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Management Discussion and Analysis

For the quarter and six-month period ended
June 30, 2019

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Executive Summary:

Krungsri delivered exceptional performance for 1H/19 with a net profit of Baht 19,747 million, representing a robust 58.1% increase from 1H/18. The solid earnings were attributed to significantly higher non-interest income, driven by the recognition of gains on investments from the sales of 50% of shares in Ngern Tid Lor Company Limited (NTL) in 1Q/19 and higher net interest income, supported by a robust loan growth in 1H/19.

Excluding the one-off items in 1Q/19 (the recognition of gains on investment from the NTL transaction and the provision for compensation in personnel expenses relating to severance payment in accordance with the amended Labor Protection Act), the normalized net profit for 1H/19 was recorded at Baht 13,939 million, increasing by 11.6%, or Baht 1,451 million from 1H/18.

Total loans outstanding reached Baht 1,756,363 million, a record increase of Baht 84,345 million, or 5.0% from December 2018. In 1H/19, loans grew across all segments. Corporate loans grew by 6.3%, while SME and retail loans grew by 5.3% and 4.0%, respectively.

Deposits totaled Baht 1,497,469 million, a notable increase of Baht 71,121 million, or 5.0%, from December 2018, largely driven by time deposits with maturities ranging from one year to greater than one year.

Compared to 1H/18, **non-interest income** significantly increased by 53.9%, or Baht 9,319 million, mainly driven by the recognition of gains on investments from the NTL transaction, a share of profit from investment for using the equity method, and net fees and service income.

The non-performing loan (NPL) ratio improved to 1.96% in June 2019 from 2.08% in December 2018.

Loan-loss reserves stood at Baht 64,406 million, with an excess of Baht 20,562 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 146.9%, while coverage ratio improved to 168.5% from 160.8% in December 2018.

Corresponding to the higher net profit, **earnings per share (EPS)** rose to Baht 2.68 in 1H/19, from Baht 1.70 in 1H/18.

Given the heightened risks of synchronized global slowdown attributed to protracted trade wars, the Thai economy is likely to expand at a slower pace than earlier assessed with the GDP growth forecast revised down to 3.2%. Yet, given the expectation that domestic demand will gain stronger traction for the latter part of the year, supported by both economic stimulus measures and planned public investments, together with the favorable loan growth achieved in 1H/19, Krungsri maintains a broad-based loan growth target of 6-8% for 2019.

NIM: 3.69%

Net Profit:
Baht 19.7 billion

Coverage Ratio: 168.5%

NPL Ratio: 1.96%

Summary of Financial Performance and Status:

Key 1H/2019 deliverables:

- **Net Profit:**

Recorded at Baht 19,747 million for 1H/19, representing a 58.1% increase over 1H/18.

(Upon adjusting the one-time items in 1Q/19, the normalized net profit for 1H/19 increased by Baht 1,451 million, or 11.6%, from 1H/18.)

- **Loan Growth:**

Increased by 5.0%, or Baht 84,345 million, compared to December 2018, and increased by 2.7%, or Baht 46,695 million, compared to March 2019, driven by a broad-based expansion across all segments.

- **Deposit Growth:**

Rose by 5.0%, or Baht 71,121 million, compared to December 2018, and increased by 2.2%, or Baht 32,092 million, compared to March 2019.

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

Moderated to 3.69% from 3.75% in 1H/18, mirroring the portfolio rebalance toward commercial lending during the period and higher cost of fund.

- **Non-Interest Income:**

Significantly increased by 53.9%, or Baht 9,319 million, from 1H/18, mainly driven by the recognition of gains on investments from the NTL transaction, a share of profit from investment, and net fees and service income.

(Upon adjusting the aforementioned one-time gains on investments, normalized non-interest income increased by Baht 694 million, or 4.0%, from 1H/18.)

- **Cost to Income Ratio:**

Recorded at 41.2%, improving from 46.4% in 1H/18.

(Upon adjusting the one-time items in 1Q/19, the cost to income ratio was recorded at 45.4% in 1H/19.)

- **Non-Performing Loan (NPL) Ratio:**

Improved to 1.96%, from 2.08% in December 2018.

- **Coverage Ratio:**

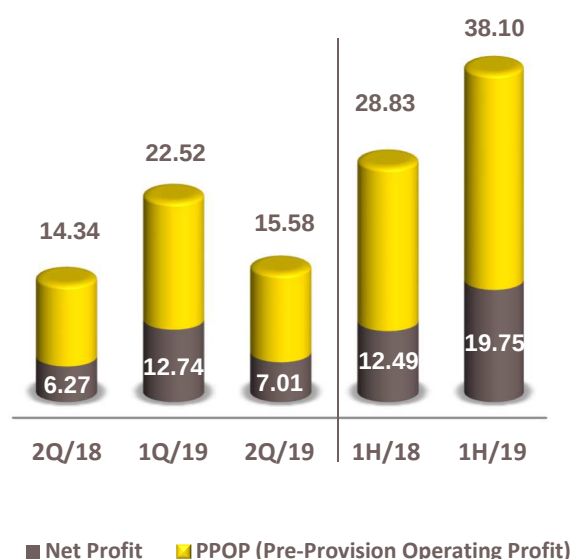
Recorded at 168.5%, improving from 160.8% in December 2018.

- **Capital Adequacy Ratio:**

Recorded at 15.88%, compared to 15.13% in December 2018.

PPOP & Net Profit

Unit: Baht Billion



For the second quarter period ended June 30, 2019

In 2Q/19, the operating profit was Baht 15,580 million, a decrease of Baht 6,944 million, or 30.8%, on a quarter-on-quarter basis, largely due to a decrease in non-interest income, mainly caused by the absence of one-time gains on investments in 1Q/19. In addition, operating expenses decreased by 12.4%, or Baht 1,762 million, mainly resulting from the absence of the provision for compensation in personnel expenses relating to severance payment in accordance with the amended Labor Protection Act in 1Q/19.

The net profit in 2Q/19 totaled Baht 7,010 million, representing a decrease of Baht 5,727 million, or 45.0% compared to 1Q/19, mainly resulting from the absence of one-time items recognized in the prior quarter.

Excluding the one-time items in 1Q/19, normalized net profit in 2Q/19 would have increased by Baht 81 million, or 1.2%, from 1Q/19.

On a year-on-year basis, the operating profit increased by Baht 1,242 million or 8.7% from 2Q/18, largely driven by an increase in non-interest income and net interest income.

The net profit increased by Baht 737 million, or 11.7%, from 2Q/18, mainly attributed to higher operating profit.

For the six-month period ended June 30, 2019

For 1H/19, the operating profit was Baht 38,105 million, representing an increase of Baht 9,279 million, or 32.2% compared to 1H/18, driven largely by higher non-interest and net interest income from healthy loan growth.

The net profit registered Baht 19,747 million, an increase of Baht 7,259 million, or 58.1% year-on-year, driven largely by higher operating profit.

Excluding the gains from one-time items in 1Q/19, normalized net profit in 1H/19 increased by Baht 1,451 million, or 11.6%, from 1H/18.

