change from Dec. 31, 14	
				Baht mn	%	Baht mn	%
Current	27,749	29,526	20,234	(1,777)	(6.0)	7,515	37.1
Savings	502,792	500,494	404,466	2,298	0.5	98,326	24.3
Time	476,774	480,464	412,856	(3,690)	(0.8)	63,918	15.5
< 6 months	133,782	140,500	75,815	(6,718)	(4.8)	57,967	76.5
6M - 1 Year	312,219	289,709	246,144	22,510	7.8	66,075	26.8
> 1 Year	30,773	50,255	90,897	(19,482)	(38.8)	(60,124)	(66.1)
Total Deposit	1,007,315	1,010,484	837,556	(3,169)	(0.3)	169,759	20.3
B/E	24,720	36,717	25,950	(11,997)	(32.7)	(1,230)	(4.7)
Debenture	41,712	66,491	90,983	(24,779)	(37.3)	(49,271)	(54.2)
Total Funding	1,073,747	1,113,692	954,489	(39,945)	(3.6)	119,258	12.5

As of June 30, 2015, overall funding for the Bank, including deposits, bills of exchange and debentures, increased Baht 119,258 million, or 12.5%, from December 2014.

Deposits totalled Baht 1,007,315 million, an increase of Baht 169,759 million, or 20.3%, from December 2014. The growth in deposits mainly resulted from the deposit transfer from the BTMU Bangkok Branch in January 2015, the successful launch of the “8-month Step Up Time Deposit”, and sustained performance of our special savings products --“Mee Tae Dai” and “Jad Hai”, with total balances exceeded Baht 190,000 million.

As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits increased to 52.7%, compared to 50.7% as of December 2014.

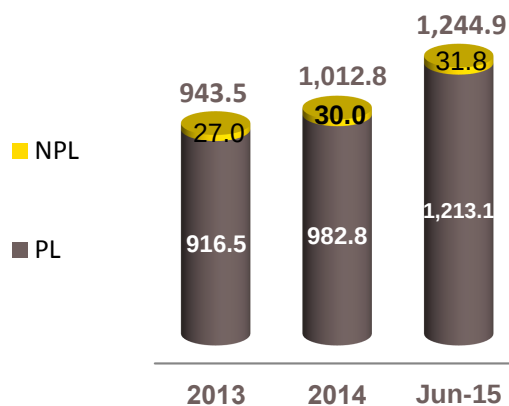
Bills of exchange (B/E) totalled Baht 24,720 million, a decrease of Baht 1,230 million, or 4.7%, from December 2014.

Debentures stood at Baht 41,712 million as of June 30, 2015. The decrease of Baht 49,271 million, or 54.2%, from December 2014 was driven by maturity of long-term debentures, totaling Baht 21,420 million and short-term debentures totaling Baht 36,851 million, offset by new issuance of long-term debentures in the amount of Baht 9,000 million.

Consequently, the loan to deposit ratio increased to 124% from 121%, and the loan to deposit plus bills of exchange and debentures ratio increased to 116%.

