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Management Discussion and Analysis

For the quarter and the year ended
December 31, 2014

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Executive Summary:

Despite the modest growth recorded in the first half of the year resulting from prolonged political uncertainty, and a weaker than expected economic recovery, Krungsri successfully delivered a solid performance for 2014, with a **net profit** of Baht 14,323 million, representing a 19.5% increase over 2013. The increase in net profit was attributed to higher net interest income supported by loan growth, net fees and service income growth and disciplined expenses management, together with a lower loan loss provision.

Total **loans** reached Baht 1,012,761 million, an increase of Baht 69,259 million, or 7.3%, from the year earlier. Loan growth was broad-based across all customer segments. The corporate segment was the key contributor with an increase of 9.5%, followed by SME and retail segments which grew 6.9% and 6.3%, respectively.

Deposits totaled Baht 837,556 million, an increase of Baht 73,506 million, or 9.6%, from December 2013, reflecting the successful launch of the “8-month Step Up Time Deposit” in June 2014 and sustained growth of our special savings products --“Mee Tae Dai” and “Jad Hai”. “Mee Tae Dai” balances exceeded Baht 168,000 million, while “Jad Hai” increased more than 300,000 accounts from December 2013.

Net fees and service income increased 3.1%, supported by wealth, fund management & securities-related, auto hire purchase and Bancassurance fees.

Non-performing loans represented 2.79% of total loans, a satisfaction level despite strong headwinds during the first half of the year, reflecting prudent business undertaking together with continued resolution of legacy NPLs. The Group sold Baht 2,515 million of NPLs in 2014.

Our **total provision** was Baht 39,958 million, with an excess provision over Bank of Thailand’s reserve requirements of Baht 13,504 million, representing 51.1% over the Bank of Thailand’s reserving requirements. The loan loss coverage ratio was 133.2%.

Earnings per share (EPS) increased to Baht 2.33 in 2014.

On January 5th, 2015, the Bank of Tokyo-Mitsubishi UFJ (BTMU) Bangkok branch was integrated into Krungsri, in accordance with the One Presence Policy of the Bank of Thailand. MUFG’s ownership in Krungsri through BTMU has been increased from 72.01% to 76.88% as a result of the issuance of 1,281,618,026 common shares by Krungsri to BTMU. After the integration, commercial lending comprising corporate and SME customers accounts for approximately 60% of our total loan portfolio, while retail lending, represents the remaining 40%.

For 2015, we expect the economy to regain its momentum this year, which should be more favorable for business expansion. With projected GDP growth of around 4.3% in 2015, we expect loan growth to be broad-based and exceed GDP growth. Yet, given the uncertainty surrounding both potential external and internal developments, Krungsri will continue to grow our business prudently.

NIM: 4.32%

Net Profit:

At Baht 14.3 billion

Loan Growth: 7.3%

Deposits grew:

9.6%

Summary of Financial Performance and Status:

Key 2014 deliverables:

- **Loan Growth:**

Increased 7.3%, or Baht 69,259 million, compared to December 2013, and 3.9%, or Baht 37,863 million, compared to September 2014.

- **Deposit Growth:**

Increased 9.6%, or Baht 73,506 million, compared to December 2013.

- **Net Profit:**

Increased to Baht 14,323 million, representing a 19.5% increase over 2013, driven by higher net interest income supported by loan growth, net fees and service income growth and disciplined expenses management, together with a lower loan loss provision.

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

Recorded at 4.32%, driven mainly by lower cost of funds in line with a lower policy rate and a higher mix of lower cost funds.

- **Net Fees and Service Income:**

Increased 3.1% from 2013, supported by wealth, fund management & securities-related, auto hire purchase and Bancassurance fees.

- **Cost to Income Ratio:**

Improved to 48.5% from 48.9% in 2013, reflecting disciplined expense management throughout the year.

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

Represented 2.79% of total loans.

- **Coverage Ratio:**

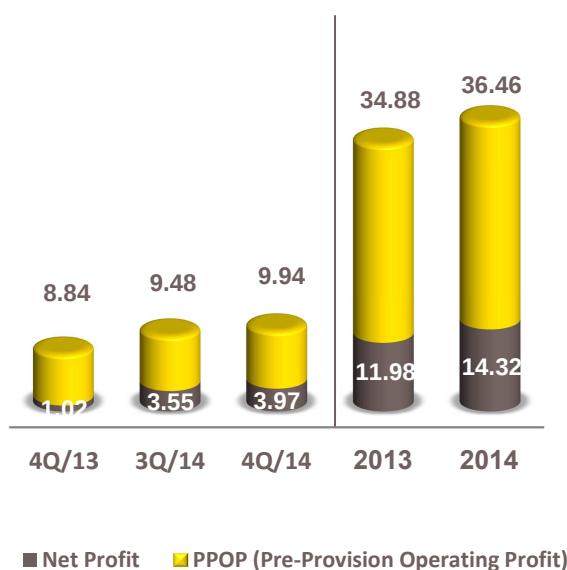
Stood at 133.2%.

- **Capital Adequacy Ratio:**

Recorded at 14.7 %, maintained at the same level as recorded in December 2013.

PPOP & Net Profit

Unit: Baht Billion



For the year ended December 31, 2014

In 2014, operating profit was Baht 36,460 million, representing an increase of Baht 1,577 million, or 4.5%, from 2013, driven by growth in net interest income as a result of higher interest income from loans and net fees and service income.

In 2014, net profit rose to Baht 14,323 million, representing an increase of Baht 2,340 million, or 19.5% year-on-year, attributed to higher net interest income supported by lending growth and net fees and service income growth and disciplined expenses management, together with lower loan loss provision.

For the fourth quarter ended December 31, 2014

In 4Q/14, net profit totalled Baht 3,965 million, an increase of Baht 2,945 million, or 288.7% year-on-year, largely driven by a lower loan loss provisions, compared to 4Q/13.

On a quarter-on-quarter basis, net profit increased Baht 411 million, or 11.6%, driven by an increase in non-interest income and net fees and service income.

