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Management Discussion and Analysis

For the quarter and six-month period ended
June 30, 2018

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Executive Summary:

Krungsri delivered a solid performance for 1H/18 with a net profit of Baht 12,488 million, representing an 8.4% increase from 1H/17. The robust earnings were largely attributed to significantly higher net interest income, supported by a robust 5.9% loan growth, and higher non-interest income, underscoring Krungsri's competitive capability and balanced portfolio structure.

Total loans outstanding reached Baht 1,642,298 million, a record increase of Baht 91,894 million, or 5.9% from December 2017. In 1H/18, loan grew across segments. Retail loans grew 6.7%, while, corporate and SME loans grew 4.8% and 6.4%, respectively.

Deposits totaled Baht 1,367,531 million, an increase of Baht 48,302 million, or 3.7%, from December 2017.

Compared to 1H/17, **non-interest income** increased by 14.5% mainly driven by fees from auto hire purchase, wealth & fund management and securities, and gains on trading and foreign exchange transactions.

The non-performing loans (NPLs) ratio stood at 2.02% in June 2018.

Our **loan-loss reserves** stood at Baht 60,507 million, with an excess of Baht 22,096 million over the Bank of Thailand's reserve requirements. Correspondingly, the actual provisioning ratio when compared to the Bank of Thailand's requirements improved to 157.5%. The coverage ratio also improved to 161.7% from 157.0% in the prior quarter.

Corresponding to the higher net profit, **earnings per share (EPS)** rose to Baht 1.70 in 1H/18, from Baht 1.57 in 1H/17.

Krungsri assessed that the Thai economy would continue expanding and achieve a higher growth than the earlier forecast, with the GDP growth forecast for 2018 at 4.7%, up from 4.0%. Barring further escalation from US-China trade disputes, the revision was on account of merchandise exports and tourism, which continue to improve in line with the global economic expansion, and increased domestic demand momentum. Attributed to a more favorable operating environment, Krungsri expects the full-year loan growth performance to outpace the Bank's prior guidance and to be in the range of 8-10%.

NIM: 3.75%

Coverage Ratio: 161.7%

**Net Profit:
Baht 12.5 billion**

NPLs Ratio: 2.02%

Summary of Financial Performance and Status:

Key 1H/2018 deliverables:

- **Net Profit:**

Recorded at Baht 12,488 million for 1H/18, representing an 8.4% increase over 1H/17.

- **Loan Growth:**

Increased by 5.9%, or Baht 91,894 million, compared to December 2017, and an increase of 4.4% or Baht 69,248 million compared to March 2018, driven by a broad-based expansion across all segments.

- **Deposit Growth:**

Increased by 3.7%, or Baht 48,302 million, compared to December 2017, and slightly decreased by 0.1%, or Baht 1,896 million compared to March 2018.

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

Moderated to 3.75% from 3.82% in 1H/17, mainly due to an increase in cost of funds.

- **Non-Interest Income:**

Increased by 14.5% from 1H/17, mainly driven by net fees and service income, gains on trading and foreign exchange transactions, and bad debt recoveries.

- **Cost to Income Ratio:**

Recorded at 46.4%, improving from 48.0% in 1H/17.

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

Recorded at 2.02%, compared to 1.96% in 1Q/18.

- **Coverage Ratio:**

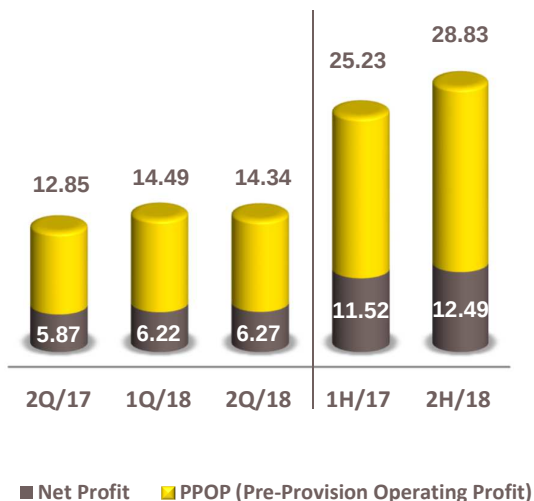
Recorded at 161.7%, improving from 157.0% in 1Q/18.

- **Capital Adequacy Ratio:**

Recorded at 14.95%, compared to 15.65% in December 2017.

PPOP & Net Profit

Unit: Baht Billion



For the second quarter period ended June 30, 2018

In 2Q/18, the operating profit was Baht 14,338 million, a decrease of Baht 150 million, or 1.0%, on a quarter-on-quarter basis, largely due to a decrease in non-interest income. The net profit in 2Q/18 totaled Baht 6,273 million, representing an increase of Baht 58 million, or 0.9% compared to 1Q/18, mainly resulting from a reduction in loan-loss provision due to an improvement in asset quality.

On a year-on-year basis, the operating profit robustly increased by Baht 1,484 million or 11.5% from 2Q/17, largely driven by an increase in net interest income, net fees and service income, and non-interest and non-fees income, offset by an increase in operating expenses. The net profit increased by Baht 402 million, or 6.8%, from 2Q/17, mainly attributed to higher operating profit.

For the six-month period ended June 30, 2018

For 1H/18, the operating profit was Baht 28,826 million, representing an increase of Baht 3,594 million, or 14.2% compared to 1H/17, driven largely by higher net interest income from healthy loan growth and robust performance in non-interest income.

The net profit registered Baht 12,488 million, an increase of Baht 972 million, or 8.4% year-on-year, driven largely by higher operating profit, offset by an increase in loan-loss provision, corresponding to a higher loan volume and prudential safeguard.