1. Statements of Profit or Loss and Other Comprehensive Income

Consolidated	2Q/19	1Q/19	2Q/18	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	27,445	27,488	26,365	(43)	(0.2)	1,080	4.1
Interest Expenses	8,683	8,076	7,877	607	7.5	806	10.2
Interest Income, Net	18,762	19,412	18,488	(650)	(3.3)	274	1.5
Fees and Service Income	7,309	7,310	7,044	(1)	(0.0)	265	3.8
Fees and Service Expense	1,898	2,014	1,858	(116)	(5.8)	40	2.2
Fees and Service Income, Net	5,411	5,296	5,186	115	2.2	225	4.3
Non-interest and Non-fees Income	3,867	12,038	3,242	(8,171)	(67.9)	625	19.3
Other Operating Expenses	12,460	14,222	12,578	(1,762)	(12.4)	(118)	(0.9)
Pre-Provision Operating Profit (PPOP)	15,580	22,524	14,338	(6,944)	(30.8)	1,242	8.7
Impairment Loss of Loan and Debt Securities	6,725	6,348	6,404	377	5.9	321	5.0
Income Tax Expense	1,738	3,361	1,551	(1,623)	(48.3)	187	12.1
Net Profit	7,117	12,815	6,383	(5,698)	(44.5)	734	11.5
Other Comprehensive Income, Net	(324)	291	(425)	(615)	(211.3)	101	23.8
Total Comprehensive Income	6,793	13,106	5,958	(6,313)	(48.2)	835	14.0
Net Profit Attributable To							
Owners of the Bank	7,010	12,737	6,273	(5,727)	(45.0)	737	11.7
Non-Controlling Interest	107	78	110	29	37.2	(3)	(2.7)
Net Profit	7,117	12,815	6,383	(5,698)	(44.5)	734	11.5
Total Comprehensive Income Attributable To							
Owners of the Bank	6,686	13,028	5,847	(6,342)	(48.7)	839	14.3
Non-Controlling Interest	107	78	111	29	37.2	(4)	(3.6)
Total Comprehensive Income	6,793	13,106	5,958	(6,313)	(48.2)	835	14.0
Earning Per Share (Baht)	0.95	1.73	0.85	(0.78)	(45.1)	0.10	11.8

Consolidated	1H/19	1H/18	Change YoY	
			Baht mn	%
Interest Income	54,933	51,890	3,043	5.9
Interest Expense	16,759	15,380	1,379	9.0
Interest Income, Net	38,174	36,510	1,664	4.6
Fees and Service Income	14,619	14,251	368	2.6
Fees and Service Expense	3,912	3,745	167	4.5
Fees and Service Income, Net	10,707	10,506	201	1.9
Non-interest and Non-fees Income	15,905	6,787	9,118	134.3
Other Operating Expenses	26,681	24,977	1,704	6.8
Pre-Provision Operating Profit (PPOP)	38,105	28,826	9,279	32.2
Impairment Loss of Loan and Debt Securities	13,074	13,087	(13)	(0.1)
Income Tax Expense	5,099	3,067	2,032	66.3
Net Profit	19,932	12,672	7,260	57.3
Other Comprehensive Income, Net	(33)	(609)	576	94.6
Total Comprehensive Income	19,899	12,063	7,836	65.0
Net Profit Attributable To				
Owners of the Bank	19,747	12,488	7,259	58.1
Non-Controlling Interest	185	184	1	0.5
Net Profit	19,932	12,672	7,260	57.3
Total Comprehensive Income Attributable To				
Owners of the Bank	19,714	11,879	7,835	66.0
Non-Controlling Interest	185	184	1	0.5
Total Comprehensive Income	19,899	12,063	7,836	65.0
Earning Per Share (Baht)	2.68	1.70	0.98	57.6

2. Financial Performance

2.1 Net Interest Income

Consolidated	2Q/19	1Q/19	2Q/18	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	17,858	18,207	17,036	(349)	(1.9)	822	4.8
Interest on interbank and money market items	1,382	1,054	1,609	328	31.1	(227)	(14.1)
Hire purchase and financial lease income	7,544	7,620	7,293	(76)	(1.0)	251	3.4
Investments and trading transactions	22	20	10	2	10.0	12	120.0
Investments in debt securities	621	570	417	51	8.9	204	48.9
Other interest income	18	17	0	1	5.9	18	-
Total Interest Income	27,445	27,488	26,365	(43)	(0.2)	1,080	4.1
INTEREST EXPENSE							
Interest on deposits	4,664	4,229	3,699	435	10.3	965	26.1
Interest on interbank and money market items	1,134	1,060	1,368	74	7.0	(234)	(17.1)
Interest on borrowings	1,049	1,026	1,110	23	2.2	(61)	(5.5)
Contribution to Financial Institution Development Fund and Deposit Protection Agency	1,814	1,718	1,693	96	5.6	121	7.1
Borrowing fee expenses	9	16	3	(7)	(43.8)	6	200.0
Other interest expenses	13	27	4	(14)	(51.9)	9	225.0
Total Interest Expenses	8,683	8,076	7,877	607	7.5	806	10.2
Interest Income, Net	18,762	19,412	18,488	(650)	(3.3)	274	1.5
Net Interest Margin	3.58%	3.79%	3.72%				
Yield on Earning Assets	5.24%	5.36%	5.30%				
Cost of Funds	1.84%	1.74%	1.76%				

Consolidated	1H/19	1H/18	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	36,066	33,301	2,765	8.3
Interest on interbank and money market items	2,436	3,312	(876)	(26.4)
Hire purchase and financial lease income	15,164	14,492	672	4.6
Investments and trading transactions	41	18	23	127.8
Investments in debt securities	1,191	767	424	55.3
Other Interest Income	35	0	35	-
Total Interest Income	54,933	51,890	3,043	5.9
INTEREST EXPENSE				
Interest on deposits	8,894	7,230	1,664	23.0
Interest on interbank and money market items	2,194	2,643	(449)	(17.0)
Interest on borrowings	2,075	2,148	(73)	(3.4)
Contributions to Financial Institution Development				
Fund and Deposit Protection Agency	3,531	3,331	200	6.0
Borrowing fee expenses	25	19	6	31.6
Other interest expenses	40	9	31	344.4
Total Interest Expenses	16,759	15,380	1,379	9.0
Interest Income, Net	38,174	36,510	1,664	4.6
Net Interest Margin	3.69%	3.75%		
Yield on Earning Assets	5.31%	5.33%		
Cost of Funds	1.79%	1.75%		

For the second quarter period ended June 30, 2019

Interest income in 2Q/19 was recorded at Baht 27,445 million, a marginal decrease of Baht 43 million, or 0.2%, from 1Q/19, mainly driven by:

- Interest on loans decreased by Baht 349 million, or 1.9%, driven by the impact from the change in control of NTL from a subsidiary to a 50% joint venture which was effective from February 28, 2019 onwards, offset by an increase in interest on loans, mirroring the higher outstanding loans balance.
- Interest on interbank and money market items increased by Baht 328 million, or 31.1%, mainly due to higher repurchase agreement transactions.

Interest expenses in 2Q/19 were at Baht 8,683 million, an increase of Baht 607 million, or 7.5%, from 1Q/19. Key items are as follows:

- Interest on deposits increased by Baht 435 million, or 10.3%, reflecting a larger time deposit volume.
- Contributions to the Financial Institutions Development Fund (FIDF) and the Deposit Protection Agency (DPA) increased by Baht 96 million, or 5.6%, resulting primarily from a higher outstanding balance of deposits.
- Interest on interbank and money market items increased by Baht 74 million, or 7.0%, due to higher repurchase agreement transactions.