1. Statements of Comprehensive Income^{1/}

Consolidated Statements of Comprehensive Income	4Q/14	3Q/14	4Q/13 Restated	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	19,044	18,937	18,939	107	0.6	105	0.6
Interest Expenses	6,681	6,730	6,841	(49)	(0.7)	(160)	(2.3)
Interest Income, Net	12,363	12,207	12,098	156	1.3	265	2.2
Fees and Service Income	5,220	4,848	4,738	372	7.7	482	10.2
Fees and Service Expense	1,254	1,081	1,061	173	16.0	193	18.2
Fees and Service Income, Net	3,966	3,767	3,677	199	5.3	289	7.9
Non-interest and Non-fees Income	2,571	2,063	2,221	508	24.6	350	15.8
Other Operating Expenses	8,959	8,559	9,161	400	4.7	(202)	(2.2)
Pre-Provision Operating Profit (PPOP)	9,941	9,478	8,835	463	4.9	1,106	12.5
Impairment Loss of Loan and Debt Securities	4,879	4,889	6,822	(10)	(0.2)	(1,943)	(28.5)
Income Tax Expense	1,097	1,035	993	62	6.0	104	10.5
Net Profit	3,965	3,554	1,020	411	11.6	2,945	288.7
Other Comprehensive income	(791)	417	56	(1,208)	(289.7)	(847)	(1,512.5)
Total Comprehensive income	3,174	3,971	1,076	(797)	(20.1)	2,098	195.0
Net Profit Attributable To							
Owners of the Bank	3,936	3,507	1,002	429	12.2	2,934	292.8
Non-Controlling Interest	29	47	18	(18)	(38.3)	11	61.1
Net Profit	3,965	3,554	1,020	411	11.6	2,945	288.7
Total Comprehensive Income Attributable To							
Owners of the Bank	3,145	3,924	1,058	(779)	(19.9)	2,087	197.3
Non-Controlling Interest	29	47	18	(18)	(38.3)	11	61.1
Total Comprehensive income	3,174	3,971	1,076	(797)	(20.1)	2,098	195.0
Earning Per Share (Baht)	0.65	0.58	0.16	0.07	12.1	0.49	306.3

¹ Starting January 2014, Krungsri Group adopted Thai Financial Reporting Interpretation No. 13 (TFRI 13): Customer Loyalty Programmes, as issued by the Federation of Accounting Professions. As a result of TFRI 13's adoption, Krungsri restated prior period financial statements. The key changes from TFRI 13's adoption is (1) the recognition of provision for customer loyalty credits (points) as a deduction item in fee income as opposed to the previous recognition of such provision as an operating expense and (2) the reflection of customer loyalty credits on a fair value rather than cost basis.

Consolidated Statements of Comprehensive Income	2014	2013	Change YoY	
		Restated	Baht mn	%
Interest Income	74,609	71,381	3,228	4.5
Interest Expense	26,665	26,442	223	0.8
Interest Income, Net	47,944	44,939	3,005	6.7
Fees and Service Income	19,191	18,541	650	3.5
Fees and Service Expense	4,421	4,214	207	4.9
Fees and Service Income, Net	14,770	14,327	443	3.1
Non-interest and Non-fees Income	8,046	9,009	(963)	(10.7)
Other Operating Expenses	34,300	33,392	908	2.7
Pre-Provision Operating Profit (PPOP)	36,460	34,883	1,577	4.5
Impairment Loss of Loan and Debt Securities	18,106	18,959	(853)	(4.5)
Income Tax Expense	4,031	3,941	90	2.3
Net Profit	14,323	11,983	2,340	19.5
Other Comprehensive income	626	1,040	(414)	(39.8)
Total Comprehensive income	14,949	13,023	1,926	14.8
Net Profit Attributable To				
Owners of the Bank	14,169	11,864	2,305	19.4
Non-Controlling Interest	154	119	35	29.4
Net Profit	14,323	11,983	2,340	19.5
Total Comprehensive Income Attributable To				
Owners of the Bank	14,796	12,904	1,892	14.7
Non-Controlling Interest	153	119	34	28.6
Total Comprehensive income	14,949	13,023	1,926	14.8
Earning Per Share (Baht)	2.33	1.95	0.38	19.5

2. Financial Performance

2.1 Net Interest Income

Consolidated	4Q/14	3Q/14	4Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	12,829	12,548	12,723	281	2.2	106	0.8
Interest on interbank and money market items	575	787	591	(212)	(26.9)	(16)	(2.7)
Hire purchase and financial lease income	5,124	5,082	5,021	42	0.8	103	2.1
Investments and trading transactions	61	40	32	21	52.5	29	90.6
Investments in debt securities	455	480	572	(25)	(5.2)	(117)	(20.5)
Total Interest Income	19,044	18,937	18,939	107	0.6	105	0.6
INTEREST EXPENSE							
Interest on deposits	3,987	3,879	4,018	108	2.8	(31)	(0.8)
Interest on interbank and money market items	354	447	378	(93)	(20.8)	(24)	(6.3)
Interest on borrowings	1,294	1,369	1,489	(75)	(5.5)	(195)	(13.1)
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,042	1,032	951	10	1.0	91	9.6
Other interest expenses	4	3	5	1	33.3	(1)	(20.0)
Total Interest Expenses	6,681	6,730	6,841	(49)	(0.7)	(160)	(2.3)
Interest Income, net	12,363	12,207	12,098	156	1.3	265	2.2
Net Interest Margin	4.34%	4.33%	4.53%				
Yield on Earning Assets	6.69%	6.72%	7.10%				
Cost of Funds	2.59%	2.64%	2.82%				

Consolidated	2014	2013	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	49,688	46,751	2,937	6.3
Interest on interbank and money market items	2,598	2,709	(111)	(4.1)
Hire purchase and financial lease income	20,193	19,561	632	3.2
Investments and trading transactions	174	157	17	10.8
Investments in debt securities	1,956	2,203	(247)	(11.2)
Total Interest Income	74,609	71,381	3,228	4.5
INTEREST EXPENSE				
Interest on deposits	15,583	15,701	(118)	(0.8)
Interest on interbank and money market items	1,484	1,469	15	1.0
Interest on borrowings	5,504	5,583	(79)	(1.4)
Contributions to Financial Institution Development				
Fund and Deposit Protection Agency	4,076	3,665	411	11.2
Borrowing fee expenses	4	5	(1)	(20.0)
Other interest expenses	14	19	(5)	(26.3)
Total Interest Expenses	26,665	26,442	223	0.8
Interest Income, net	47,944	44,939	3,005	6.7
Net Interest Margin	4.32%	4.37%		
Yield on Earning Assets	6.72%	6.93%		
Cost of Funds	2.64%	2.82%		

For the year ended December 31, 2014

For 2014, net interest income reached Baht 47,944 million, an increase of Baht 3,005 million, or 6.7% compared to 2013, as interest income grew by a larger magnitude than interest expense, resulting primarily from loan growth and an improvement in funding costs, reflecting a lowered policy rate and a higher mix of lower cost funds.

