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Management Discussion and Analysis

For the quarter and nine-month period ended
September 30, 2018

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Executive Summary:

Krungsri recorded a net profit of Baht 18,703 million for the first nine months of 2018, an increase of Baht 1,173 million, or 6.7%, over the same period of 2017. The solid earnings were contributed by higher net interest income and non-interest income, together with the effective expense management.

Total loans outstanding reached Baht 1,666,879 million, a record increase of Baht 116,475 million, or 7.5% from December 2017. Loan growth was broad-based, covering all customer segments. The retail segment continued to be the leading driver with a notable increase of Baht 70,298 million, or 9.7%, followed by SME and corporate segments which grew 10.2%, or Baht 22,542 million, and 3.9%, or Baht 23,635 million respectively.

Deposits totaled Baht 1,376,585 million, an increase of Baht 57,356 million, or 4.3%, from December 2017, largely driven by time deposits with maturities of more than one year.

Compared to 9M/17, **non-interest income** increased of Baht 2,193 million or 9.4% mainly driven by fees from auto hire purchase, wealth & fund management and securities, gains on trading and foreign exchange transactions, and bad debt recoveries.

The non-performing loans (NPLs) ratio stood at 2.12% in September 2018.

Loan-loss reserves stood at Baht 63,091 million, with an excess of Baht 23,284 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 158.5%. The coverage ratio also improved to 162.1% from 161.7% in the prior quarter.

Corresponding to the higher net profit, **earnings per share (EPS)** rose to Baht 2.54 in 9M/18, from Baht 2.38 in 9M/17.

On 8 October 2018, the Bank notified the Stock Exchange of Thailand on the amendment of Krungsri's shareholding in its subsidiary by selling ordinary shares in Ngern Tid Lor Company Limited amounting to 50% to Siam Asia Credit Access PTE LTD. However, this transaction is subject to satisfactory completion of conditions precedent and regulatory filings.

As for the remaining months of 2018, barring an escalation in trade protectionism and its potential impacts, the Thai economy is projected to sustain economic growth momentum supported by the strengthening global economy, the stronger contribution from government consumption and investment, the more pronounced recovery in private investment, and the improvement of overall income conditions. Given sustained improvements in the business environment, together with an expected seasonal rise of business for both retail and commercial lending in the fourth quarter, Krungsri expects the 2018 loan growth performance to be in the range of 8 - 10%.

NIM: 3.81%

Net Profit:
Baht 18.7 billion

Coverage Ratio: 162.1%

NPLs Ratio: 2.12%

Summary of Financial Performance and Status:

Key 9M/2018 deliverables:

- **Net Profit:**

Recorded at Baht 18,703 million for 9M/18, representing a 6.7% increase over 9M/17. For 3Q/18, the net profit totaled Baht 6,215 million.

- **Loan Growth:**

Increased by 7.5%, or Baht 116,475 million, compared to December 2017, and recorded an increase of 1.5% or Baht 24,581 million compared to June 2018, driven by retail and SME segments.

- **Deposit Growth:**

Increased by 4.3%, or Baht 57,356 million, compared to December 2017, and increased by 0.7%, or Baht 9,054 million compared to June 2018.

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

Stable at 3.81% compared to 3.82% for 9M/17.

- **Non-Interest Income:**

Increased by 9.4% or Baht 2,193 million from 9M/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 46.7%, improving from 47.4% in 9M/17.

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

Recorded at 2.12%, compared to 2.05% in December 2017.