1. Statements of Profit or Loss and Other Comprehensive Income

Consolidated	2Q/18	1Q/18	2Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	26,365	25,525	23,424	840	3.3	2,941	12.6
Interest Expenses	7,877	7,502	6,485	375	5.0	1,392	21.5
Interest Income, Net	18,488	18,023	16,939	465	2.6	1,549	9.1
Fees and Service Income	7,044	7,207	6,266	(163)	(2.3)	778	12.4
Fees and Service Expense	1,858	1,887	1,628	(29)	(1.5)	230	14.1
Fees and Service Income, Net	5,186	5,320	4,638	(134)	(2.5)	548	11.8
Non-interest and Non-fees Income	3,242	3,544	2,784	(302)	(8.5)	458	16.5
Other Operating Expenses	12,578	12,399	11,507	179	1.4	1,071	9.3
Pre-Provision Operating Profit (PPOP)	14,338	14,488	12,854	(150)	(1.0)	1,484	11.5
Impairment Loss of Loan and Debt Securities	6,404	6,683	5,439	(279)	(4.2)	965	17.7
Income Tax Expense	1,551	1,516	1,459	35	2.3	92	6.3
Net Profit	6,383	6,289	5,956	94	1.5	427	7.2
Other Comprehensive Income, Net	(425)	(184)	100	(241)	(131.0)	(525)	(525.0)
Total Comprehensive Income	5,958	6,105	6,056	(147)	(2.4)	(98)	(1.6)
Net Profit Attributable To							
Owners of the Bank	6,273	6,215	5,871	58	0.9	402	6.8
Non-Controlling Interest	110	74	85	36	48.6	25	29.4
Net Profit	6,383	6,289	5,956	94	1.5	427	7.2
Total Comprehensive Income Attributable To							
Owners of the Bank	5,847	6,032	5,972	(185)	(3.1)	(125)	(2.1)
Non-Controlling Interest	111	73	84	38	52.1	27	32.1
Total Comprehensive Income	5,958	6,105	6,056	(147)	(2.4)	(98)	(1.6)
Earning Per Share (Baht)	0.85	0.84	0.80	0.01	1.2	0.05	6.2

Consolidated	1H/18	1H/17	Change YoY	
			Baht mn	%
Interest Income	51,890	46,186	5,704	12.4
Interest Expense	15,380	12,765	2,615	20.5
Interest Income, Net	36,510	33,421	3,089	9.2
Fees and Service Income	14,251	12,552	1,699	13.5
Fees and Service Expense	3,745	3,245	500	15.4
Fees and Service Income, Net	10,506	9,307	1,199	12.9
Non-interest and Non-fees Income	6,787	5,791	996	17.2
Other Operating Expenses	24,977	23,287	1,690	7.3
Pre-Provision Operating Profit (PPOP)	28,826	25,232	3,594	14.2
Impairment Loss of Loan and Debt Securities	13,087	10,682	2,405	22.5
Income Tax Expense	3,067	2,864	203	7.1
Net Profit	12,672	11,686	986	8.4
Other Comprehensive Income, Net	(609)	(61)	(548)	(898.4)
Total Comprehensive Income	12,063	11,625	438	3.8
Net Profit Attributable To				
Owners of the Bank	12,488	11,516	972	8.4
Non-Controlling Interest	184	170	14	8.2
Net Profit	12,672	11,686	986	8.4
Total Comprehensive Income Attributable To				
Owners of the Bank	11,879	11,456	423	3.7
Non-Controlling Interest	184	169	15	8.9
Total Comprehensive Income	12,063	11,625	438	3.8
Earning Per Share (Baht)	1.70	1.57	0.13	8.3

2. Financial Performance

2.1 Net Interest Income

Consolidated	2Q/18	1Q/18	2Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	17,036	16,265	15,132	771	4.7	1,904	12.6
Interest on interbank and money market items	1,609	1,703	718	(94)	(5.5)	891	124.1
Hire purchase and financial lease income	7,293	7,199	6,906	94	1.3	387	5.6
Investments and trading transactions	10	8	14	2	25.0	(4)	(28.6)
Investments in debt securities	417	350	654	67	19.1	(237)	(36.2)
Total Interest Income	26,365	25,525	23,424	840	3.3	2,941	12.6
INTEREST EXPENSE							
Interest on deposits	3,699	3,531	3,074	168	4.8	625	20.3
Interest on interbank and money market items	1,368	1,275	919	93	7.3	449	48.9
Interest on borrowings	1,110	1,037	1,048	73	7.0	62	5.9
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,693	1,638	1,434	55	3.4	259	18.1
Borrowing fee expenses	3	16	6	(13)	(81.3)	(3)	(50.0)
Other interest expenses	4	5	4	(1)	(20.0)	0	0.0
Total Interest Expenses	7,877	7,502	6,485	375	5.0	1,392	21.5
Interest Income, Net	18,488	18,023	16,939	465	2.6	1,549	9.1
Net Interest Margin	3.72%	3.67%	3.89%				
Yield on Earning Assets	5.30%	5.20%	5.38%				
Cost of Funds	1.76%	1.69%	1.64%				

Consolidated	1H/18	1H/17	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	33,301	30,027	3,274	10.9
Interest on interbank and money market items	3,312	1,308	2,004	153.2
Hire purchase and financial lease income	14,492	13,497	995	7.4
Investments and trading transactions	18	56	(38)	(67.9)
Investments in debt securities	767	1,298	(531)	(40.9)
Total Interest Income	51,890	46,186	5,704	12.4
INTEREST EXPENSE				
Interest on deposits	7,230	6,067	1,163	19.2
Interest on interbank and money market items	2,643	1,862	781	41.9
Interest on borrowings	2,148	2,022	126	6.2
Contributions to Financial Institution Development Fund and Deposit Protection Agency	3,331	2,796	535	19.1
Borrowing fee expenses	19	9	10	111.1
Other interest expenses	9	9	0	0.0
Total Interest Expenses	15,380	12,765	2,615	20.5
Interest Income, Net	36,510	33,421	3,089	9.2
Net Interest Margin	3.75%	3.82%		
Yield on Earning Assets	5.33%	5.27%		
Cost of Funds	1.75%	1.61%		

For the second quarter period ended June 30, 2018

Driven by robust loan growth in 2Q/18, interest income was Baht 26,365 million, increasing by Baht 840 million, or 3.3%, from 1Q/18, mainly driven by an increase in interest on loans of Baht 771 million or 4.7%.

Interest expenses were Baht 7,877 million, increasing by Baht 375 million, or 5.0%, from 1Q/18, mainly driven by the facts that:

- Interest on deposits increased by Baht 168 million, or 4.8%, reflecting larger time deposit volume.
- Interest on interbank and money market items and interest on borrowings increased by Baht 93 million and Baht 73 million, or 7.3% and 7.0%, respectively.

Consequently, net interest income in 2Q/18 was Baht 18,488 million, representing an increase of Baht 465 million, or 2.6% from 1Q/18.

On a year-on-year basis, interest income increased by Baht 2,941 million, or 12.6%. Key items are as follows:

- Interest on loans increased by Baht 1,904 million, or 12.6%, corresponding to the higher outstanding loans balance.
- Interest on interbank and money market items increased by Baht 891 million, or 124.1%, mainly due to higher repurchase agreement transactions.
- Interest on hire purchase and financial lease income increased by Baht 387 million, or 5.6%, resulting from a robust auto hire purchase portfolio expansion of 17.9%.
- Meanwhile, interest from debt securities decreased by Baht 237 million, or 36.2%, caused by a lower Available for Sale (AFS) portfolio balance.