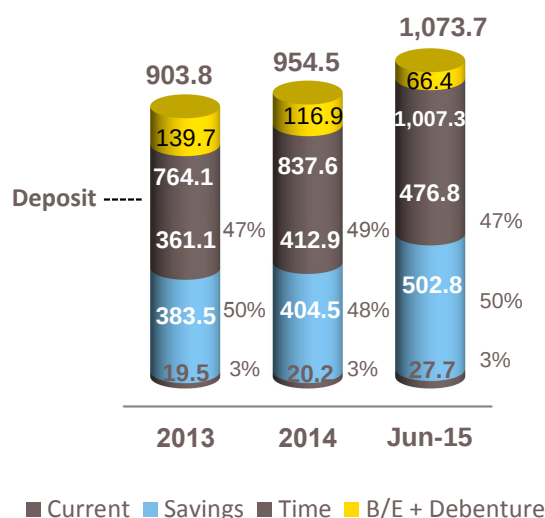
Loans

Unit: Baht Billion



Deposits + B/E + Debenture

Unit: Baht Billion



	2013	2014	Jun-15
L/D	123%	121%	124%
L/D+B/E+Debentures	104%	106%	116%

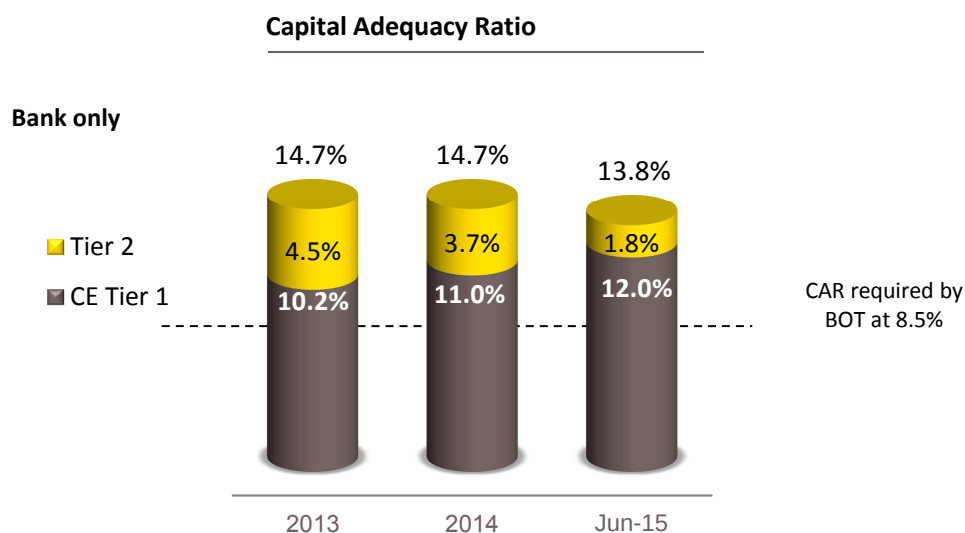
3.4 Contingencies

Consolidated	Jun. 30, 15	Mar. 31, 15	Dec. 31, 14	Change from Mar. 31, 15		Change from Dec. 31, 14	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,854	1,909	1,947	(55)	(2.9)	(93)	(4.8)
Liability under unmatured import bills	1,681	2,128	7,688	(447)	(21.0)	(6,007)	(78.1)
Letters of credit	7,085	6,139	5,701	946	15.4	1,384	24.3
Other contingencies	123,522	124,859	108,119	(1,337)	(1.1)	15,403	14.2
Total	134,142	135,035	123,455	(893)	(0.7)	10,687	8.7

The Krungsri Group's contingencies as of June 30, 2015, totalled Baht 134,142 million, an increase of Baht 10,687 million, or 8.7%, from December 31, 2014. This increase was driven mainly by an increase in other contingencies of Baht 15,403 million, offset by a decrease in liability under unmatured import bills of Baht 6,007 million.

3.5 Statutory Capital

As of June 30, 2015, The Bank's capital recorded at Baht 166,677 million, equivalent to 13.8% of risk-weighted assets, with 12.03% in common equity tier 1 capital. The moderation of capital, particularly in Tier 2 was impact from the early redemption of subordinated debenture. Our current level of capital remain strong and sufficient to provide Krungsri with flexibility to continue growing our business.



Baht Billion	2013	2014	Jun - 15
CE Tier 1	84.73	98.99	145.77
Tier 2	37.60	33.44	20.91
Total Capital	122.33	132.43	166.68

4. Credit Ratings

In June 2015, Moody's Investors Service reaffirmed Krungsri's long term foreign currency deposit rating of Baa1 with stable outlook. 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 June 30, 2015 are shown in the table below.

1. <u>Moody's Investors Service</u>	
Bank Deposits	
- Long Term	Baa1
- Short Term	Prime-2
Debt	
- Long Term -Senior Debt	Baa1
Debt and Deposit Rating Outlook	Stable
Baseline Credit Assessment (BCA)	Ba1
2. <u>Standard and Poor's</u>	
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. <u>Fitch Ratings</u>	
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. 2015 Key Performance Targets

Consolidated	2014	1Q/15	2Q/15	1H/15	2015 Targets	
Loan Growth (Net)	+69.3 bn +7.3%	+222.0 bn +21.9%	+10.1 bn +0.8%	+232.1 bn +22.9%	4-6% *,**	~
NPLs Ratio	2.79%	2.36%	2.35%	2.35%	< 2.5%	✓
Deposit Mix: Savings and Current	51%	53%	53%	53%	> 50%	✓
Loan Mix : Retail	49%	40%	41%	41%	~ 40%	✓
L/Deposit+Debentures+B/E	106%	111%	116%	116%	n.d.	~
NIM	4.32%	4.21%	3.70%	4.23%	~ 4%	✓
Fee income growth (YoY)	3.5%	24.1%	18.9%	21.4%	12%+	✓
Cost to Income Ratio	48.47%	46.33%	47.08%	46.70%	< 50%	✓
Provisions	179 bps	163 bps	164 bps	163 bps	~ 150 bps *	~
Loan Loss Coverage	133%	139%	142%	142%	135%+	✓
CAR (Bank Only)	14.7%	15.1%	13.8%	13.8%	n.d.	~

* Revised target

** Excluding the effect of the loan transfer from BTMU Bangkok branch