- **Coverage Ratio:**

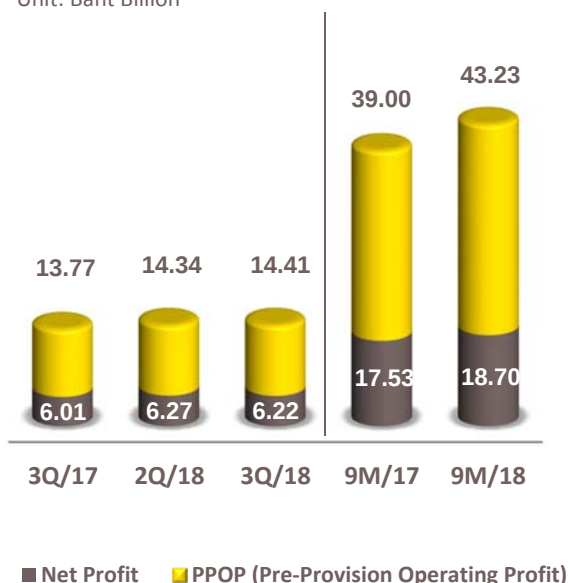
Recorded at 162.1%, improving from 148.4% in December 2017.

- **Capital Adequacy Ratio:**

Recorded at 15.50%, compared to 15.65% in December 2017.

PPOP & Net Profit

Unit: Baht Billion



For the third quarter period ended September 30, 2018

In 3Q/18, the operating profit was Baht 14,405 million, an increase of Baht 67 million, or 0.5%, on a quarter-on-quarter basis, mainly due to an increase in net interest income resulting from 1.5% loan growth recorded during the quarter. The net profit in 3Q/18 totaled Baht 6,215 million, representing a decrease of Baht 58 million, or 0.9% compared to 2Q/18, mainly resulting from an increase in operating expenses with the main component being marketing promotion expenses.

On a year-on-year basis, the operating profit increased by Baht 639 million or 4.6% from 3Q/17, largely driven by an increase in net interest income, offset by an increase in operating expenses. The net profit increased by Baht 201 million, or 3.3%, from 3Q/17, mainly attributed to the higher operating profit.

For the nine-month period ended September 30, 2018

For 9M/18, the operating profit was Baht 43,231 million, representing an increase of Baht 4,232 million, or 10.9% compared to 9M/17, driven largely by higher net interest income from loan expansion and robust performance in net fees and services income, gains on trading and foreign exchange transactions, and bad debt recoveries.

The net profit registered at Baht 18,703 million, an increase of Baht 1,173 million, or 6.7% year-on-year, driven largely by the 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	3Q/18	2Q/18	3Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	27,151	26,365	23,974	786	3.0	3,177	13.3
Interest Expenses	8,068	7,877	6,628	191	2.4	1,440	21.7
Interest Income, Net	19,083	18,488	17,346	595	3.2	1,737	10.0
Fees and Service Income	7,046	7,044	6,580	2	0.0	466	7.1
Fees and Service Expense	1,924	1,858	1,542	66	3.6	382	24.8
Fees and Service Income, Net	5,122	5,186	5,038	(64)	(1.2)	84	1.7
Non-interest and Non-fees Income	3,088	3,242	3,172	(154)	(4.8)	(84)	(2.6)
Other Operating Expenses	12,888	12,578	11,790	310	2.5	1,098	9.3
Pre-Provision Operating Profit (PPOP)	14,405	14,338	13,766	67	0.5	639	4.6
Impairment Loss of Loan and Debt Securities	6,303	6,404	6,177	(101)	(1.6)	126	2.0
Income Tax Expense	1,783	1,551	1,480	232	15.0	303	20.5
Net Profit	6,319	6,383	6,109	(64)	(1.0)	210	3.4
Other Comprehensive Income, Net	(162)	(425)	(132)	263	61.9	(30)	(22.7)
Total Comprehensive Income	6,157	5,958	5,977	199	3.3	180	3.0
Net Profit Attributable To							
Owners of the Bank	6,215	6,273	6,014	(58)	(0.9)	201	3.3
Non-Controlling Interest	104	110	95	(6)	(5.5)	9	9.5
Net Profit	6,319	6,383	6,109	(64)	(1.0)	210	3.4
Total Comprehensive Income Attributable To							
Owners of the Bank	6,053	5,847	5,882	206	3.5	171	2.9
Non-Controlling Interest	104	111	95	(7)	(6.3)	9	9.5
Total Comprehensive Income	6,157	5,958	5,977	199	3.3	180	3.0
Earning Per Share (Baht)	0.84	0.85	0.82	(0.01)	(1.2)	0.02	2.4