Interest expenses increased by Baht 1,392 million, or 21.5% from 2Q/17. Key items are as follows:

- Interest on deposits increased by Baht 625 million, or 20.3%, reflecting a higher outstanding balance of deposit of Baht 204,219 million or 17.6%.
- Interest on interbank and money market items increased by Baht 449 million, or 48.9%.
- Contributions to the Financial Institutions Development Fund (FIDF) and Deposit Protection Agency (DPA) increased by Baht 259 million, or 18.1%, resulting primarily from a higher outstanding balance of deposits.

Consequently, net interest income in 2Q/18 increased by Baht 1,549 million, or 9.1%, from 2Q/17.

For the six-month period ended June 30, 2018

In the first half of 2018, interest income was recorded at Baht 51,890 million, representing an increase of Baht 5,704 million, or 12.4%, compared to the same period last year. Key items are as follows:

- Interest on loans increased by Baht 3,274 million, or 10.9%, resulting primarily from strong loan portfolio expansion, particularly from higher yield segments.
- Interest on interbank and money market items increased by Baht 2,004 million, or 153.2%, mainly due to a larger outstanding balance.
- Interest on hire purchase and financial lease income increased by Baht 995 million, or 7.4%, resulting from a robust auto hire purchase portfolio expansion.
- Meanwhile, interest from debt securities decreased by Baht 531 million, or 40.9%, caused by a lower Available for Sale (AFS) portfolio balance.

Interest expenses increased by Baht 2,615 million, or 20.5% year-on-year. Key factors are as follows:

- Interest on deposits increased by Baht 1,163 million, or 19.2%, reflecting a higher outstanding balance of deposit of 17.6%.
- Interest on interbank and money market items increased by Baht 781 million, or 41.9%.
- Contributions to FIDF and DPA increased Baht 535 million, or 19.1%, corresponding to a higher deposit volume of 17.6%.

Consequently, net interest income increased by Baht 3,089 million, or 9.2%, compared to the same period last year.

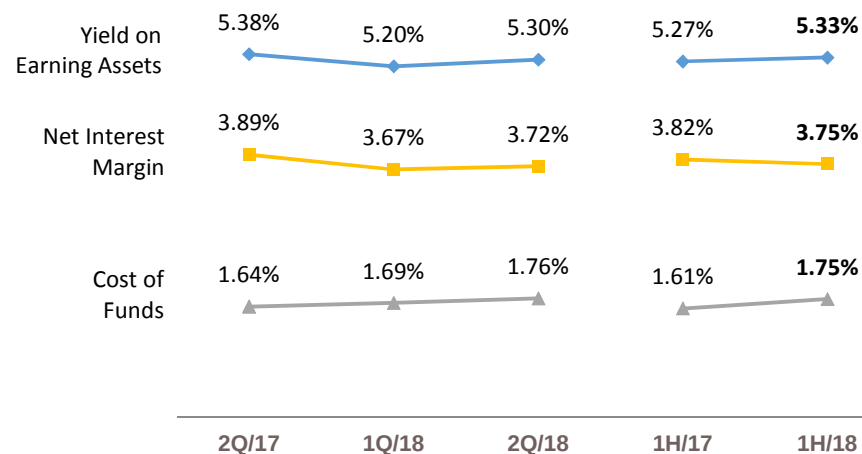
In 2Q/18, the yield on earning assets increased to 5.30% from 5.20% in 1Q/18, reflecting a larger component of high yield segments, largely attributed to an improvement of the yield on loans during the period.

Cost of deposits also increased to 1.55% from 1.51%, reflecting the higher fixed deposit outstanding balance with maturity over one year. As a result, cost of funds increased to 1.76% from 1.69% in 1Q/18.

Consequently, NIM improved to 3.72% from 3.67% in 1Q/18.

In 1H/18, NIM moderated to 3.75% from 3.82% registered in 1H/17, mainly due to an increase in cost of funds.

Net Interest Margin (NIM)



	2Q/17	1Q/18	2Q/18	1H/17	1H/18
Yield on Loans	6.06%	6.01%	6.05%	5.95%	5.99%
Cost of Deposits	1.53%	1.51%	1.55%	1.52%	1.54%

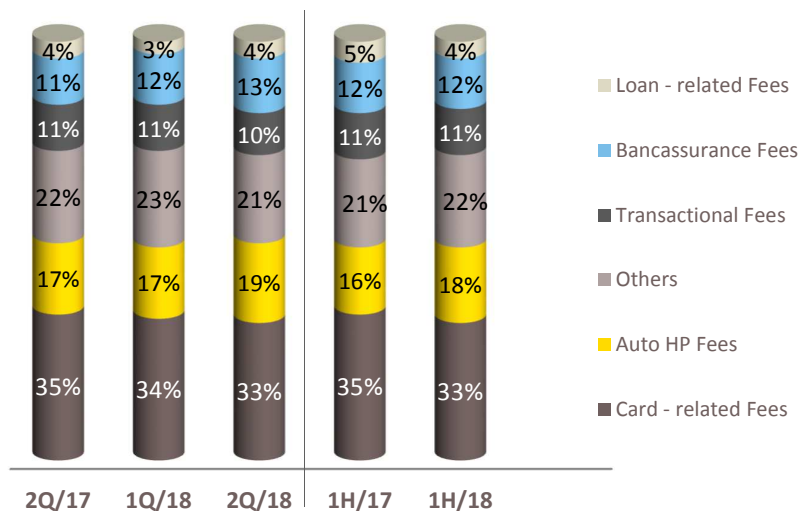
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Policy Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Krungsri Lending Rate	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%
Savings Rate	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
3 - month deposits	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%
6 - month deposits	0.90-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%	0.90-1.20%
12 - month deposits	1.10-1.35%	1.10-1.35%	1.10-1.35%	1.10-1.35%	1.10-1.35%	1.10-1.35%	1.10-1.35%

2.2 Non-Interest Income

Consolidated	2Q/18	1Q/18	2Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	129	126	137	3	2.4	(8)	(5.8)
Other fees and service income	6,915	7,081	6,129	(166)	(2.3)	786	12.8
Fees and service income	7,044	7,207	6,266	(163)	(2.3)	778	12.4
Fees and service expense	1,858	1,887	1,628	(29)	(1.5)	230	14.1
Fees and Service Income, net	5,186	5,320	4,638	(134)	(2.5)	548	11.8
Gains (losses) on trading and foreign exchange transactions	1,130	1,314	906	(184)	(14.0)	224	24.7
Gains (losses) on investments	106	228	148	(122)	(53.5)	(42)	(28.4)
Share of profit (loss) from investment for using equity method	106	112	100	(6)	(5.4)	6	6.0
Bad debt recoveries	1,453	1,443	1,268	10	0.7	185	14.6
Other operating income	447	447	362	0	0.0	85	23.5
Total Non-interest and Non-fees Income	3,242	3,544	2,784	(302)	(8.5)	458	16.5
Non-Interest Income	8,428	8,864	7,422	(436)	(4.9)	1,006	13.6