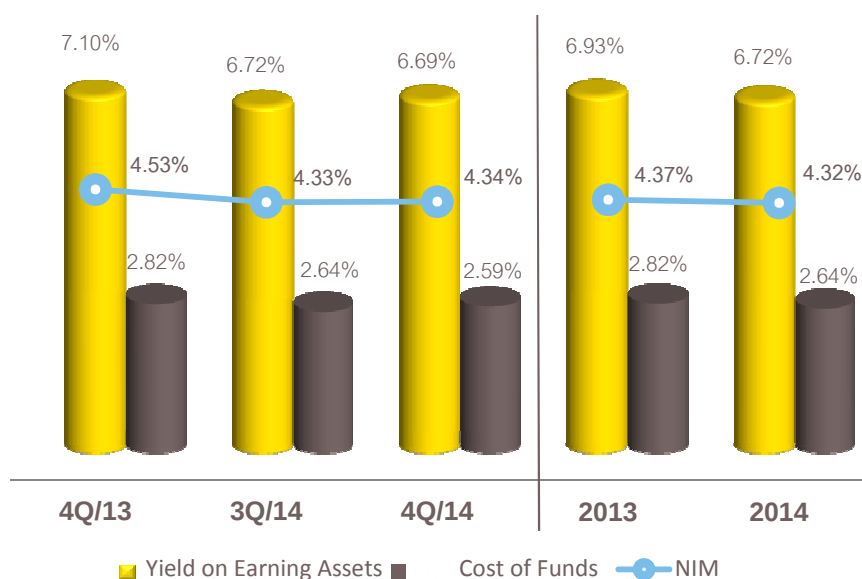
For the fourth quarter ended December 31, 2014

Net interest income in the fourth quarter was Baht 12,363 million, representing an increase of Baht 156 million, or 1.3% on a quarter-on-quarter basis driven by higher interest income while interest expense decreased. The interest expense decreased mainly from a decrease volume of interbank and money market outstanding.

On a year-on-year basis, net interest income increased by Baht 265 million, or 2.2% mainly driven by a loan growth in 4Q/14. Interest expense decreased mainly from a decrease volume of debt issued and borrowings despite higher volume of deposits.

NIM was recorded at 4.32% in 2014 exceeding the Bank's guidance of 4.2%, driven mainly by lower cost of funds in line with a lower policy rate and a higher mix of lower cost funds.

Net Interest Margin (NIM)



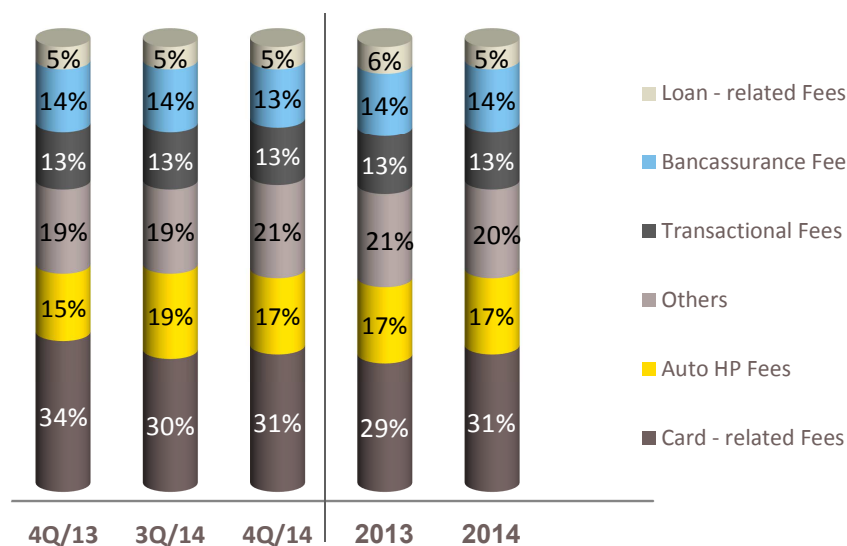
	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Sep-14	Dec-14
Policy Rate	2.25%	2.25%	2.25%	2.00%	2.00%	2.00%	2.00%
Krungsri Lending Rate	7.25%	7.25%	7.25%	7.125%	7.125%	7.125%	7.125%
Saving Rate	0.50%	0.50%	0.50%	0.40%	0.40%	0.40%	0.40%
3 - month deposits	1.60-2.00%	1.50-1.75%	1.45-1.70%	1.30-1.45%	1.10-1.30%	1.10-1.30%	1.10-1.30%
6 - month deposits	1.90-2.25%	1.85-2.00%	1.75-1.95%	1.65-1.70%	1.35-1.50%	1.35-1.50%	1.35-1.50%
12 - month deposits	2.25-2.35%	2.25%	2.15%	1.95-2.05%	1.50-1.75%	1.50-1.75%	1.50-1.75%

2.2 Net Fees and Service Income

Consolidated	4Q/14	3Q/14	4Q/13 Restated	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	131	126	129	5	4.0	2	1.6
Other fees and service income	5,089	4,722	4,609	367	7.8	480	10.4
Fees and service income	5,220	4,848	4,738	372	7.7	482	10.2
Fees and service expense	1,254	1,081	1,061	173	16.0	193	18.2
Fees and Service Income, net	3,966	3,767	3,677	199	5.3	289	7.9

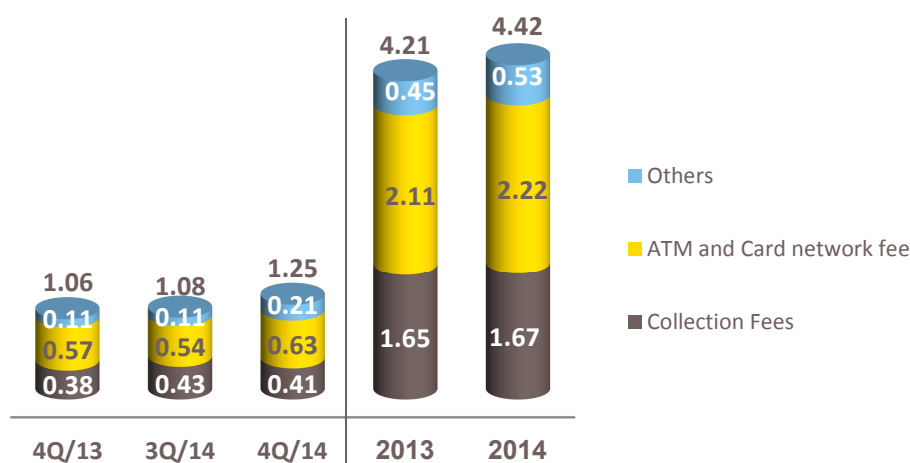
Consolidated	2014	2013 Restated	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	512	505	7	1.4
Other fees and service income	18,679	18,036	643	3.6
Fees and service income	19,191	18,541	650	3.5
Fees and service expense	4,421	4,214	207	4.9
Fees and Service Income, net	14,770	14,327	443	3.1

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For year ended December 31, 2014

Compared with year 2013, net fees and service income increased by Baht 443 million, or 3.1%, driven by wealth, fund management & securities-related, auto hire purchase and Bancassurance fees. Wealth & fund management and security fees increased 14.4%. Fees from auto hire purchase increased 6.9%, while the bancassurance fees grew 6.0% in 2014. Fees and service expense increased 4.9%.