Consolidated	9M/18	9M/17	Change YoY	
			Baht mn	%
Interest Income	79,041	70,160	8,881	12.7
Interest Expense	23,447	19,393	4,054	20.9
Interest Income, Net	55,594	50,767	4,827	9.5
Fees and Service Income	21,298	19,132	2,166	11.3
Fees and Service Expense	5,669	4,787	882	18.4
Fees and Service Income, Net	15,629	14,345	1,284	9.0
Non-interest and Non-fees Income	9,873	8,964	909	10.1
Other Operating Expenses	37,865	35,077	2,788	7.9
Pre-Provision Operating Profit (PPOP)	43,231	38,999	4,232	10.9
Impairment Loss of Loan and Debt Securities	19,390	16,860	2,530	15.0
Income Tax Expense	4,850	4,344	506	11.6
Net Profit	18,991	17,795	1,196	6.7
Other Comprehensive Income, Net	(771)	(193)	(578)	(299.5)
Total Comprehensive Income	18,220	17,602	618	3.5
Net Profit Attributable To				
Owners of the Bank	18,703	17,530	1,173	6.7
Non-Controlling Interest	288	265	23	8.7
Net Profit	18,991	17,795	1,196	6.7
Total Comprehensive Income Attributable To				
Owners of the Bank	17,932	17,339	593	3.4
Non-Controlling Interest	288	263	25	9.5
Total Comprehensive Income	18,220	17,602	618	3.5
Earning Per Share (Baht)	2.54	2.38	0.16	6.7

2. Financial Performance

2.1 Net Interest Income

Consolidated	3Q/18	2Q/18	3Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	17,656	17,036	15,452	620	3.6	2,204	14.3
Interest on interbank and money market items	1,422	1,609	818	(187)	(11.6)	604	73.8
Hire purchase and financial lease income	7,567	7,293	7,203	274	3.8	364	5.1
Investments and trading transactions	4	10	17	(6)	(60.0)	(13)	(76.5)
Investments in debt securities	502	417	484	85	20.4	18	3.7
Total Interest Income	27,151	26,365	23,974	786	3.0	3,177	13.3
INTEREST EXPENSE							
Interest on deposits	3,806	3,699	3,103	107	2.9	703	22.7
Interest on interbank and money market items	1,419	1,368	1,022	51	3.7	397	38.8
Interest on borrowings	1,149	1,110	1,072	39	3.5	77	7.2
Contribution to Financial Institution Development							
Fund and Deposit Protection Agency	1,683	1,693	1,406	(10)	(0.6)	277	19.7
Borrowing fee expenses	7	3	21	4	133.3	(14)	(66.7)
Other interest expenses	4	4	4	0	0.0	0	0.0
Total Interest Expenses	8,068	7,877	6,628	191	2.4	1,440	21.7
Interest Income, Net	19,083	18,488	17,346	595	3.2	1,737	10.0
Net Interest Margin	3.87%	3.72%	3.89%				
Yield on Earning Assets	5.51%	5.30%	5.37%				
Cost of Funds	1.82%	1.76%	1.64%				

Consolidated	9M/18	9M/17	Change YoY	
			Baht mn	%
INTEREST INCOME				
Interest on loans	50,957	45,479	5,478	12.0
Interest on interbank and money market items	4,734	2,126	2,608	122.7
Hire purchase and financial lease income	22,059	20,700	1,359	6.6
Investments and trading transactions	22	72	(50)	(69.4)
Investments in debt securities	1,269	1,783	(514)	(28.8)
Total Interest Income	79,041	70,160	8,881	12.7
INTEREST EXPENSE				
Interest on deposits	11,036	9,170	1,866	20.3
Interest on interbank and money market items	4,062	2,885	1,177	40.8
Interest on borrowings	3,297	3,094	203	6.6
Contributions to Financial Institution Development Fund and Deposit Protection Agency	5,014	4,202	812	19.3
Borrowing fee expenses	25	29	(4)	(13.8)
Other interest expenses	13	13	0	0.0
Total Interest Expenses	23,447	19,393	4,054	20.9
Interest Income, Net	55,594	50,767	4,827	9.5
Net Interest Margin	3.81%	3.82%		
Yield on Earning Assets	5.42%	5.28%		
Cost of Funds	1.78%	1.61%		