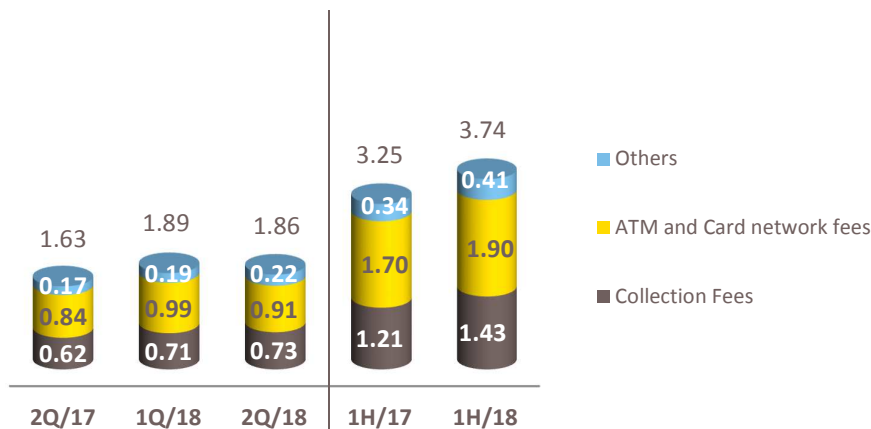
Consolidated	1H/18	1H/17	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	255	269	(14)	(5.2)
Other fees and service income	13,996	12,283	1,713	13.9
Fees and service income	14,251	12,552	1,699	13.5
Fees and service expense	3,745	3,245	500	15.4
Fees and Service Income, net	10,506	9,307	1,199	12.9
Gains (losses) on trading and foreign exchange transactions	2,444	1,923	521	27.1
Gains (losses) on investments	334	341	(7)	(2.1)
Share of profit (loss) from investment for using equity method	219	176	43	24.4
Bad debt recoveries	2,896	2,500	396	15.8
Other operating income	894	851	43	5.1
Total Non-Interest and Non-fees Income	6,787	5,791	996	17.2
Non-Interest Income	17,293	15,098	2,195	14.5

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the second quarter period ended June 30, 2018

Total non-interest income in 2Q/18 was Baht 8,428 million, decreasing by Baht 436 million, or 4.9% from the prior quarter. Details are as follows:

- Net fees and service income was recorded at Baht 5,186 million, decreasing by Baht 134 million, or 2.5% from 1Q/18. Key factors are:
 - Wealth & fund management and securities-related fees decreased by Baht 140 million, mirroring the capital market conditions in 2Q/18.
 - Card-related fees decreased by Baht 122 million. Transactional fees decreased by Baht 71 million, mainly due to the waivers of digital transaction fees effective from April 1, 2018 onwards.
 - Meanwhile, auto hire purchase fees increased by Baht 93 million, and bancassurance fees increased by Baht 92 million.
- Gains on trading and foreign exchange transactions decreased by Baht 184 million, or 14.0%, resulting from a decrease in FX and derivatives volume.
- Gains on investments decreased by Baht 122 million, or 53.5%, mainly due to the AFS portfolio.

On a year-on-year basis, total non-interest income increased by Baht 1,006 million, or 13.6%. Details are as follows:

- Net fees and service income increased by Baht 548 million, or 11.8%, from 2Q/17. Key factors are:
 - Auto hire purchase fees increased robustly by Baht 312 million, or 29.9%, resulting from the auto hire purchase loan portfolio expansion.
 - Bancassurance fees increased by Baht 221 million.

- o Wealth & fund management and securities-related fees increased by Baht 178 million, or 18.3%.
- Gains on trading and foreign exchange transactions increased by Baht 224 million, or 24.7%, mainly due to an increase in interest rate derivatives.
- Bad debt recoveries increased by Baht 185 million, or 14.6%.

For the six-month period ended June 30, 2018

For 1H/18, non-interest income was Baht 17,293 million, increasing by Baht 2,195 million, or 14.5% year-on-year. Details are as follows:

- Net fees and service income was recorded at Baht 10,506 million, an increase of Baht 1,199 million, or 12.9%. Key factors are:
 - o Auto hire purchase fees increased by Baht 564 million, or 27.5%.
 - o Wealth & fund management and securities-related fees increased by Baht 530 million, or 27.8%.
 - o Card-related fees increased by Baht 349 million, or 8.0%.
 - o Bancassurance fees increased by Baht 291 million, or 19.6%.
- Gains on trading and foreign exchange transactions increased by Baht 521 million, or 27.1%, mainly due to an increase in interest rate derivatives.
- Bad debt recoveries increased by Baht 396 million, or 15.8%.

2.3 Other Operating Expenses

Consolidated	2Q/18	1Q/18	2Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee expenses	6,456	6,539	5,757	(83)	(1.3)	699	12.1
Premises and equipment expenses	2,102	2,097	2,031	5	0.2	71	3.5
Taxes and duties	681	685	647	(4)	(0.6)	34	5.3
Directors' remuneration	15	15	15	0	0.0	0	0.0
Other expenses	3,324	3,063	3,057	261	8.5	267	8.7
Total Other Operating Expenses	12,578	12,399	11,507	179	1.4	1,071	9.3

Consolidated	1H/18	1H/17	Change YoY	
			Baht mn	%
Employee expenses	12,995	12,054	941	7.8
Premises and equipment expenses	4,199	4,068	131	3.2
Taxes and duties	1,366	1,294	72	5.6
Directors' remuneration	30	28	2	7.1
Other expenses	6,387	5,843	544	9.3
Total Other Operating Expenses	24,977	23,287	1,690	7.3

For the second quarter period ended June 30, 2018

Total other operating expenses were Baht 12,578 million, increasing by Baht 179 million, or 1.4% from 1Q/18, mainly driven by an increase in other expenses by Baht 261 million, or 8.5%, following an increase in marketing promotion expenses which was uplifted by growing retail business volume during the period.

On a year-on-year basis, total other operating expenses increased by Baht 1,071 million, or 9.3% from 2Q/17. Key items are as follows:

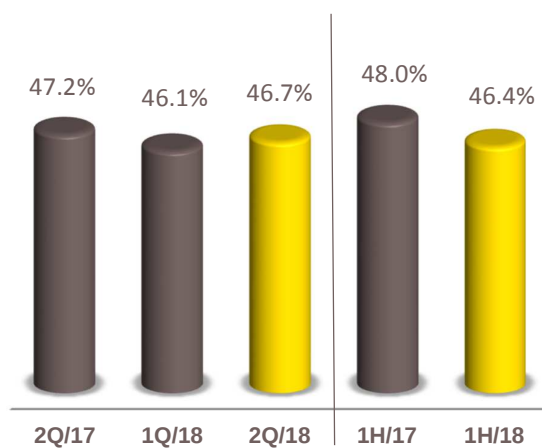
- Employee expenses increased by Baht 699 million, or 12.1%, mainly due to annual merit increases and staff promotions.
- Other expenses increased by Baht 267 million, or 8.7%, driven by an increase in IT and marketing promotion expenses.