Consequently, net interest income in 2Q/19 was Baht 18,762 million, a decrease of Baht 650 million, or 3.3%, from 1Q/19.

On a year-on-year basis, interest income increased by Baht 1,080 million, or 4.1%. Key items are as follows:

- Interest on loans increased by Baht 822 million, or 4.8%, corresponding to the higher outstanding loans balance of 6.9%.
- Interest on hire purchase and financial lease income increased by Baht 251 million, or 3.4%, resulting from an auto hire purchase portfolio expansion of 6.3%.
- Interest on investments in debt securities increased by Baht 204 million, or 48.9%, mainly attributed to an increase in Available for Sale (AFS) portfolio balance.
- Interest on interbank and money market items decreased by Baht 227 million, or 14.1%, mainly due to a decrease in repurchase agreement transactions.

Interest expenses increased by Baht 806 million, or 10.2%, from 2Q/18. Key items are as follows:

- Interest on deposits increased by Baht 965 million, or 26.1%, reflecting a higher outstanding balance of deposits of Baht 129,938 million or 9.5%.
- Contributions to the Financial Institutions Development Fund (FIDF) and the Deposit Protection Agency (DPA) increased by Baht 121 million, or 7.1%, resulting primarily from a higher outstanding balance of deposits.
- Interest on interbank and money market items decreased by Baht 234 million, or 17.1%, mainly due to lower interest expenses for interbank and money market items.
- Interest on borrowing decreased by Baht 61 million, or 5.5%, mainly resulting from a decrease in the outstanding balance of debentures.

Consequently, net interest income in 2Q/19 increased by Baht 274 million, or 1.5%, from 2Q/18.

For the six-month period ended June 30, 2019

In the first half of 2019, interest income was recorded at Baht 54,933 million, an increase of Baht 3,043 million, or 5.9%, compared to the same period last year. Key items are as follows:

- Interest on loans increased by Baht 2,765 million, or 8.3%, resulting primarily from a strong loan portfolio expansion.
- Interest on hire purchase and financial lease income increased by Baht 672 million, or 4.6%, resulting from an auto hire purchase portfolio expansion.
- Interest on investments in debt securities increased by Baht 424 million, or 55.3%, caused by a higher AFS portfolio balance.
- Interest on interbank and money market items decreased by Baht 876 million, or 26.4%.

Interest expenses increased by Baht 1,379 million, or 9.0% year-on-year. Key items are as follows:

- Interest on deposits increased by Baht 1,664 million, or 23.0%, reflecting a higher outstanding balance of deposit.
- Contributions to the FIDF and the DPA increased Baht 200 million, or 6.0%, corresponding to a higher deposit volume.
- Interest on interbank and money market items decreased by Baht 449 million, or 17.0%, mainly resulting from lower interest expenses for interbank and money market items of Baht 809 million, offset by an increase in loans from financial institutions of Baht 356 million.
- Interest on borrowing decreased by Baht 73 million, or 3.4%, mainly from a decrease in the outstanding balance of debentures.

Consequently, net interest income increased by Baht 1,664 million, or 4.6%, compared to the same period last year.

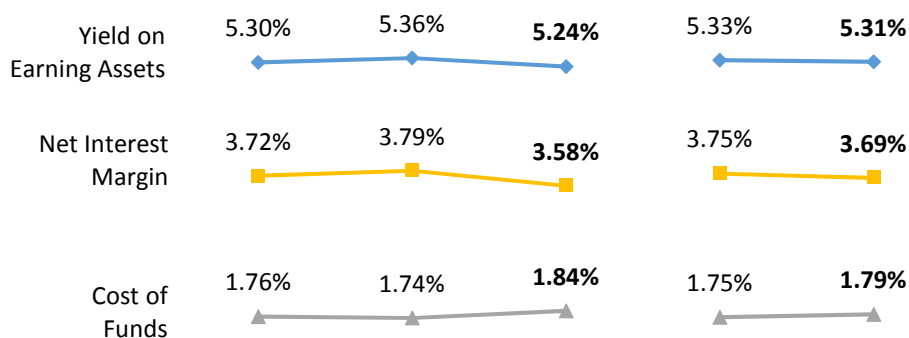
In 2Q/19, the yield on earning assets decreased to 5.24% from 5.36% in 1Q/19, reflecting a lower yield on loans, mirroring the portfolio rebalance toward commercial lending during the period.

Cost of funds increased to 1.84% from 1.74% in 1Q/19, reflecting the higher time deposit outstanding balance with maturities ranging from one year to greater than one year, of which cost of deposits increased to 1.73% from 1.62% in 1Q/19, together with the issuance of subordinated debentures of Baht 18,826 million in 2Q/19.

Consequently, NIM moderated to 3.58% from 3.79% in 1Q/19.

In 1H/19, NIM moderated to 3.69% from 3.75% registered in 1H/18, mainly due to a decrease in yield on earning assets together with an increase in cost of funds.

Net Interest Margin (NIM)



	2Q/18	1Q/19	2Q/19	1H/18	1H/19
Yield on Loans	6.05%	6.04%	5.86%	5.99%	5.91%
Cost of Deposits	1.55%	1.62%	1.73%	1.54%	1.68%

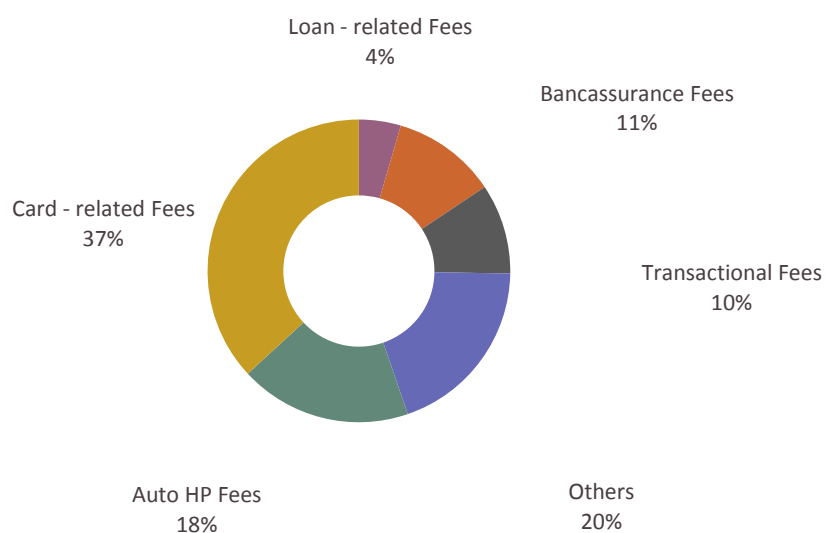
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Policy Rate	1.50%	1.50%	1.50%	1.50%	1.75%	1.75%	1.75%
Krungsri Lending Rate	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%
Savings Rate	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
3 - month deposits	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%	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%	0.90-1.40%
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%	1.10-1.55%