For the third quarter period ended September 30, 2018

Interest income was Baht 27,151 million, increasing by Baht 786 million, or 3.0%, from 2Q/18, reflecting a higher yield on earning assets and higher loan volume. Interest expenses were Baht 8,068 million, increasing by Baht 191 million, or 2.4%, from 2Q/18, reflecting higher cost of funds and higher time deposit volume. Consequently, net interest income in 3Q/18 was Baht 19,083 million, representing an increase of Baht 595 million, or 3.2% from 2Q/18.

On a year-on-year basis, interest income increased by Baht 3,177 million, or 13.3%, largely attributed to higher interest income on loans, interest on interbank and money market items, and interest on hire purchase and financial lease income. Interest expenses increased by Baht 1,440 million, or 21.7% from 3Q/17, driven by interest on deposits, interest on interbank and money market items, and contribution to the Financial Institutions Development Fund (FIDF) and Deposit Protection Agency (DPA).

Consequently, net interest income in 3Q/18 increased by Baht 1,737 million, or 10.0%, from 3Q/17.

For the nine-month period ended September 30, 2018

In the first nine months of 2018, interest income was recorded at Baht 79,041 million, representing an increase of Baht 8,881 million, or 12.7%, compared to the same period last year. Key items are as follows:

- Interest on loans increased by Baht 5,478 million, or 12.0%, resulting predominantly from 10.3% loan portfolio expansion, particularly from higher yield segments.
- Interest on interbank and money market items increased by Baht 2,608 million, or 122.7%, mainly due to higher repurchase agreement transactions.
- Interest on hire purchase and financial lease income increased by Baht 1,359 million, or 6.6%, resulting from a robust auto hire purchase portfolio expansion at 15.6%.
- Meanwhile, interest from debt securities decreased by Baht 514 million, or 28.8%, caused by a lower Available for Sale (AFS) portfolio balance.

Interest expenses increased by Baht 4,054 million, or 20.9% year-on-year. Key factors are as follows:

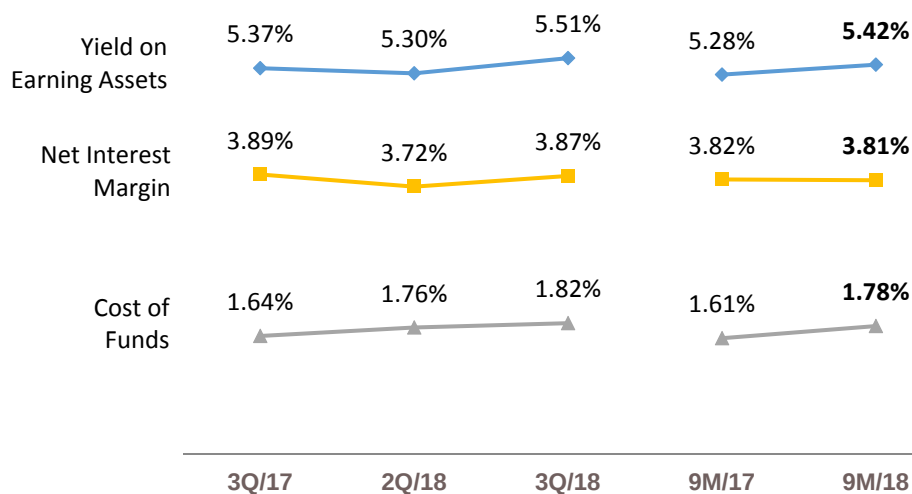
- Interest on deposits increased by Baht 1,866 million, or 20.3%, reflecting a 15.0% increase in outstanding deposit balance.
- Interest on interbank and money market items increased by Baht 1,177 million, or 40.8%, mainly from an increase in yield on loans from financial institutions.
- Contributions to FIDF and DPA increased by Baht 812 million, or 19.3%, corresponding to a robust deposit growth over the period.