For the fourth quarter period ended December 31, 2014

Net fees and service income increased Baht 199 million, or 5.3% quarter-on-quarter, mainly driven by an 11.1% increase in fees from the card business and a 7.2% increase in wealth & fund management & securities-related fees, largely attributed to holiday spending and year-end purchases of Long Term Equity Funds (LTF), Retirement Mutual Funds (RMF) and life insurance products. Loan-related fees increased 5.3%. Fees and service expense increased 16.0%, mainly due to an increase in variable expenses relating to the fee growth in the card business and wealth & fund management & securities-related fees.

On a year-on-year basis, net fees and service income increased Baht 289 million, or 7.9%, largely driven by a significant increase of 46.9% in wealth, fund management & securities-related fees, fees from auto hire purchase increased 17.8%, Bancassurance fees grew 6.0%. Meanwhile, card-related fees grew 2.0%.

2.3 Non-interest and Non-fees Income

Consolidated	4Q/14	3Q/14	4Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign							
exchange transactions	465	334	354	131	39.2	111	31.4
Gains (losses) on investments	659	438	244	221	50.5	415	170.1
Share of profit (loss) from investment for							
using equity method	6	33	(42)	(27)	(81.8)	48	114.3
Bad debt recoveries	921	734	824	187	25.5	97	11.8
Other operating income	520	524	841	(4)	(0.8)	(321)	(38.2)
Total Non-interest and Non-fees Income	2,571	2,063	2,221	508	24.6	350	15.8

Consolidated	2014	2013	Change YoY	
			Baht mn	%
Gains (losses) on trading and foreign				
exchange transactions	1,574	1,564	10	0.6
Gains (losses) on investments	1,237	633	604	95.4
Share of profit (loss) from investment for				
using equity method	159	112	47	42.0
Bad debt recoveries	3,054	3,879	(825)	(21.3)
Other operating income	2,022	2,822	(800)	(28.3)
Total Non-interest and Non-fees Income	8,046	9,010	(964)	(10.7)

For the year ended December 31, 2014

Non-interest and non-fees income decreased Baht 964 million, or 10.7%, compared to 2013, driven mainly by bad debt recoveries income decrease of Baht 825 million, or 21.3% and a decrease of other operating income of Baht 800 million, or 28.3% mainly from a decrease of gain on properties for sale of Baht 588 million and a decrease in dividend income of Baht 311 million. While in 2014, the Bank recorded an increase in gains on investments of Baht 604 million, or 95.4% mainly driven by gains in Available For Sales (AFS) investments.

For the fourth quarter period ended December 31, 2014

On a quarter-on-quarter basis, non-interest and non-fees income increased by Baht 508 million, or 24.6%, mainly driven by gains in Available For Sale (AFS) investments of Baht 221 million, or 50.5%, reflecting improved capital market developments during the period. Bad debt recoveries income increased of Baht 187 million, or 25.5%.

On a year-on-year basis, non-interest and non-fees income increased Baht 350 million, or 15.8%, driven primarily by gains in Available For Sale (AFS) investments, gains on trading and foreign exchange transactions and bad debt recovery.

2.4 Other Operating Expenses

Consolidated	4Q/14	3Q/14	4Q/13 Restated	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	4,017	4,046	3,793	(29)	(0.7)	224	5.9
Premises and equipment expenses	1,649	1,632	1,479	17	1.0	170	11.5
Taxes and duties	392	577	606	(185)	(32.1)	(214)	(35.3)
Directors' remuneration	13	13	9	0	0.0	4	44.4
Other expenses	2,888	2,291	3,274	597	26.1	(386)	(11.8)
Total Other Operating Expenses	8,959	8,559	9,161	400	4.7	(202)	(2.2)

Consolidated	2014	2013 Restated	Change YoY	
			Baht mn	%
Employee's expenses	16,102	15,156	946	6.2
Premises and equipment expenses	6,452	5,809	643	11.1
Taxes and duties	2,115	2,221	(106)	(4.8)
Directors' remuneration	48	35	13	37.1
Other expenses	9,583	10,171	(588)	(5.8)
Total Other Operating Expenses	34,300	33,392	908	2.7

For the year ended December 31, 2014

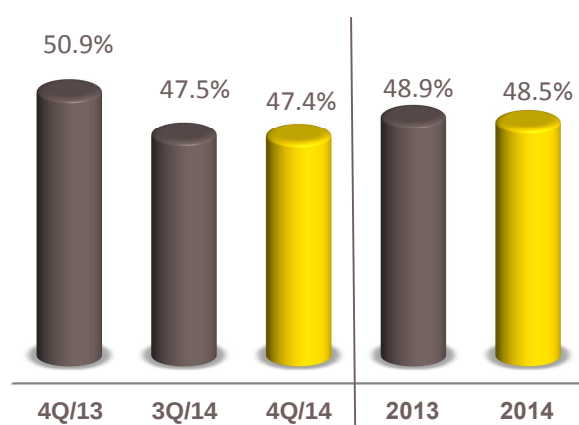
Operating expenses increased Baht 908 million, or 2.7%, driven by an increase in employee's expenses of Baht 946 million, or 6.2%, mainly due to annual merit increases, and an increase in premises and equipment expenses of Baht 643 million, or 11.1%. The increase in premises and equipment expenses was mainly driven by an increase in depreciation expenses of fixed assets of Baht 348 million. Meanwhile, other expenses decreased Baht 588 million, or 5.8%, driven by a decrease in reserve for contingent liabilities of Baht 968 million and impairment loss on other assets of Baht 505 million, offset by the reversal of a reserve on TAMC recorded in 2Q/13.

For the fourth quarter period ended December 31, 2014

On a quarter-on-quarter basis, operating expenses increased Baht 400 million, or 4.7%, driven by an increase in other expenses of Baht 597 million, mainly due to an increase in reserve for promotion expenses of Baht 397 million and reserve for impairment loss on NPA of Baht 112 million, offset by a decrease in taxes and duties and employee expenses.