For the six-month period ended June 30, 2018

For the first half of 2018, total other operating expenses were Baht 24,977 million, increased by Baht 1,690 million, or 7.3%. Key items are as follows:

- Employee expenses increased by Baht 941 million, or 7.8%, mainly due to annual merit increases, staff promotions and incentives.
- Other expenses increased by Baht 544 million, or 9.3%, driven by an increase in IT and marketing promotion expenses.
- Premises and equipment expenses increased by Baht 131 million, or 3.2%.

Cost to Income Ratio



The cost-to-income ratio was recorded at 46.7% in 2Q/18, compared to 46.1% in 1Q/18.

In 1H/18, the cost-to-income ratio was recorded at 46.4%, improving from 48.0% in 1H/17, as a result of higher operating income and effective expense management.

2.4 Impairment loss of loans and debt securities

Consolidated	2Q/18	1Q/18	2Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	6,012	6,326	5,070	(314)	(5.0)	942	18.6
Loss on Debt Restructuring	392	357	369	35	9.8	23	6.2
Total impairment loss of loan and debt securities	6,404	6,683	5,439	(279)	(4.2)	965	17.7

Consolidated	1H/18	1H/17	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	12,339	9,925	2,414	24.3
Loss on Debt Restructuring	748	757	(9)	(1.2)
Total impairment loss of loan and debt securities	13,087	10,682	2,405	22.5

Loan-loss provision in 2Q/18 amounted to Baht 6,404 million, a decrease of Baht 279 million, or 4.2%, from 1Q/18, due to an improvement in asset quality.

In 1H/18, the loan-loss provision was recorded at Baht 13,087 million, representing an increase of Baht 2,405 million, or 22.5%, on a year-on-year basis, corresponding to a higher loan volume and prudential safeguard.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at Jun. 30, 18	As at Mar. 31, 18	As at Dec. 31, 17	Change from Mar. 31, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	31,752	33,604	38,244	(1,852)	(5.5)	(6,492)	(17.0)
Interbank and money market items, net	260,024	393,282	330,797	(133,258)	(33.9)	(70,773)	(21.4)
Investments, net	109,033	77,725	83,934	31,308	40.3	25,099	29.9
Investments in subsidiaries and joint ventures, net	2,441	2,334	2,222	107	4.6	219	9.9
Loans to customers	1,719,576	1,646,441	1,619,358	73,135	4.4	100,218	6.2
Accrued interest receivable	4,006	4,148	3,917	(142)	(3.4)	89	2.3
Deferred revenue	(77,278)	(73,391)	(68,954)	(3,887)	(5.3)	(8,324)	(12.1)
Allowance for doubtful accounts	(58,658)	(57,204)	(54,173)	(1,454)	(2.5)	(4,485)	(8.3)
Revaluation allowance for debt restructuring	(1,329)	(1,295)	(1,303)	(34)	(2.6)	(26)	(2.0)
Properties for sale, net	3,679	3,520	3,685	159	4.5	(6)	(0.2)
Others	107,695	131,064	131,045	(23,369)	(17.8)	(23,350)	(17.8)
TOTAL ASSETS	2,100,941	2,160,228	2,088,772	(59,287)	(2.7)	12,169	0.6
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,367,531	1,369,427	1,319,229	(1,896)	(0.1)	48,302	3.7
Interbank and money market items, net	243,980	268,411	279,721	(24,431)	(9.1)	(35,741)	(12.8)
Debt issued and borrowings	165,329	171,259	142,866	(5,930)	(3.5)	22,463	15.7
Others	89,538	119,039	120,969	(29,501)	(24.8)	(31,431)	(26.0)
TOTAL LIABILITIES	1,866,378	1,928,136	1,862,785	(61,758)	(3.2)	3,593	0.2
Issued and paid-up share capital	73,558	73,558	73,558	0	0.0	0	0.0
Retained earning	104,485	101,476	95,198	3,009	3.0	9,287	9.8
Others	56,520	57,058	57,231	(538)	(0.9)	(711)	(1.2)
TOTAL SHAREHOLDERS' EQUITY	234,563	232,092	225,987	2,471	1.1	8,576	3.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,100,941	2,160,228	2,088,772	(59,287)	(2.7)	12,169	0.6
Book value per share (Baht)	31.89	31.55	30.72	0.34	1.1	1.17	3.8

As of June 30, 2018, total assets stood at Baht 2,100,941 million, representing an increase of Baht 12,169 million, or 0.6%, from December 2017. Key items are as follows:

- Total loans (net of deferred revenue) increased by Baht 91,894 million, or 5.9%.
- Net investments increased by Baht 25,099 million, or 29.9%, mainly resulting from a higher AFS portfolio balance.
- Net interbank and money market items decreased by Baht 70,773 million, or 21.4%, caused by a decrease in repurchase agreements of Baht 89,903 million, offset by an increase in deposits with financial institutions of Baht 23,080 million.
- Other assets decreased by Baht 23,350 million, or 17.8%, mainly owing to a decrease in claim on securities of Baht 32,884 million.

Compared to 1Q/18, total assets decreased by Baht 59,287 million, or 2.7%. Key facts are as follows:

- Net interbank and money market items decreased by Baht 133,258 million, or 33.9%, mainly resulting from a decrease in repurchase agreements of Baht 143,417 million, offset by an increase in deposits with financial institutions of Baht 13,180 million.
- Other assets decreased by Baht 23,369 million, or 17.8%, mainly due to a decrease in claims on securities.
- Total loans (net of deferred revenue) increased by Baht 69,248 million, or 4.4%.
- Net investments increased by Baht 31,308 million, or 40.3%, mainly resulting from an increase in the AFS portfolio of Baht 30,101 million.

As of June 30, 2018, total liabilities stood at Baht 1,866,378 million, representing an increase of Baht 3,593 million, or 0.2%, from December 2017. Key items are as follows:

- Deposits increased by Baht 48,302 million, or 3.7%, largely driven by time deposits with maturity over one year.
- Debts issued and borrowings increased by Baht 22,463 million, or 15.7%, driven by net issuance of Krungsri Group's debentures of Baht 20,800 million.
- Net interbank and money market items decreased by Baht 35,741 million, or 12.8%, mainly due to a decrease in loans from financial institutions of Baht 24,333 million as well as a decrease in repurchase agreements of Baht 12,990 million.
- Other liabilities decreased by Baht 31,431 million, or 26.0%, driven by a decrease in liabilities to deliver securities.