Consequently, net interest income increased by Baht 4,827 million, or 9.5%, compared to the same period last year.

In 3Q/18, the yield on earning assets increased to 5.51% from 5.30% in 2Q/18, reflecting a larger component of high yield segments during the period. Cost of funds increased to 1.82% from 1.76%, driven by an increase in cost of deposits, reflecting the higher time deposit outstanding balance with maturities of more than one year. Consequently, NIM improved to 3.87% from 3.72% in 2Q/18.

For 9M/18, the yield on earning assets increased to 5.42% compared to 5.28% in 9M/17. Notwithstanding the improvement in yield on earning assets, NIM was stable at 3.81% compared to 3.82% for 9M/17, largely due to an increase in funding costs on deposits, particularly time deposits.

Net Interest Margin (NIM)



	3Q/17	2Q/18	3Q/18	9M/17	9M/18
Yield on Loans	6.10%	6.05%	6.10%	5.99%	6.05%
Cost of Deposits	1.49%	1.55%	1.57%	1.50%	1.56%

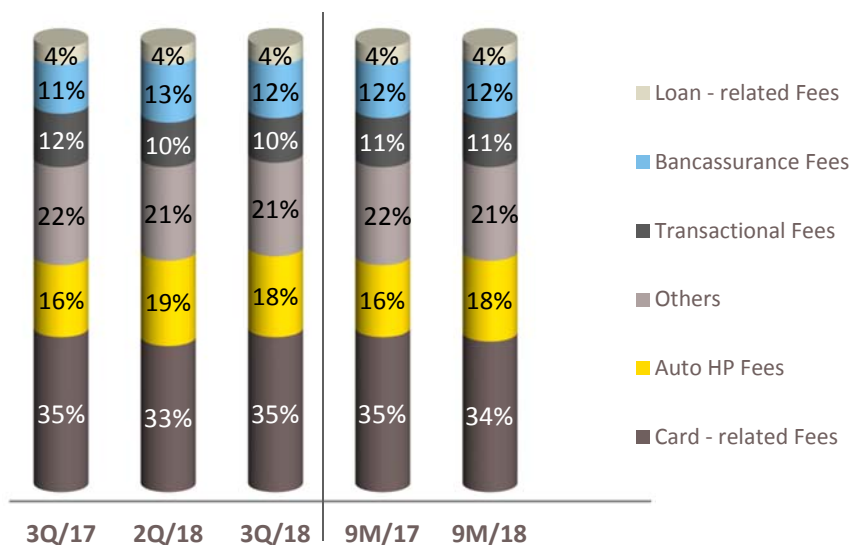
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Policy Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Krungsri Lending Rate	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%
Savings Rate	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
3 - month deposits	0.80-1.00%	0.80-1.00%	0.80-1.00%	0.80-1.00%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

2.2 Non-Interest Income

Consolidated	3Q/18	2Q/18	3Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	133	129	134	4	3.1	(1)	(0.7)
Other fees and service income	6,913	6,915	6,446	(2)	(0.0)	467	7.2
Fees and service income	7,046	7,044	6,580	2	0.0	466	7.1
Fees and service expense	1,924	1,858	1,542	66	3.6	382	24.8
Fees and Service Income, net	5,122	5,186	5,038	(64)	(1.2)	84	1.7
Gains (losses) on trading and foreign exchange transactions	1,067	1,130	903	(63)	(5.6)	164	18.2
Gains (losses) on investments	44	106	484	(62)	(58.5)	(440)	(90.9)
Share of profit (loss) from investment for using equity method	97	106	84	(9)	(8.5)	13	15.5
Bad debt recoveries	1,549	1,453	1,333	96	6.6	216	16.2
Other operating income	331	447	368	(116)	(26.0)	(37)	(10.1)
Total Non-interest and Non-fees Income	3,088	3,242	3,172	(154)	(4.8)	(84)	(2.6)
Non-Intetest Income	8,210	8,428	8,210	(218)	(2.6)	0	0.0