On a year-on-year basis, operating expenses decreased Baht 202 million, or 2.2%, driven a decrease in other expenses of Baht 386 million, mainly driven by a decrease in reserve for impairment loss on other assets and contingent liabilities.

Cost to Income Ratio



The cost-to-income in 4Q/14 improved to 47.4% from 47.5% in 3Q/14. This was a result of a stronger growth of total income compared with growth in operating expenses. In 2014, the cost-to-income ratio improved to 48.5%, from 48.9% in 2013, reflecting our disciplined expenses management.

2.5 Impairment loss of loans and debt securities

Consolidated	4Q/14	3Q/14	4Q/13	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	4,580	4,548	6,533	32	0.7	(1,953)	(29.9)
Loss on Debt Restructuring	299	341	289	(42)	(12.3)	10	3.5
Total impairment loss of loan and debt securities	4,879	4,889	6,822	(10)	(0.2)	(1,943)	(28.5)

Consolidated	2014	2013	Change YoY	
			Baht mn	%
Impairment loss on debt instrument	0	(27)	27	100.0
Bad Debt and Doubtful Accounts	16,739	17,407	(668)	(3.8)
Loss on Debt Restructuring	1,367	1,579	(212)	(13.4)
Total impairment loss of loan and debt securities	18,106	18,959	(853)	(4.5)

Corresponding to the loan growth recorded in 2014, and an increase in NPLs in SME and retail segment, which were impacted from unfavorable operating development in the first half of the year, yet offset by an absence of additional provision as a countercyclical resource recorded in 2Q/13, loan loss provisions in 2014 amounted to Baht 18,106 million, a decrease of Baht 853 million, or 4.5%, from the prior year.

On a quarter-on-quarter basis, loan loss provision in the fourth quarter amounted to Baht 4,879 million, about the same level recorded in 3Q/14. The loan loss provision in 4Q/14 reflected an acceleration in loan growth booked during the quarter, offset by a resolution of one corporate account which was classified as NPL on a qualitative basis in the prior quarter.

As of December 31, 2014, our total provision stood at Baht 39,958 million, with an excess provision over Bank of Thailand's reserve requirements of Baht 13,504 million, representing 51.1% over the Bank of Thailand's reserving requirements. The loan loss coverage ratio was 133.2%.

3. Financial Status

3.1 Financial Position

Consolidated	As at Dec. 31, 14	As at Sep. 30, 14	As at Dec. 31, 13 Restated	Change from Sep. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	31,155	24,288	28,216	6,867	28.3	2,939	10.4
Interbank and money market items, net	80,364	103,242	87,027	(22,878)	(22.2)	(6,663)	(7.7)
Investments, net	60,573	75,900	73,274	(15,327)	(20.2)	(12,701)	(17.3)
Investments in subsidiaries and associates, net	1,217	1,212	1,059	5	0.4	158	14.9
Loans to customers	1,057,636	1,019,950	988,014	37,686	3.7	69,622	7.0
Accrued interest receivable	2,636	2,666	2,648	(30)	(1.1)	(12)	(0.5)
Deferred revenue	(44,875)	(45,052)	(44,511)	177	0.4	(364)	(0.8)
Allowance for doubtful accounts	(38,159)	(40,413)	(37,466)	2,254	5.6	(693)	(1.8)
Revaluation allowance for debt restructuring	(1,617)	(1,636)	(1,520)	19	1.2	(97)	(6.4)
Properties for sale, net	5,456	5,858	6,865	(402)	(6.9)	(1,409)	(20.5)
Others	59,882	91,159	76,000	(31,277)	(34.3)	(16,118)	(21.2)
TOTAL ASSETS	1,214,268	1,237,174	1,179,606	(22,906)	(1.9)	34,662	2.9
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	837,556	806,182	764,050	31,374	3.9	73,506	9.6
Interbank and money market items, net	46,612	75,590	55,497	(28,978)	(38.3)	(8,885)	(16.0)
Debt issued and borrowings	151,805	151,412	174,605	393	0.3	(22,800)	(13.1)
Others	46,625	75,521	63,901	(28,896)	(38.3)	(17,276)	(27.0)
TOTAL LIABILITIES	1,082,598	1,108,705	1,058,053	(26,107)	(2.4)	24,545	2.3
Issued and paid-up share capital	60,741	60,741	60,741	0	0.0	0	0.0
Retained earning	49,329	45,758	40,158	3,571	7.8	9,171	22.8
Others	21,600	21,970	20,654	(370)	(1.7)	946	4.6
TOTAL SHAREHOLDERS' EQUITY	131,670	128,469	121,553	3,201	2.5	10,117	8.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,214,268	1,237,174	1,179,606	(22,906)	(1.9)	34,662	2.9
Book value per share (Baht)	21.68	21.15	20.01	0.53	2.5	1.67	8.3

As of December 31, 2014, assets stood at Baht 1,214,268 million, representing an increase of Baht 34,662 million, or 2.9% from December 2013, largely attributed to a higher net loan volume of Baht 69,259 million, or 7.3%, offset by a decrease in other assets of Baht 16,118 million, driven by a decrease in claims on securities from repurchase agreements of Baht 13,104 million, and a decrease in investment of Baht 12,701 million, driven by a decrease in securities Available For Sale (AFS).

On a quarter-on-quarter basis, assets decreased of Baht 22,906 million, or 1.9%, driven by a decrease in other assets of Baht 31,277 million, mainly from a decrease in claims on securities from repurchase agreements of Baht 31,319 million, a decrease in interbank and money market items of Baht 22,878 million, and a decrease in investment of Baht 15,327 million, mainly from a decrease in securities Available For Sale (AFS). Meanwhile, net loan volume increased of Baht 37,863 million, or 3.9%.

Liabilities grew 2.3%, or Baht 24,545 million. The growth in liabilities was driven by an increase in deposits of 9.6%, or Baht 73,506 million, reflecting the successful launch of the “8-month Step Up Time Deposit” in June 2014 and sustained growth of our special savings products --“Mee Tae Dai” and “Jad Hai”. Meanwhile, debt issued and borrowings decreased 13.1%, or Baht 22,800 million, due mainly to a decrease in bills of exchange of Baht 12,699 million.

On a quarter-on-quarter basis, liabilities decreased 2.4%, or Baht 26,107 million, driven by a decrease in interbank and money market items of Baht 28,978 million, or 38.3%, largely driven by a decrease of repurchase agreements of Baht 33,005 million, and a decrease in other liabilities of Baht 28,896 million, mainly from a decrease in liabilities to deliver security from repurchase agreement of Baht 31,319 million. Meanwhile, deposit increased 3.9%, or Baht 31,374 million, mainly driven by an increase in time deposits.