2.2 Non-Interest Income

Consolidated	2Q/19	1Q/19	2Q/18	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	130	131	129	(1)	(0.8)	1	0.8
Other fees and service income	7,179	7,179	6,915	0	0.0	264	3.8
Fees and service income	7,309	7,310	7,044	(1)	(0.0)	265	3.8
Fees and service expense	1,898	2,014	1,858	(116)	(5.8)	40	2.2
Fees and Service Income, net	5,411	5,296	5,186	115	2.2	225	4.3
Gains (losses) on trading and foreign exchange transactions	1,046	1,159	1,130	(113)	(9.7)	(84)	(7.4)
Gains (losses) on investments	402	8,671	106	(8,269)	(95.4)	296	279.2
Share of profit (loss) from investment for using equity method	412	192	106	220	114.6	306	288.7
Bad debt recoveries	1,530	1,600	1,453	(70)	(4.4)	77	5.3
Other operating income	477	416	447	61	14.7	30	6.7
Total Non-interest and Non-fees Income	3,867	12,038	3,242	(8,171)	(67.9)	625	19.3
Non-Intetest Income	9,278	17,334	8,428	(8,056)	(46.5)	850	10.1

Consolidated	1H/19	1H/18	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	261	255	6	2.4
Other fees and service income	14,358	13,996	362	2.6
Fees and service income	14,619	14,251	368	2.6
Fees and service expense	3,912	3,745	167	4.5
Fees and Service Income, net	10,707	10,506	201	1.9
Gains (losses) on trading and foreign exchange transactions	2,205	2,444	(239)	(9.8)
Gains (losses) on investments	9,073	334	8,739	2,616.5
Share of profit (loss) from investment for using equity method	603	219	384	175.3
Bad debt recoveries	3,130	2,896	234	8.1
Other operating income	894	894	0	0.0
Total Non-Interest and Non-fees Income	15,905	6,787	9,118	134.3
Non-Interest Income	26,612	17,293	9,319	53.9

Fees & Service Income Breakdown in 2Q/19



For the second quarter period ended June 30, 2019

Total non-interest income in 2Q/19 was Baht 9,278 million, considerably decreasing by Baht 8,056 million, or 46.5% from the prior quarter, driven largely by the absence of one-time gains on investments in 1Q/19. Details are as follows:

- Net fees and service income was Baht 5,411 million, increasing by Baht 115 million, or 2.2% from 1Q/19. Key items are:
 - Auto hire purchase fees increased by Baht 71 million, or 5.6%.
 - Wealth & fund management and securities-related fees increased by Baht 52 million, mirroring the capital market conditions in 2Q/19.
 - Loan-related fees increased by Baht 37 million, or 12.7%.
 - Transactional fees increased by Baht 24 million, or 3.6%.
 - Card-related fees, collection fees and bancassurance fees decreased by Baht 92 million or 3.3%, Baht 84 million or 34.2%, and Baht 19 million or 2.3%, respectively.
 - Fees and service expenses decreased by 5.8%, or Baht 116 million, mainly resulting from ATM and card network fees.
- A share of profit from investment for using the equity method increased by Baht 220 million, or 114.6%, driven by the change in control of NTL to a 50% joint venture.
- Other Income increased by Baht 61 million, or 14.7% mainly driven by dividend income which increased by Baht 22 million, or 51.9%.
- Gains on investments considerably decreased by Baht 8,269 million, or 95.4%, driven largely by the absence of one-time gains on investments in 1Q/19.
- Gains on trading and foreign exchange transactions decreased by Baht 113 million, or 9.7%, resulting from a decrease in the interest rate derivatives volume.
- Bad debt recoveries decreased by Baht 70 million or 4.4%.

On a year-on-year basis, total non-interest income increased by Baht 850 million, or 10.1%. Details are as follows:

- Net fees and service income increased by Baht 225 million, or 4.3%, from 2Q/18. Key items are:
 - Card-related fees increased by Baht 396 million, or 17.2%.
 - Loan-related fees increased by Baht 81 million, or 33.2%.
 - Bancassurance fees decreased by Baht 118 million, or 12.6%.
 - Collection fees decreased by Baht 87 million, or 35.1%.
 - Wealth & fund management and securities-related fees decreased by Baht 22 million, or 1.9%.
 - Transactional fees decreased by Baht 15 million, or 2.1%, partly due to digital fee-waivers.
 - Auto hire purchase fees decreased by Baht 15 million, or 1.1%.
 - Fees and service expenses increased by 2.2%, or Baht 40 million, mainly resulting from ATM and card network fees.

- A share of profit from investment using the equity method increased by Baht 306 million, or 288.7%, driven by the change in control of NTL to a 50% joint venture.
- Gains on investments significantly increased by Baht 296 million, or 279.2%, mainly from AFS portfolio.
- Bad debt recoveries increased by Baht 77 million, or 5.3%.
- Other income increased by Baht 30 million, or 6.7% mainly driven by gain on sales of properties for sale which increased by Baht 82 million, or 57.7%.
- Gains on trading and foreign exchange transactions decreased by Baht 84 million, or 7.4%, mainly due to a decrease in interest rate derivatives.

For the six-month period ended June 30, 2019

For 1H/19, non-interest income was Baht 26,612 million, increasing robustly by Baht 9,319 million, or 53.9% year-on-year. Details are as follows:

- Net fees and service income was Baht 10,707 million, an increase of Baht 201 million, or 1.9%. Key items are:
 - Card-related fees increased by Baht 762 million, or 16.1%.
 - Loan-related fees increased by Baht 120 million, or 24.3%.
 - Wealth & fund management and securities-related fees decreased by Baht 235 million, or 9.6%.
 - Transactional fees decreased by Baht 126 million, or 8.4% and bancassurance fees decreased by Baht 125 million, or 7.0%.
 - Collection fees decreased by Baht 95 million, or 19.0% and auto hire purchase fees decreased by Baht 8 million, or 0.3%.
 - Fees and service expenses increased by 4.5%, or Baht 167 million, mainly from ATM and card network fees.
- Gains on investments significantly increased by Baht 8,739 million, or 2,616.5%, mainly due to the one-time gains on investments from the NTL transaction in 1Q/19.
- A share of profit from investment for using the equity method increased by Baht 384 million, or 175.3%, driven by the change in control of NTL to a 50% joint venture.
- Bad debt recoveries increased by Baht 234 million, or 8.1%.
- Gains on trading and foreign exchange transactions decreased by Baht 239 million, or 9.8%, mainly due to a decrease in interest rate derivatives.