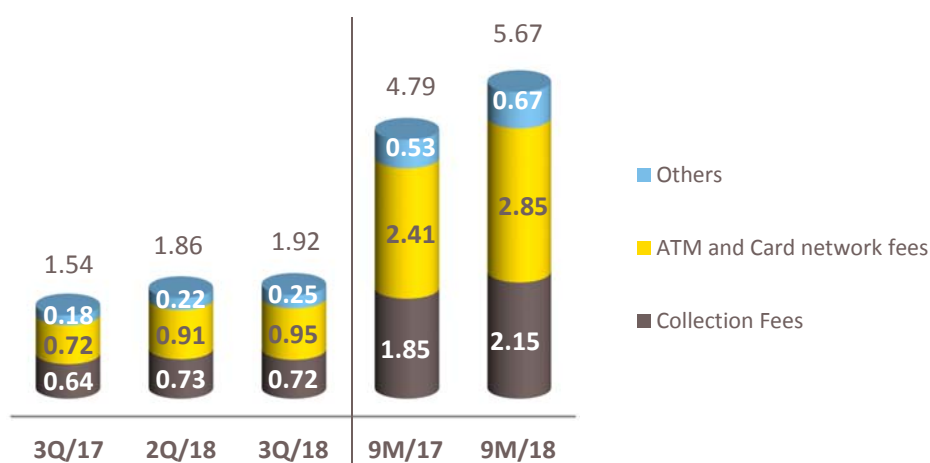
Consolidated	9M/18	9M/17	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	389	403	(14)	(3.5)
Other fees and service income	20,909	18,729	2,180	11.6
Fees and service income	21,298	19,132	2,166	11.3
Fees and service expense	5,669	4,787	882	18.4
Fees and Service Income, net	15,629	14,345	1,284	9.0
Gains (losses) on trading and foreign exchange transactions	3,511	2,827	684	24.2
Gains (losses) on investments	378	825	(447)	(54.2)
Share of profit (loss) from investment for using equity method	315	260	55	21.2
Bad debt recoveries	4,444	3,833	611	15.9
Other operating income	1,225	1,219	6	0.5
Total Non-Interest and Non-fees Income	9,873	8,964	909	10.1
Non-Interest Income	25,502	23,309	2,193	9.4

Fees & Service Income Breakdown



Fees & Service Expense

Unit: Baht Billion



For the third quarter period ended September 30, 2018

Total non-interest income in 3Q/18 was Baht 8,210 million, decreasing by Baht 218 million, or 2.6% from the prior quarter. Details are as follows:

- Net fees and service income was recorded at Baht 5,122 million, decreasing by Baht 64 million, or 1.2%. Key factors are:
 - Fees and service income slightly increased by Baht 2 million, driven by:
 - Card-related fees increased by Baht 133 million, or 5.8%.

- Bancassurance fees decreased by Baht 79 million, or 8.5%.
- Auto hire purchase fees decreased by Baht 68 million, or 5.0%, which was partly due to the impact of the regulation governing the fees pertaining to auto hire purchase services.
- Fees and service expenses increased by 3.6%, or Baht 66 million, mainly from ATM and card network fees.
- Gains on trading and foreign exchange transactions decreased by Baht 63 million, or 5.6%, resulting from a decrease in income from FX and derivatives, and interest rate derivatives transactions.
- Gains on investments decreased by Baht 62 million, or 58.5%, mainly due to a decrease in the AFS portfolio.
- Other operating income decreased by Baht 116 million, or 26.0%, mainly from a decrease in a gain on sales of properties for sale of Baht 188 million. Meanwhile, dividend income increased Baht 11 million or 19.3%.