Compared to 1Q/18, total liabilities decreased by Baht 61,758 million, or 3.2%. Key items are as follows:

- Other liabilities decreased by Baht 29,501 million, or 24.8%, driven by a decrease in liabilities to deliver securities.
- Net interbank and money market items decreased by Baht 24,431 million, or 9.1%, mainly due to a decrease in loan from financial institution of Baht 10,507 million and a decrease in repurchase agreements of Baht 14,750 million.
- Debts issued and borrowings decreased by Baht 5,930 million, or 3.5%, caused by a redemption of the Bank's long term debentures of Baht 5,000 million.
- Deposits decreased by Baht 1,896 million, or 0.1%, mainly resulting from savings deposits.

Total shareholders' equity rose to Baht 234,563 million, an increase of Baht 8,576 million, or 3.8%, from December 2017 due to an increase in equity holders' net profit of Baht 12,488 million in 1H/18, which was partially offset by dividends paid of Baht 3,310 million.

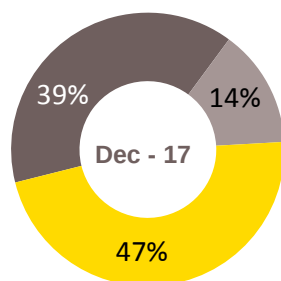
Book value per share as of June 30, 2018 increased by 3.8% to Baht 31.89 from Baht 30.72 at the end of 2017.

3.2 Loans to customers

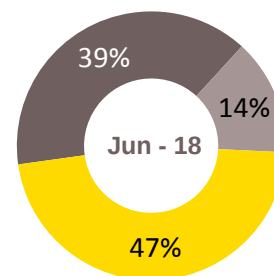
3.2.1 Loans by segment

Consolidated	Jun. 30, 18	Mar. 31, 18	Dec. 31, 17	Change from Mar. 31, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Corporate	630,771	603,234	601,797	27,537	4.6	28,974	4.8
- Thai Corporate	444,522	423,478	431,136	21,044	5.0	13,386	3.1
- International Corporate (JPC/MNC)	186,249	179,756	170,661	6,493	3.6	15,588	9.1
SMEs	234,836	226,749	220,627	8,087	3.6	14,209	6.4
Retail	776,691	743,067	727,980	33,624	4.5	48,711	6.7
- Hire purchase	366,778	352,829	336,627	13,949	4.0	30,151	9.0
- Mortgage	231,069	222,471	217,098	8,598	3.9	13,971	6.4
- Credit cards and personal loans	178,844	167,767	174,255	11,077	6.6	4,589	2.6
Total *	1,642,298	1,573,050	1,550,404	69,248	4.4	91,894	5.9

* Loans to customers net of deferred revenue



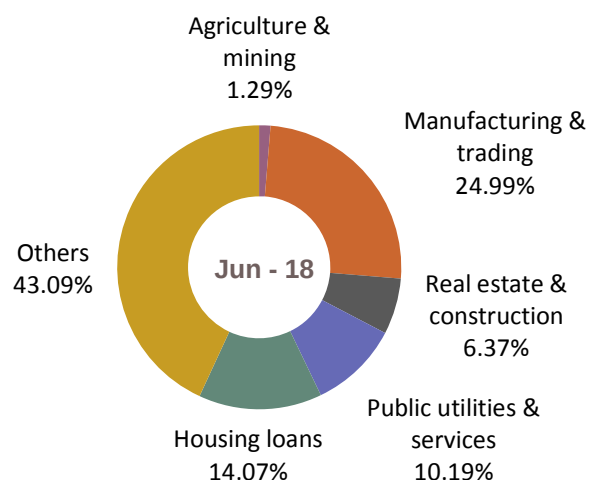
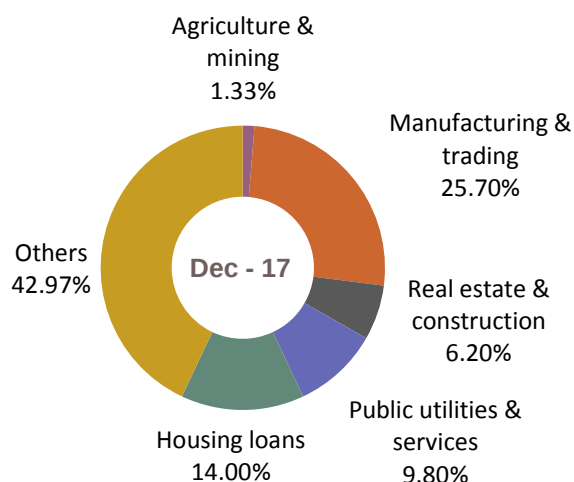
■ Corporate
■ SME
■ Retail



Auto HP 22%
Mortgage 14%
Credit card and
Personal Loans 11%

Auto HP 22%
Mortgage 14%
Credit card and
Personal Loans 11%

3.2.2 Loans by Industry



As of June 30, 2018, total outstanding loans (net of deferred revenue) stood at Baht 1,642,298 million, an increase of Baht 91,894 million, or 5.9% from December 2017, and an increase of Baht 69,248 million, or 4.4% from 1Q/18, which was a broad-based loan growth across segments, reflecting a stronger economic expansion.

At the end of 1H/18, commercial loans, comprising corporate and SME customers, accounted for 53% of the total loan portfolio, while retail lending represented the remaining 47%.

Details of loan performance by segment are as follows:

Corporate loans grew by 4.6%, or Baht 27,537 million in 2Q/18, largely attributed to an underlying improvement in overall economic activities and a continuous improvement in private sector confidence. Driven by merchandise exports and tourism which continued to improve in tandem with the global growth, and by a stronger momentum in domestic demand, particularly private consumption, Thai Corporate loans increased by Baht 21,044 million, or 5.0%. Meanwhile, International Corporate (JPC/MNC) loans increased by Baht 6,493 million, or 3.6%, mirroring the global economy uptrend, particularly export-oriented manufacturing businesses.

The year-to-date corporate loan growth was recorded robustly at 4.8%.

SME loans grew by 3.6%, or Baht 8,087 million in 2Q/18, and by 6.4% on a year-to-date basis. The growth of SME loans in the second quarter was mirroring favorable operating environments and Krungsri's enhanced digital capabilities and innovative services extended to SME customers.

The **retail loan segment** registered a growth of Baht 48,711 million, or 6.7% in 1H/18, and 4.5% in 2Q/18.