2.3 Other Operating Expenses

Consolidated	2Q/19	1Q/19	2Q/18	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee expenses	6,512	7,952	6,456	(1,440)	(18.1)	56	0.9
Premises and equipment expenses	1,927	2,078	2,102	(151)	(7.3)	(175)	(8.3)
Taxes and duties	709	750	681	(41)	(5.5)	28	4.1
Directors' remuneration	15	15	15	0	0.0	0	0.0
Other expenses	3,297	3,427	3,324	(130)	(3.8)	(27)	(0.8)
Total Other Operating Expenses	12,460	14,222	12,578	(1,762)	(12.4)	(118)	(0.9)

Consolidated	1H/19	1H/18	Change YoY	
			Baht mn	%
Employee expenses	14,464	12,995	1,469	11.3
Premises and equipment expenses	4,004	4,199	(195)	(4.6)
Taxes and duties	1,459	1,366	93	6.8
Directors' remuneration	30	30	0	0.0
Other expenses	6,724	6,387	337	5.3
Total Other Operating Expenses	26,681	24,977	1,704	6.8

For the second quarter period ended June 30, 2019

Total other operating expenses were Baht 12,460 million, decreasing by Baht 1,762 million, or 12.4% from 1Q/19. Key items are as follows:

- Employee expenses decreased by Baht 1,440 million, or 18.1%, mainly from the absence of the provision for compensation in personnel expenses relating to severance payment in accordance with the amended Labor Protection Act which was recorded in 1Q/19.
- Premise and equipment expenses decreased by Baht 151 million, or 7.3%, while other expenses decreased by Baht 130 million, or 3.8%, driven mainly by the change in control of NTL to a 50% joint venture.

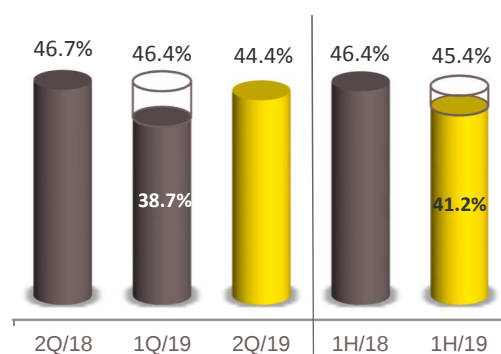
On a year-on-year basis, total other operating expenses decreased by Baht 118 million, or 0.9%, mainly from a decrease in premises and equipment expenses by Baht 175 million, or 8.3%, due to the change in control of NTL to a 50% joint venture.

For the six-month period ended June 30, 2019

For the first half of 2019, total other operating expenses were Baht 26,681 million, increasing by Baht 1,704 million, or 6.8%. Key items are as follows:

- Employee expenses increased by Baht 1,469 million, or 11.3%, mainly from the aforementioned one-time item recorded in 1Q/19, together with annual merit increases and staff promotions.
- Other expenses increased by Baht 337 million, or 5.3%, driven by an increase in IT and marketing promotion expenses.
- Premises and equipment expenses decreased by Baht 195 million, or 4.6%, driven mainly by the change in control of NTL to a 50% joint venture.

Cost to income Ratio



The cost-to-income ratio was recorded at 44.4% in 2Q/19, compared to the normalized ratio of 46.4% in 1Q/19. (Incorporating the one-time items in 1Q/19, the cost-to-income ratio stood at 38.7% in 1Q/19.)

With the continued digital and IT investment to enhance our product and service capabilities to generate future revenue streams, while continuously enhancing productivity and keeping normal business expenses well contained, normalized cost to income in 1H/19 was at 45.4% in 1H/18, improving from 46.4% in 1H/18 (*Incorporating one-time items in 1Q/19, the cost to income ratio was recorded at 41.2% in 1H/19.*)

2.4 Impairment loss of loans and debt securities

Consolidated	2Q/19	1Q/19	2Q/18	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	6,459	6,037	6,012	422	7.0	447	7.4
Loss on Debt Restructuring	266	311	392	(45)	(14.5)	(126)	(32.1)
Total impairment loss of loan and debt securities	6,725	6,348	6,404	377	5.9	321	5.0

Consolidated	1H/19	1H/18	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	12,496	12,339	157	1.3
Loss on Debt Restructuring	578	748	(170)	(22.7)
Total impairment loss of loan and debt securities	13,074	13,087	(13)	(0.1)

Loan-loss provision in 2Q/19 amounted to Baht 6,725 million, an increase of Baht 377 million, or 5.9%, from 1Q/19, corresponding to a higher loan volume and a prudential safeguard.

In 1H/19, the loan-loss provision was recorded at Baht 13,074 million, representing a slight decrease of Baht 13 million, or 0.1%, on a year-on-year basis, due to an improvement in asset quality.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at Jun. 30, 19	As at Mar. 31, 19	As at Dec. 31, 18	Change from Mar. 31, 19		Change from Dec. 31, 18	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	30,735	32,792	34,680	(2,057)	(6.3)	(3,945)	(11.4)
Interbank and money market items, net	279,486	289,535	245,553	(10,049)	(3.5)	33,933	13.8
Investments, net	143,234	136,175	134,749	7,059	5.2	8,485	6.3
Investments in subsidiaries and joint ventures, net	11,251	10,839	2,620	412	3.8	8,631	329.4
Loans to customers	1,840,857	1,790,203	1,749,254	50,654	2.8	91,603	5.2
Accrued interest receivable	4,450	4,596	4,326	(146)	(3.2)	124	2.9
Deferred revenue	(84,494)	(80,535)	(77,236)	(3,959)	(4.9)	(7,258)	(9.4)
Allowance for doubtful accounts	(62,363)	(61,859)	(59,791)	(504)	(0.8)	(2,572)	(4.3)
Revaluation allowance for debt restructuring	(1,620)	(1,591)	(1,569)	(29)	(1.8)	(51)	(3.3)
Properties for sale, net	3,370	3,361	3,478	9	0.3	(108)	(3.1)
Assets classified as held for sale	0	0	39,536	0	-	(39,536)	(100.0)
Others	112,305	117,814	98,022	(5,509)	(4.7)	14,283	14.6
TOTAL ASSETS	2,277,211	2,241,330	2,173,622	35,881	1.6	103,589	4.8
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,497,469	1,465,377	1,426,348	32,092	2.2	71,121	5.0
Interbank and money market items, net	243,767	272,870	244,097	(29,103)	(10.7)	(330)	(0.1)
Debt issued and borrowings	163,553	137,476	155,650	26,077	19.0	7,903	5.1
Liabilities directly associated with assets classified as held for sale	0	0	13,784	0	-	(13,784)	(100.0)
Others	112,250	108,782	90,025	3,468	3.2	22,225	24.7
TOTAL LIABILITIES	2,017,039	1,984,505	1,929,904	32,534	1.6	87,135	4.5
Issued and paid-up share capital	73,558	73,558	73,558	0	0.0	0	0.0
Retained earning	130,596	126,833	114,050	3,763	3.0	16,546	14.5
Others	56,018	56,434	56,110	(416)	(0.7)	(92)	(0.2)
TOTAL SHAREHOLDERS' EQUITY	260,172	256,825	243,718	3,347	1.3	16,454	6.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,277,211	2,241,330	2,173,622	35,881	1.6	103,589	4.8
Book value per share (Baht)	35.37	34.91	33.13	0.46	1.3	2.24	6.8

As of June 30, 2019, total assets stood at Baht 2,277,211 million, representing an increase of Baht 103,589 million, or 4.8%, from December 2018. Key items are as follows:

- Total loans (net of deferred revenue) increased by Baht 84,345 million, or 5.0%.
- Net interbank and money market items increased by Baht 33,933 million, or 13.8%, caused by an increase in repurchase agreements of Baht 25,138 million, and loans from financial institutions of Baht 11,196 million, offset by a decrease in deposits with financial institutions of Baht 2,402 million.
- Other assets increased by Baht 14,283 million, or 14.6%, mainly owing to an increase in derivatives assets and claim on securities.
- Net investment in subsidiaries and joint ventures increased by Baht 8,631 million, or 329.4%, mainly due to the change in control of NTL from a subsidiary to a 50% joint venture.
- Net investments increased by Baht 8,485 million, or 6.3%, mainly resulting from a higher AFS portfolio balance.
- Asset classified as held for sale decreased by Baht 39,536 million, attributed to the completion of the NTL transaction in 1Q/19.