Total shareholders’ equity rose to Baht 131,670 million, an increase of Baht 10,117 million, or 8.3%, from December 2013. The increase was mainly due to equity holders’ net income of Baht 14,323 million in 2014. This increase was partially offset by dividends paid of Baht 4,859 million.

Book value per share as of December, 2014 increased 8.3% to Baht 21.68 from Baht 20.01 at the end of 2013.

3.2 Loans to customers

3.2.1 Loans by segment^{2/}

Consolidated	Dec. 31, 14	Sep. 30, 14	Dec. 31, 13 Restated	Change from Sep. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Corporate	294,955	274,419	269,392	20,536	7.5	25,563	9.5
SMEs	220,651	218,597	206,452	2,054	0.9	14,199	6.9
Retail	497,155	481,882	467,658	15,273	3.2	29,497	6.3
- Hire purchase	241,008	237,305	232,472	3,703	1.6	8,536	3.7
- Housing	132,966	130,227	120,571	2,739	2.1	12,395	10.3
- Credit cards and personal loans	123,181	114,350	114,615	8,831	7.7	8,566	7.5
Total *	1,012,761	974,898	943,502	37,863	3.9	69,259	7.3

* Loans to customers net of deferred income

In 2014, total outstanding loans stood at Baht 1,012,761 million, an increase of Baht 69,259 million, or 7.3%, from the year earlier. Loan growth was broad-based across all customer segments. The corporate segment was the key contributor with an increase of 9.5%, followed by SME and retail segments which grew 6.9% and 6.3%, respectively. The moderation of retail lending growth in 2014, particularly in the hire purchase mirrored slow domestic consumption and domestic car sales in 2014.

Under the retail segment, **housing loans** grew at 10.3% in 2014, and 2.1% in 4Q/14, on the back of a recovery in demand for residential purchases following an improved sentiments in the residential home markets, paired with continued success of Krungsri Partnership Program with developers.

Auto hire purchase loans grew 3.7% from last year, and 1.6% in 4Q/14. The growth in auto hire purchase loan despite a slower domestic car sales highlighted Krungsri's strong business franchise and customers' brand preference.

Krungsri's **credit cards and personal loans** expanded 7.5% in 2014, largely attributed to a strong growth of 7.7% recorded in 4Q/14. The strong growth in 4Q/14 was attributed to seasonally high year-end spending pattern together with the year-end purchases of life insurance, LTF and RMF.

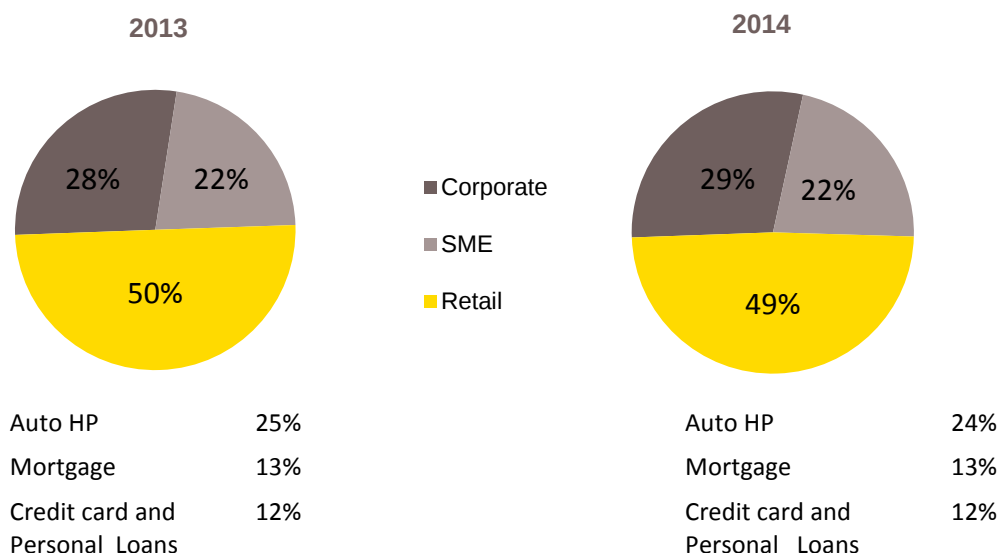
SME portfolio grew 6.9% in 2014, and 0.9% in 4Q/14 with growth broadly observed in all SME segments reflecting continuing success in SME product programs and Krungsri value chain solutions.

²Krungsri reclassified a portion of SME loans into the Corporate loan segment as of December 2013, in line with our revised commercial lending growth strategy going forward. The reclassification resulted in approximately Baht 25,799 million in loans migrating from the SME segment to the Corporate segment.

Corporate loans picked up towards the end of 2014 on the back of a seasonal pick up, particularly in working capital loan demand. The 9.5% growth achieved in the corporate segment in 2014 was largely driven by the 7.5% growth recorded in 4Q/14.

For 2015, we expect the economy to regain its momentum this year, which should be more favorable for business expansion. With projected GDP growth of around 4.3% in 2015, we expect loan growth to be broad-based and exceed GDP growth. Yet, given the uncertainty surrounding both potential external and internal developments, Krungsri will continue to grow our business prudently.

Loan Composition (Restated)