- **Auto hire purchase loans** grew by Baht 13,949 million, or 4.0% from the previous quarter and Baht 30,151 million, or 9.0% from December 2017. The growth of auto hire purchase loans was broad-based, comprising new car, used car, refinancing, and motorcycle portfolios, mirroring not only improved domestic car sales but also Krungsri Auto's enhanced service channels through digital platforms.
- **Mortgage loans** increased by 3.9%, or Baht 8,598 million, in 2Q/18, and grew by 6.4% or Baht 13,971 million from December 2017. The robust growth was supported by Krungsri's strategic focus on digital solutions for greater customer experience.
- **Credit cards and personal loans** increased by 6.6%, or Baht 11,077 million in 2Q/18, and grew by 2.6% or Baht 4,589 million from December 2017. The growth of credit cards and personal loans during the quarter was driven by the continuous improvement in both private consumption and consumer confidence.

3.2.3 Loan classification and provision

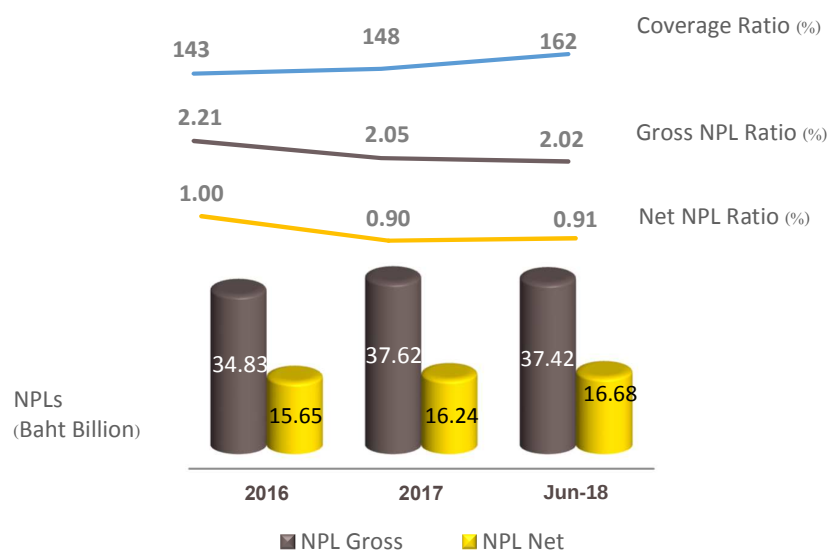
Unit : Baht mn

Consolidated	Jun. 30, 18		Dec. 31, 17		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	1,553,262	12,987	1,462,823	11,863	90,439	1,124
Special mention	55,624	3,381	53,876	2,998	1,748	383
Substandard	9,800	5,046	11,279	5,938	(1,479)	(892)
Doubtful	5,597	2,332	7,021	3,902	(1,424)	(1,570)
Doubtful of loss	22,021	12,816	19,322	11,020	2,699	1,796
Total	1,646,304	36,562	1,554,321	35,721	91,983	841
Surplus Reserve		22,096		18,452		3,644
Total	1,646,304	58,658	1,554,321	54,173	91,983	4,485

3.2.4 Non-performing loans

Consolidated	Jun. 30, 18	Mar. 31, 18	Dec. 31, 17	Change from Mar. 31, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	16,676	16,125	16,243	551	3.4	433	2.7
Non-Performing Loans (Gross)	37,417	37,515	37,622	(98)	(0.3)	(205)	(0.5)
Loans Loss Reserves (LLR)	60,507	58,910	55,841	1,597	2.7	4,666	8.4
Coverage Ratio	161.7%	157.0%	148.4%	4.7%	3.0	13.3%	9.0
BOT Requirement	38,411	37,910	37,389	501	1.3	1,022	2.7
Actual / Required LLR	157.5%	155.4%	149.4%	2.1%	1.4	8.1%	5.4

NPLs and Coverage Ratio



NPL by Segment

Consolidated	Jun. 30, 18	Mar. 31, 18	Dec. 31, 17	Sep. 30, 17	Jun. 30, 17
Corporate	1.2%	1.3%	1.3%	1.4%	1.4%
SME	6.4%	7.1%	7.4%	7.3%	7.2%
Retail	1.9%	1.8%	1.8%	1.8%	1.9%
Hire Purchase	1.6%	1.5%	1.5%	1.5%	1.6%
Mortgage	2.6%	2.5%	2.4%	2.4%	2.4%
Personal Loan, Credit Card, and Other	1.5%	1.7%	1.7%	1.7%	1.7%

As of June 30, 2018, gross NPLs stood at Baht 37,417 million, a decrease of Baht 205 million, or 0.5%, from Baht 37,622 million at the end of 2017. Compared to March 2018, gross NPLs slightly decreased by Baht 98 million, or 0.3% during 2Q/18.

The ratio of gross NPLs in 2Q/18 stood at 2.02%, improving from 2.05% in December 2017, while the ratio slightly increased from 1.96% recorded in 1Q/18.

As of June 30, 2018, loan-loss reserves stood at Baht 60,507 million, with an excess of Baht 22,096 million over the Bank of Thailand's reserve requirements. Correspondingly, the actual provisioning ratio when compared to the Bank of Thailand's requirements stood at 157.5%.

Maintaining as prudential safeguard, the coverage ratio continued to improve to 161.7% in 2Q/18, compared to 157.0% in 1Q/18 and 148.4% at the end of 2017.

3.3 Funding Structure

Deposits

Consolidated	Jun. 30, 18	Mar. 31, 18	Dec. 31, 17	Change from Mar. 31, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Current	34,413	33,747	36,798	666	2.0	(2,385)	(6.5)
Savings	567,680	571,898	550,962	(4,218)	(0.7)	16,718	3.0
Time	765,438	763,782	731,469	1,656	0.2	33,969	4.6
< 6 Months	350,952	355,804	341,517	(4,852)	(1.4)	9,435	2.8
6 Months and < 1 Year	275,077	287,907	285,292	(12,830)	(4.5)	(10,215)	(3.6)
1 Year and over 1 Year	139,409	120,071	104,660	19,338	16.1	34,749	33.2
Total Deposit	1,367,531	1,369,427	1,319,229	(1,896)	(0.1)	48,302	3.7

Borrowing

Consolidated	Jun. 30, 18	Mar. 31, 18	Dec. 31, 17	Change from Mar. 31, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Debenture	117,125	123,125	96,325	(6,000)	(4.9)	20,800	21.6
Subordinated debenture	42,786	42,740	42,808	46	0.1	(22)	(0.1)
Other	5,418	5,394	3,733	24	0.4	1,685	45.1
Total Borrowing	165,329	171,259	142,866	(5,930)	(3.5)	22,463	15.7

As of June 30, 2018, deposits totaled Baht 1,367,531 million, an increase of Baht 48,302 million, or 3.7%, from December 2017, attributed to an increase in time deposits of Baht 33,969 million and savings deposits of Baht 16,718 million.