Compared to 1Q/19, total assets increased by Baht 35,881 million, or 1.6% in 2Q/19. Key items are as follows:

- Total loans (net of deferred revenue) increased by Baht 46,695 million, or 2.7%.
- Net investments increased by Baht 7,059 million, or 5.2%, mainly resulting from an increase in the AFS portfolio.
- Net interbank and money market items decreased by Baht 10,049 million, or 3.5%, mainly resulting from a decrease in repurchase agreements of Baht 26,242 million, offset by an increase in loans with financial institutions of Baht 15,403 million.
- Other assets decreased by Baht 5,509 million, or 4.7%, mainly due to a decrease in claims on securities of Baht 14,888 million, offset by an increase in derivative assets and margin call to counterparty.

As of June 30, 2019, total liabilities stood at Baht 2,017,039 million, representing an increase of Baht 87,135 million, or 4.5%, from December 2018. Key items are as follows:

- Deposits increased by Baht 71,121 million, or 5.0%, largely driven by time deposits with maturities ranging from one year to greater than one year.
- Debts issued and borrowings increased by Baht 7,903 million, or 5.1%, driven by the issuance of the subordinated debentures of Baht 18,826 million in 2Q/19, offset by a decrease in long-term debentures of Baht 10,049 million.

- Other liabilities increased by Baht 22,225 million, or 24.7%, driven by an increase in derivatives liabilities.
- Liabilities directly associated with assets classified as held for sale decreased by Baht 13,784 million, mainly due to the completion of the NTL transaction.

Compared to 1Q/19, total liabilities increased by Baht 32,534 million, or 1.6%. Key items are as follows:

- Deposits increased by Baht 32,092 million, or 2.2%, mainly resulting from an increase in time deposits with maturities ranging from one year to greater than one year.
- Debts issued and borrowings increased by Baht 26,077 million, or 19.0%, led by the issuance of subordinated debentures of Baht 18,826 million and an increase in long-term debentures of Baht 7,965 million.
- Net interbank and money market items decreased by Baht 29,103 million, or 10.7%, mainly due to a decrease in repurchase agreements of Baht 22,437 million and a decrease in loans from financial institutions of Baht 8,935 million.

Total shareholders' equity rose to Baht 260,172 million, an increase of Baht 16,454 million, or 6.8%, from December 2018 due to an increase in equity holders' net profit of Baht 19,747 million in 1H/19, which was partially offset by dividends paid of Baht 3,310 million.

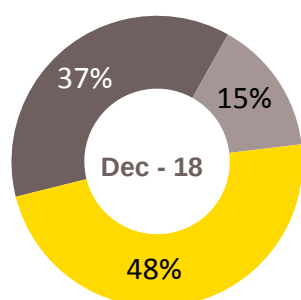
Book value per share as of June 30, 2019 increased 6.8% to Baht 35.37 from Baht 33.13 at the end of 2018.

3.2 Loans to customers

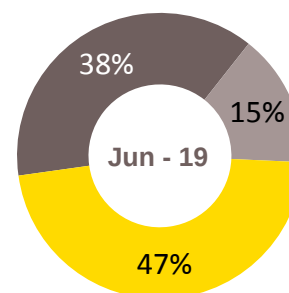
3.2.1 Loans by segment

Consolidated	Jun. 30, 19	Mar. 31, 19	Dec. 31, 18	Change from Mar. 31, 19		Change from Dec. 31, 18	
				Baht mn	%	Baht mn	%
Corporate	665,594	645,882	626,170	19,712	3.1	39,424	6.3
- Thai Corporate	448,288	435,196	422,911	13,092	3.0	25,377	6.0
- International Corporate (JPC/MNC)	217,306	210,686	203,259	6,620	3.1	14,047	6.9
SMEs	263,719	257,131	250,499	6,588	2.6	13,220	5.3
Retail	827,050	806,655	795,349	20,395	2.5	31,701	4.0
- Hire purchase	389,819	377,788	367,199	12,031	3.2	22,620	6.2
- Mortgage	259,465	255,912	250,484	3,553	1.4	8,981	3.6
- Credit cards and personal loans	177,766	172,955	177,666	4,811	2.8	100	0.1
Total *	1,756,363	1,709,668	1,672,018	46,695	2.7	84,345	5.0

* Loans to customers net of deferred revenue



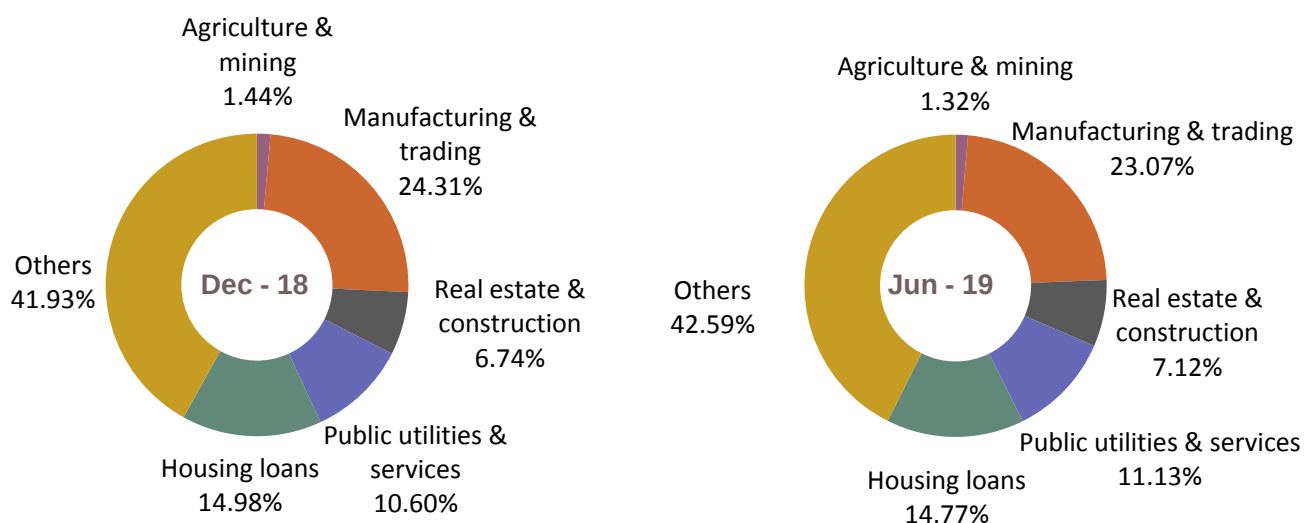
■ Corporate
■ SME
■ Retail



Auto HP 22%
Mortgage 15%
Credit card and Personal Loans 11%

Auto HP 22%
Mortgage 15%
Credit card and Personal Loans 10%

3.2.2 Loans by Industry



As of June 30, 2019, total outstanding loans (net of deferred revenue) stood at Baht 1,756,363 million, an increase of Baht 84,345 million, or 5.0% from December 2018, and an increase of Baht 46,695 million, or 2.7% from 1Q/19, which was a broad-based loan growth across all segments.