3.2.2 Loan classification and provision

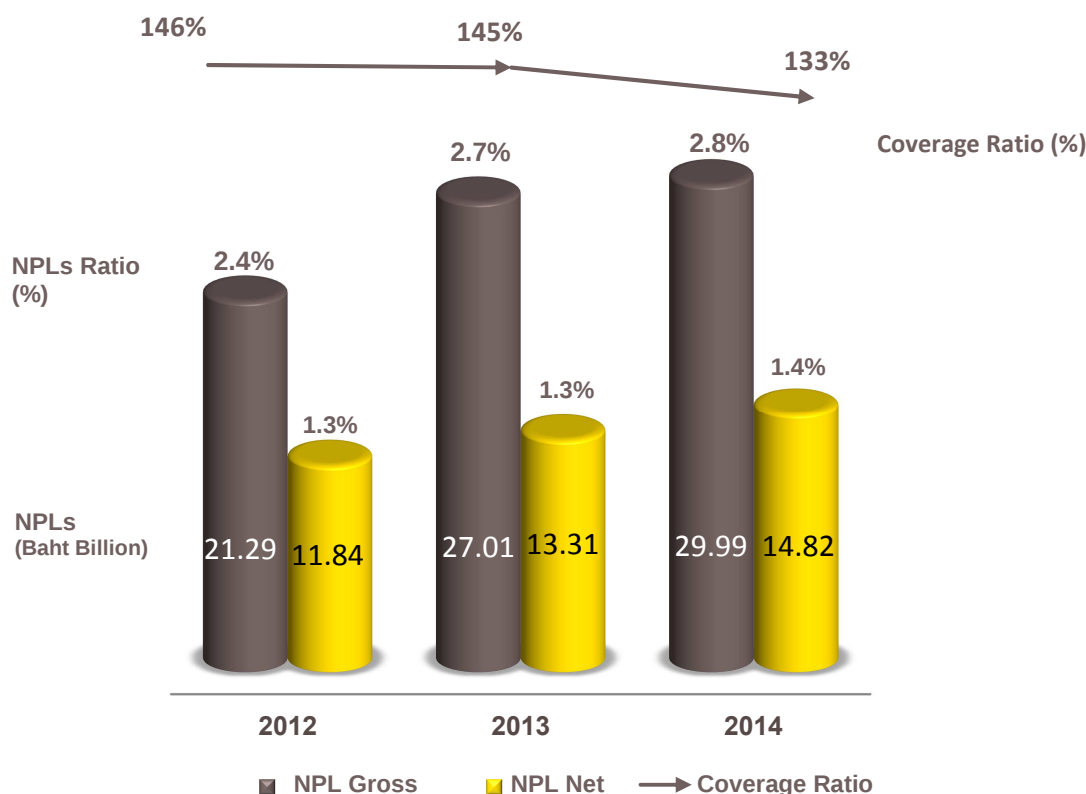
Unit : Baht mn

Consolidated	Dec. 31, 14		Dec. 31, 13		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	952,203	6,665	883,380	5,713	68,823	952
Special mention	33,202	3,239	35,748	3,664	(2,546)	(425)
Substandard	10,032	4,969	9,207	4,419	825	550
Doubtful	8,609	3,341	11,014	5,706	(2,405)	(2,365)
Doubtful of loss	11,351	6,441	6,801	3,197	4,550	3,244
Total	1,015,397	24,655	946,150	22,699	69,247	1,956
Surplus Reserve		13,504		14,767		(1,263)
Total	1,015,397	38,159	946,150	37,466	69,247	693

3.2.3 Non-performing loans

Consolidated	Dec 31, 14	Sep 30, 14	Dec 31, 13	Change from Sep 30, 14		Change from Dec 31, 13	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	14,818	16,974	13,308	(2,156)	(12.7)	1,510	11.3
Non-Performing Loans (Gross)	29,988	34,505	27,014	(4,517)	(13.1)	2,974	11.0
Loans loss reserves (LLR)	39,958	42,470	39,185	(2,512)	(5.9)	773	2.0
Coverage Ratio	133.2%	123.1%	145.1%	10.1%	8.2	(11.9%)	(8.2)
BOT Requirement	26,453	28,323	24,418	(1,870)	(6.6)	2,035	8.3
Actual / Required LLR	151.1%	149.9%	160.5%	1.2%	0.8	(9.4%)	(5.9)

NPLs and Coverage Ratio



Asset quality was satisfactorily maintained in 2014 despite the adverse pressures from political and economic headwinds. As of December 31, 2014, gross NPLs stood at Baht 29,988 million, an increase of Baht 2,974 million from Baht 27,014 million at the end of 2013. The increase in NPLs during the year was mainly due to the impacts from deteriorating economic conditions on SME and retail segments. The ratio of gross NPLs to total loans stood at 2.79% at the end of 2014, compared to 2.70% at the end of 2013.

In 4Q/14 gross NPLs decreased Baht 4,517 million from September 2014, driven largely by the resolution of one corporate account which classified as NPLs on a qualitative basis in the third quarter and the Baht 1,255 million in NPL sales to a third party in 4Q/14.

For 2014, the Bank completed two tranches of NPLs sales in 2Q/14 and 4Q/14, reducing outstanding NPLs by Baht 2,515 million.

As of December 31, 2014 our total provisions stood at Baht 39,958 million, with an excess provision over Bank of Thailand requirements of Baht 13,504 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements stood at 151.0%, while the Group's coverage ratio was 133.2%.

3.3 Funding Structure

Consolidated	Dec. 31, 14	Sep. 30, 14	Dec. 31, 13	Change from Sep. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Current	20,234	22,095	19,470	(1,861)	(8.4)	764	3.9
Savings	404,466	386,086	383,471	18,380	4.8	20,995	5.5
Time	412,856	398,001	361,109	14,855	3.7	51,747	14.3
< 6 months	75,815	74,316	133,061	1,499	2.0	(57,246)	(43.0)
6M - 1 Year	246,144	205,192	127,010	40,952	20.0	119,134	93.8
> 1 Year	90,897	118,493	101,038	(27,596)	(23.3)	(10,141)	(10.0)
Total Deposit	837,556	806,182	764,050	31,374	3.9	73,506	9.6
B/E	25,950	25,726	38,649	224	0.9	(12,699)	(32.9)
Debenture	90,983	90,812	101,053	171	0.2	(10,070)	(10.0)
Total Funding	954,489	922,720	903,752	31,769	3.4	50,737	5.6

As of December 31, 2014, overall funding for the Bank, including deposits, bills of exchange and debentures, increased Baht 50,737 million, or 5.6%, from December 2013.

Deposits totaled Baht 837,556 million, an increase of Baht 73,506 million, or 9.6%, from December 2013, reflecting the successful launch of the “8-month Step Up Time Deposit” in June 2014 and sustained growth of our special savings products --“Mee Tae Dai” and “Jad Hai”. “MeeTae Dai” balances exceeded Baht 168,000 million, while “Jad Hai” increased more than 300,000 accounts from December 2013.

As a result of the strong success of the “8-month Step Up Time Deposit”, the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased to 50.7%, compared to 52.7% as of December 2013.

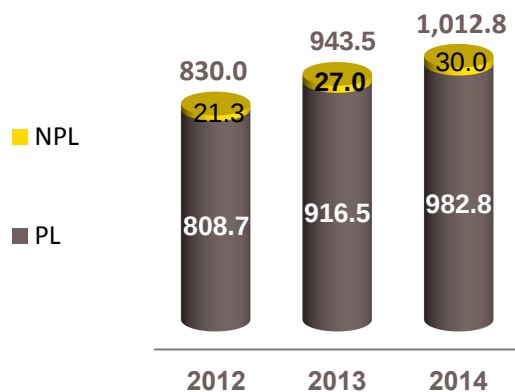
Bills of exchange (B/E) totaled Baht 25,950 million, a decrease of Baht 12,699 million, or 32.9%, from December 2013.