As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits slightly decreased to 44.0%, compared to 44.6% in December 2017.

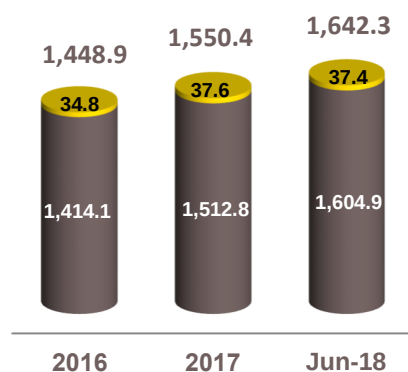
As of June 30, 2018, total borrowing stood at Baht 165,329 million, increasing by Baht 22,463 million, or 15.7% from December 2017, mainly driven by an increase in net issuance of Krungsri Group's debentures of Baht 20,800 million. Details are as follows:

- 1) The Bank issued new long-term debentures in the amount of Baht 15,000 million in 1Q/18, offset by a redemption of long-term debentures totaling Baht 9,000 million.
- 2) Krungsri Group's subsidiaries issued new debentures in the amount of Baht 17,000 million in 1Q/18, offset by the matured debentures totaling Baht 2,200 million.

Consequently, the loan to deposit ratio and the loan to deposit plus bills of exchange and debentures ratio slightly increased from December 2017 to 120% and 111%, respectively.

Loans

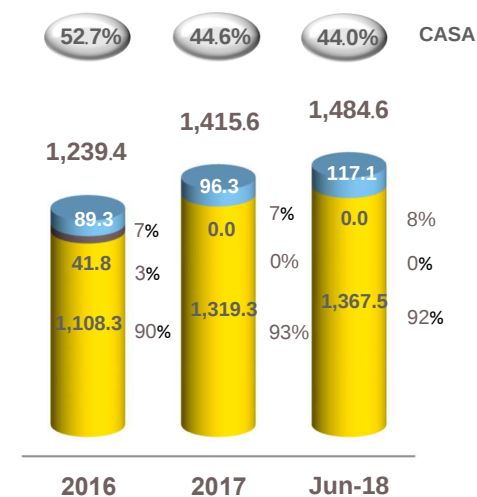
Unit: Baht Billion



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

Deposits + B/E + Debenture

Unit: Baht Billion



■ Deposit ■ B/E ■ Debenture

	2016	2017	Jun-18
L/D	131%	118%	120%
L/D+B/E+Debentures	117%	110%	111%

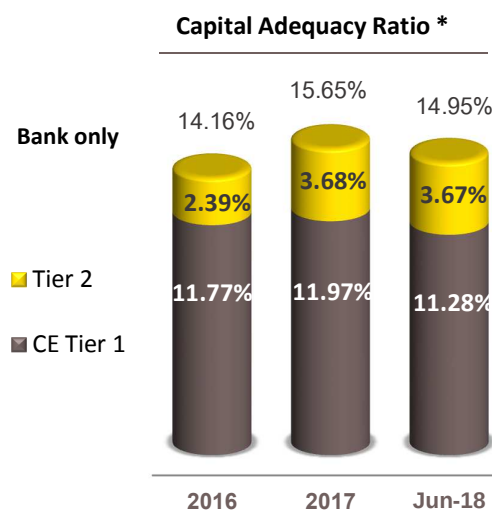
3.4 Contingencies

Consolidated	Jun. 30, 18	Mar. 31, 18	Dec. 31, 17	Change from Mar. 31, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	3,587	3,983	3,005	(396)	(9.9)	582	19.4
Liability under unmatured import bills	1,496	1,335	1,437	161	12.1	59	4.1
Letters of credit	6,446	7,763	7,744	(1,317)	(17.0)	(1,298)	(16.8)
Other contingencies	90,120	95,824	100,010	(5,704)	(6.0)	(9,890)	(9.9)
Total	101,649	108,905	112,196	(7,256)	(6.7)	(10,547)	(9.4)

Krungsri Group's contingencies as of June 30, 2018 totaled Baht 101,649 million, a decrease of Baht 10,547 million, or 9.4%, from December 31, 2017. The decrease was mainly caused by a decrease in other contingencies of Baht 9,890 million, mainly due to other guarantees and unused credit limits.

3.5 Statutory Capital

As of June 30, 2018, the Bank's capital increased to Baht 223,178 million, equivalent to 14.95% of risk-weighted assets, comprising common equity tier 1 capital of 11.28% and tier 2 capital of 3.67%.



* The BOT requires the Bank to maintain a minimum CAR at 8.5% and gradually increase the conservation buffer by 0.625% per year from January 1, 2016 until reaching 2.5% by January 1, 2019

Baht Billion	2016	2017	Jun-18
CE Tier 1	158.83	167.53	168.44
Tier 2	32.26	51.50	54.74
Total Capital	191.09	219.03	223.18

Remark: BOT has adopted supervisory framework for Domestic Systemically Important Banks (D-SIBs) by requiring qualified banks to maintain additional 1% of common equity tier 1 from the current minimum requirement, starting 0.5% on Jan 1, 2019 and 1% on Jan 1, 2020.

4. Credit Ratings

Moody's Investors Service announced an upgrade of Krungsri Baseline Credit Assessment (BCA) from ba1 to baa3 on June 21, 2018, reflecting the improvement to the Bank's standalone credit strength over the last three years, particularly its stable asset quality supported by strong loan-loss reserves and capital.

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's, Fitch Ratings and TRIS Rating as of June 30, 2018 are shown in the table below.

1. Moody's Investors Service

Bank Deposits

- Long Term	Baa1
- Short Term	Prime-2

Debt

- Long Term - Senior Debt	Baa1
Debt and Deposit Rating Outlook	Stable

Baseline Credit Assessment (BCA)	baa3
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2. Standard and Poor's

Issuer Credit Rating (ICR)

- Long Term	BBB+
- Short Term	A-2

Foreign Currency

- Long Term - Senior Debt	BBB+
- Short Term	A-2

Stand-alone Credit Profile (SACP)	bb+
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Outlook	Stable
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3. Fitch Ratings

International Ratings (Foreign Currency)

- Long Term	A-
- Subordinated Debt	BBB+
- Short Term	F2
- Viability Rating	bbb
- Support	1
- Outlook	Stable

3. Fitch Ratings

National Ratings

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

4. TRIS Rating

National Ratings

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