At the end of 1H/19, 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 3.1%, or Baht 19,712 million in 2Q/19, and by 6.3%, or Baht 39,424 million on a year-to-date basis, driven by a broad balance of both Thai Corporate and International Corporates (JPC/MNC) segments.

Thai Corporate loans increased by 3.0%, or Baht 13,092 million in 2Q/19, and by 6.0%, or Baht 25,377 million on a year-to-date basis, attributed to a broad-based growth across industries.

Meanwhile, *International Corporate (JPC/MNC) loans* increased by 3.1%, or Baht 6,620 million in 2Q/19, and by 6.9%, or Baht 14,047 million on a year-to-date basis, mirroring a continued investment of Japanese companies and Krungsri's solid relationships with the customers.

SME loans grew by 2.6%, or Baht 6,588 million in 2Q/19, and by 5.3%, or Baht 13,220 million on a year-to-date basis. The growth of SME loans in the second quarter was observed both SME-M and SME-S segments.

The **retail loan segment** registered a growth of Baht 20,395 million, or 2.5% in 2Q/19, and 4.0%, or Baht 31,701 million, on a year-to-date basis.

- **Auto hire purchase loans** grew by 3.2%, or Baht 12,031 million, from the previous quarter, and by 6.2%, or Baht 22,620 million on a year-to-date basis. The growth of auto hire purchase loans was led by the new car segment, mirroring the robust domestic car sales during the period.
- **Mortgage loans** increased moderately by 1.4%, or Baht 3,553 million, in 2Q/19, and grew by 3.6%, or Baht 8,981 million on a year-to-date basis. The moderate growth in 1H/19 was attributed to the impact from LTV measures on mortgage lending.
- **Credit cards and personal loans** increased by 2.8%, or Baht 4,811 million in 2Q/19, and by 0.1%, or Baht 100 million on a year-to-date basis. The growth of credit cards and personal loans in 1H/19 was reflecting private consumption conditions.

3.2.3 Loan classification and provision

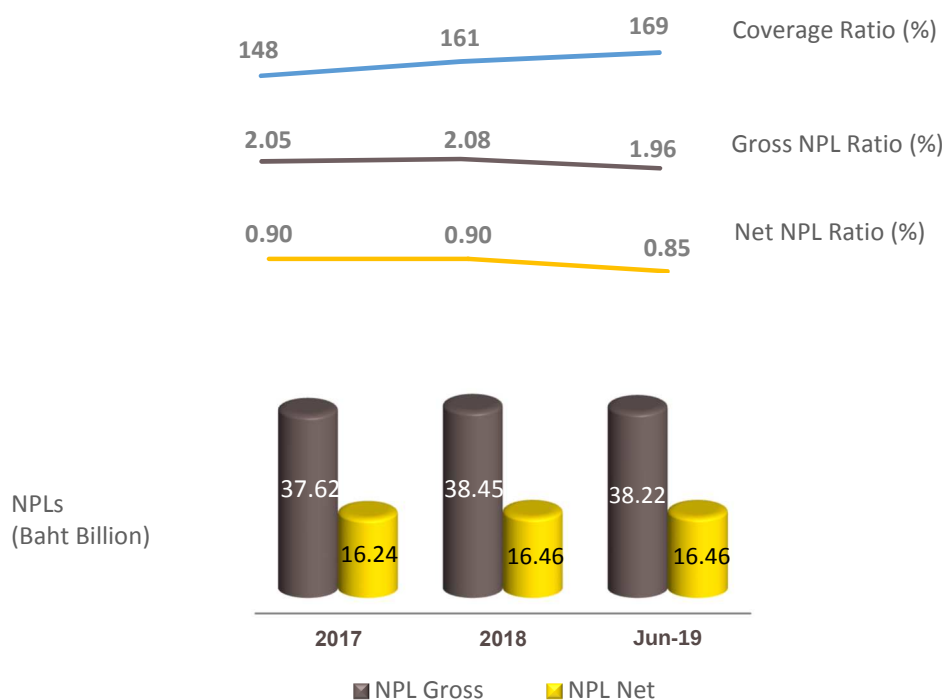
Unit : Baht mn

Consolidated	Jun. 30, 19		Dec. 31, 18		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	1,667,986	13,289	1,583,364	12,418	84,622	871
Special mention	54,605	7,500	54,533	6,375	72	1,125
Substandard	10,154	5,371	10,066	5,148	88	223
Doubtful	5,327	2,756	5,500	2,787	(173)	(31)
Doubtful of loss	22,741	12,885	22,881	13,322	(140)	(437)
Total	1,760,813	41,801	1,676,344	40,050	84,469	1,751
Surplus Reserve		20,562		19,741		821
Total	1,760,813	62,363	1,676,344	59,791	84,469	2,572

3.2.4 Non-performing loans

Consolidated	Jun. 30, 19	Mar. 31, 19	Dec. 31, 18	Change from Mar. 31, 19		Change from Dec. 31, 18	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	16,457	16,248	16,455	209	1.3	2	0.0
Non-Performing Loans (Gross)	38,221	38,548	38,446	(327)	(0.8)	(225)	(0.6)
Loans Loss Reserves (LLR)	64,406	63,883	61,808	523	0.8	2,598	4.2
Coverage Ratio	168.5%	165.7%	160.8%	2.8%	1.7	7.7%	4.8
BOT Requirement	43,844	43,711	42,066	133	0.3	1,778	4.2
Actual / Required LLR	146.9%	146.1%	146.9%	0.8%	0.5	0.0%	-

NPLs and Coverage Ratio



NPL by Segment

Consolidated	Jun. 30, 19	Mar. 31, 19	Dec. 31, 18	Sep. 30, 18	Jun. 30, 18
Corporate	1.1%	1.0%	1.1%	1.2%	1.2%
SME	5.4%	6.0%	6.3%	6.5%	6.4%
Retail	2.1%	2.0%	2.0%	2.0%	1.9%
Hire Purchase	1.8%	1.7%	1.8%	1.7%	1.6%
Mortgage	2.7%	2.7%	2.6%	2.7%	2.6%
Personal Loan, Credit Card, and Other	1.6%	1.7%	1.6%	1.6%	1.5%

As of June 30, 2019, gross NPLs stood at Baht 38,221 million, a decrease of Baht 225 million, or 0.6%, from Baht 38,446 million at the end of 2018. Compared to March 2019, gross NPLs decreased by Baht 327 million, or 0.8% during 2Q/19. Krungsri conducted the NPL sales of Baht 930 million in 2Q/19.

The ratio of gross NPLs as of June 30, 2019 stood at 1.96%, improving from 1.99% in March 2019 and 2.08% in December 2018, with a considerable improvement in SME loans portfolio.

As of June 30, 2019, loan-loss reserves stood at Baht 64,406 million, with an excess of Baht 20,562 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 146.9%.

Maintaining as a prudential safeguard, the coverage ratio continued to improve to 168.5% in 2Q/19, compared to 165.7% in 1Q/19 and 160.8% at the end of 2018.