Debentures stood at Baht 90,983 million as of December 2014. The decrease of Baht 10,070 million, or 10.0%, from December 2013, was driven by a maturity of debentures.

Consequently, the loan to deposit ratio improved to 121% from 123% in 2013, while the loan to deposit plus bills of exchange and debentures ratio increased to 106% from 104% at the end of last year.

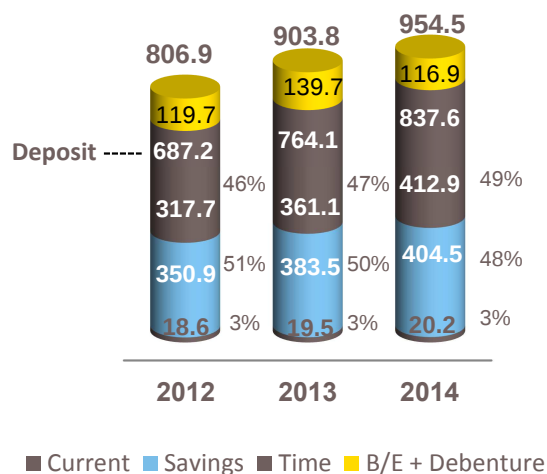
Loans

Unit: Baht Billion



Deposits + B/E + Debenture

Unit: Baht Billion



	2012	2013	2014
L/D	121%	123%	121%
L/D+B/E+Debentures	103%	104%	106%

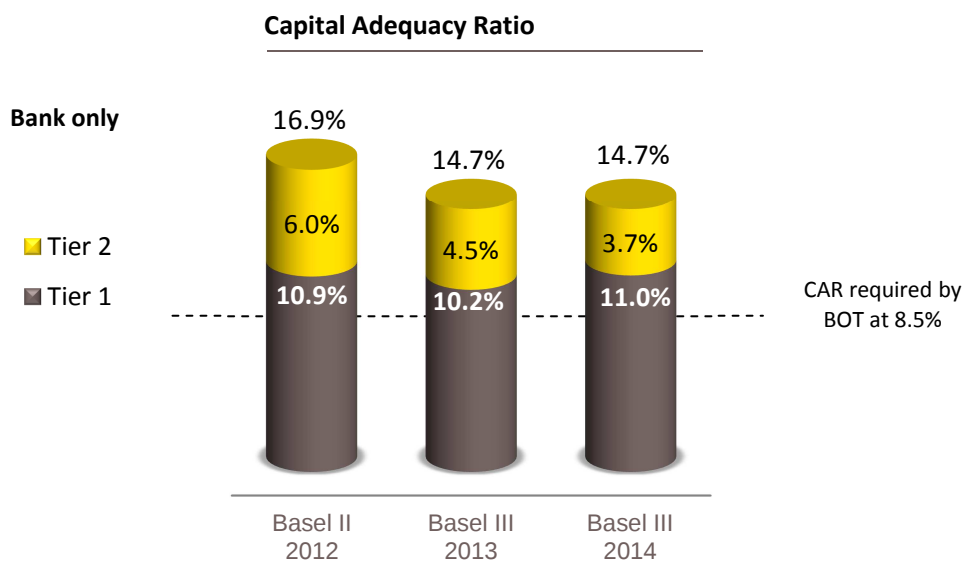
3.4 Contingencies

Consolidated	Dec. 31, 14	Sep. 30, 14	Dec. 31, 13	Change from Sep. 30, 14		Change from Dec. 31, 13	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,947	1,785	1,315	162	9.1	632	48.1
Liability under unmatured import bills	7,688	6,779	1,559	909	13.4	6,129	393.1
Letters of credit	5,701	7,413	9,335	(1,712)	(23.1)	(3,634)	(38.9)
Other contingencies	108,119	108,348	102,337	(229)	(0.2)	5,782	5.6
Total	123,455	124,325	114,546	(870)	(0.7)	8,909	7.8

The Krungsri Group's contingencies as of December 31, 2014, totaled Baht 123,455 million, an increase of Baht 8,909 million, or 7.8%, from December 31, 2013. This increase was driven mainly by an increase in liability under unmatured import bills of Baht 6,129 million and other contingencies of Baht 5,782 million, offset by a decrease in letter of credit of Baht 3,634 million.

3.5 Statutory Capital

As of December 31, 2014, the Bank's capital remained strong at Baht 132,425 million, equivalent to 14.7% of risk-weighted assets with 11.0% in Tier 1 capital. The Bank's capital ratio maintained at the same level as recorded in December 2013, while Tier 1 capital ratio improved from 10.2% in December 2013. The current solid capital position is sufficient for Krungsri to continue growing our business in 2015.



Baht Billion	2012	2013	2014
	Basel II	Basel III	Basel III
Tier 1	81.75	84.73	98.99
Tier 2	44.80	37.60	33.44
Total Capital	126.55	122.33	132.43

4. Credit Ratings

The Bank's credit ratings assigned by 1. Moody's Investors Service, 2. Standard & Poor's, 3. Fitch Ratings and 4. TRIS Rating as at December 31, 2014 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
Bank Financial Strength Ratings	D+
Outlook	Stable
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
- Support Rating Floor	BB+
- 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. 2014 Key Performance Targets

Consolidated	4Q/13	4Q/14	2013	2014	2014 Targets	
Loan Growth (Net)	+54.3 bn +6.1%	+37.9 bn +3.9%	+113.5 bn +13.7%	+69.3 bn +7.3%	7%	✓
NPLs Ratio	2.67%	2.79%	2.67%	2.79%	~ 2.9%	✓
Deposit Mix: Savings and Current	53%	51%	53%	51%	~ 50%	✓
Loan Mix : Retail	50%	49%	50%	49%	n.d.	✓
L/D Ratio	123%	121%	123%	121%	n.d.	✓
L/Deposit+Debentures+B/E	104%	106%	104%	106%	100%	~
NIM	4.53%	4.34%	4.37%	4.32%	~ 4.2%	✓
Fee income growth (YoY)	8.1%	10.2%	12.8%	3.5%	5%	~
Cost to Income Ratio	50.91%	47.40%	48.91%	48.47%	< 49%	✓
Provisions	289 bps	202 bps	200 bps*	179 bps	~ 170 bps	~
Loan Loss Coverage	145%	133%	145%	133%	125-130%	✓
CAR (Bank Only)	14.7%	14.7%	14.7%	14.7%	n.d.	✓

* Revised target

** Excluding one-time prudential surplus reserve of THB 2,552 mn. booked in 2Q/13 and a prudential reserve for one corporate loan restructured in 4Q/13, provision/loan = 172bps.