3.3 Funding Structure

Deposits

Consolidated	Jun. 30, 19	Mar. 31, 19	Dec. 31, 18	Change from Mar. 31, 19		Change from Dec. 31, 18	
				Baht mn	%	Baht mn	%
Current	38,717	34,887	35,391	3,830	11.0	3,326	9.4
Savings	587,753	592,867	591,183	(5,114)	(0.9)	(3,430)	(0.6)
Time	870,999	837,623	799,774	33,376	4.0	71,225	8.9
< 6 Months	379,520	375,897	360,275	3,623	1.0	19,245	5.3
6 Months and < 1 Year	44,932	74,644	127,892	(29,712)	(39.8)	(82,960)	(64.9)
1 Year and over 1 Year	446,547	387,082	311,607	59,465	15.4	134,940	43.3
Total Deposit	1,497,469	1,465,377	1,426,348	32,092	2.2	71,121	5.0

Borrowing

Consolidated	Jun. 30, 19	Mar. 31, 19	Dec. 31, 18	Change from Mar. 31, 19		Change from Dec. 31, 18	
				Baht mn	%	Baht mn	%
Debenture	98,591	90,626	108,640	7,965	8.8	(10,049)	(9.2)
Subordinated debenture	61,287	42,686	42,735	18,601	43.6	18,552	43.4
Other	3,675	4,164	4,275	(489)	(11.7)	(600)	(14.0)
Total Borrowing	163,553	137,476	155,650	26,077	19.0	7,903	5.1

As of June 30, 2019, deposits totaled Baht 1,497,469 million, an increase of Baht 71,121 million, or 5.0%, from December 2018, attributed to an increase in time deposits with maturities ranging from one year to greater than one year by Baht 134,940 million, while deposits with maturities less than six months increased by Baht 19,245 million. The aforementioned increase was offset by a decrease in time deposits with maturities ranging from six months to less than one year amounting to Baht 82,960 million.

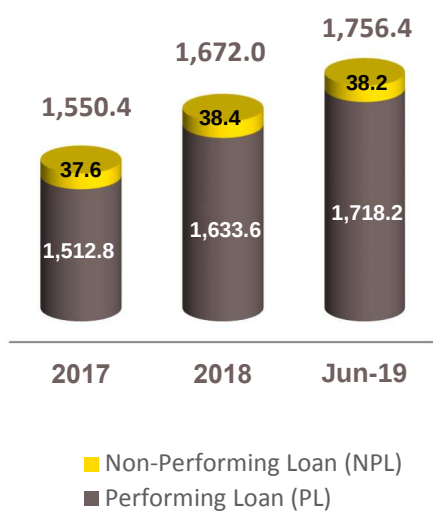
As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased to 41.8%, compared to 43.9% in December 2018.

As of June 30, 2019, total borrowing stood at Baht 163,553 million, increasing by Baht 7,903 million, or 5.1% from December 2018, mainly driven by the issuance of subordinated debentures, which will be qualified as the Tier 2 capital, amounting to Baht 18,826 million in June 2019 carrying an interest rate of 3.8% with 10 years of maturity, offset by a decrease in long-term debentures of Baht 10,049 million.

Consequently, the loan to deposit ratio was maintained at 117% and the loan to deposit plus debentures ratio slightly increased to 110%, compared to 109% at the end of December 2018.

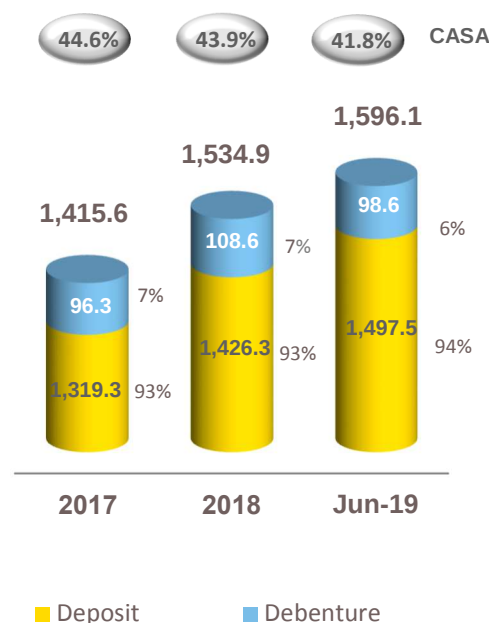
Loans

Unit: Baht Billion



Deposits + Debenture

Unit: Baht Billion



	2017	2018	Jun-19
L/D	118%	117%	117%
L/D + Debentures	110%	109%	110%

3.4 Contingencies

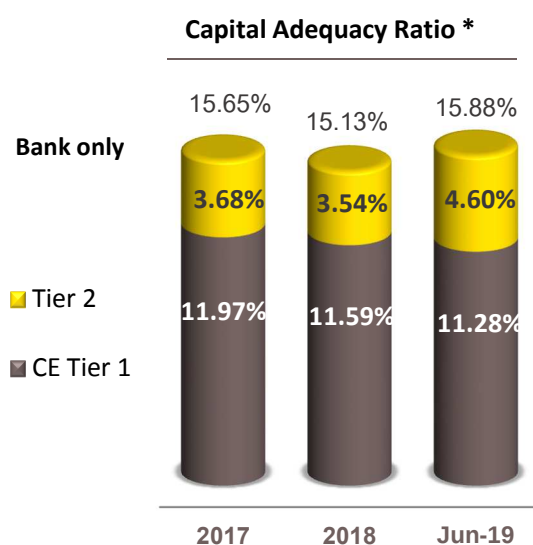
Consolidated	Jun. 30, 19	Mar. 31, 19	Dec. 31, 18	Change from Mar. 31, 19		Change from Dec. 31, 18	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	3,794	3,980	3,541	(186)	(4.7)	253	7.1
Liability under unmatured import bills	1,175	1,451	1,955	(276)	(19.0)	(780)	(39.9)
Letters of credit	4,315	5,440	5,818	(1,125)	(20.7)	(1,503)	(25.8)
Other contingencies	95,720	98,530	95,063	(2,810)	(2.9)	657	0.7
Total	105,004	109,401	106,377	(4,397)	(4.0)	(1,373)	(1.3)

Krungsri Group's contingencies as of June 30, 2019 totaled Baht 105,004 million, a decrease of Baht 1,373 million, or 1.3%, from December 31, 2018. The decrease was mainly caused by a decrease in letters of credit of Baht 1,503 million.

3.5 Statutory Capital

As of June 30, 2019, the Bank's capital increased to Baht 253,243 million, equivalent to 15.88% of risk-weighted assets, comprising common equity tier 1 capital of 11.28% and tier 2 capital of 4.60%.

The current level of capital is sufficient to provide Krungsri with flexibility to continue growing our business.



* 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	2017	2018	Jun-19
CE Tier 1	167.53	175.38	179.80
Tier 2	51.50	53.60	73.44
Total Capital	219.03	228.98	253.24

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

Fitch Ratings announced an upgrade of Krungsri Short-Term Issue Default Rating (IDR) from F2 to F1 on April 12, 2019, reflecting the fact that Krungsri has become more integrated with MUFG and also shown that it is a key component of MUFG's regional strategy.

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's, Fitch Ratings and TRIS Rating as of June 30, 2019 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	F1
- Viability Rating	bbb
- Support	1
- Outlook	Stable

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