On a year-on-year basis, total non-interest income amounted to Baht 8,210 million, unchanged from the same quarter last year. Details are as follows:

- Net fees and service income increased by Baht 84 million, or 1.7%, from 3Q/17. Key factors are:
 - Fees and service income increased by 7.1%, or Baht 466 million, driven by:
 - Auto hire purchase fees increased robustly by Baht 238 million, or 22.7%, resulting from higher outstanding loan balance.
 - Bancassurance fees increased by Baht 122 million, or 16.7%.
 - Card-related fees increased by Baht 110 million, or 4.7%.
 - Fees and service expenses increased by 24.8%, or Baht 382 million, mainly from ATM and card network fees.
- Gains on trading and foreign exchange transactions increased by Baht 164 million, or 18.2%, mainly due to an increase in interest rate derivative transactions.
- Bad debt recoveries increased by Baht 216 million, or 16.2%.
- Gains on Investments decreased by 90.9%, or Baht 440 million, mainly from a decrease in the AFS portfolio.

For the nine-month period ended September 30, 2018

For 9M/18, non-interest income was Baht 25,502 million, increasing by Baht 2,193 million, or 9.4% year-on-year. Details are as follows:

- Net fees and service income recorded at Baht 15,629 million, an increase of Baht 1,284 million, or 9.0%. Key factors are:

- o Fees and service income increased by 11.3%, or Baht 2,166 million. Driven by:
 - Auto hire purchase fees increased by Baht 803 million, or 25.9%, corresponding to the robust auto hire purchase loan portfolio expansion.
 - Wealth & fund management and securities-related fees increased by Baht 578 million, or 19.2%.
 - Card-related fees increased by Baht 459 million, or 6.9%.
 - Bancassurance fees increased by Baht 414 million, or 18.6%.
- o Fees and service expenses increased by 18.4%, or Baht 882 million, mainly from ATM and card network fees.
- Gains on trading and foreign exchange transactions increased by Baht 684 million, or 24.2%, mainly due to an increase in interest rate derivative transactions.
- Bad debt recoveries increased by Baht 611 million, or 15.9%.
- Gains on investments decreased by Baht 447 million, or 54.2%, mainly due to the Available for sales (AFS) portfolio.

2.3 Other Operating Expenses

Consolidated	3Q/18	2Q/18	3Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee expenses	6,611	6,456	6,011	155	2.4	600	10.0
Premises and equipment expenses	2,037	2,102	2,042	(65)	(3.1)	(5)	(0.2)
Taxes and duties	694	681	653	13	1.9	41	6.3
Directors' remuneration	14	15	14	(1)	(6.7)	0	0.0
Other expenses	3,532	3,324	3,070	208	6.3	462	15.0
Total Other Operating Expenses	12,888	12,578	11,790	310	2.5	1,098	9.3

Consolidated	9M/18	9M/17	Change YoY	
			Baht mn	%
Employee expenses	19,607	18,065	1,542	8.5
Premises and equipment expenses	6,235	6,110	125	2.0
Taxes and duties	2,060	1,947	113	5.8
Directors' remuneration	44	42	2	4.8
Other expenses	9,919	8,913	1,006	11.3
Total Other Operating Expenses	37,865	35,077	2,788	7.9

For the third quarter period ended September 30, 2018

Total other operating expenses were Baht 12,888 million, increasing by Baht 310 million, or 2.5% from 2Q/18, mainly driven by an increase in other expenses of Baht 208 million, or 6.3%, following an increase in impairment on NPA and marketing promotion expenses, as a result of growing retail business volume during the period.

On a year-on-year basis, total other operating expenses increased by Baht 1,098 million, or 9.3% from 3Q/17, driven mainly by an increase of Baht 600 million, or 10.0% in employee expenses and Baht 462 million, or 15.0%, increase in other expenses, driven by an increase in impairment on NPA and marketing promotion expenses.

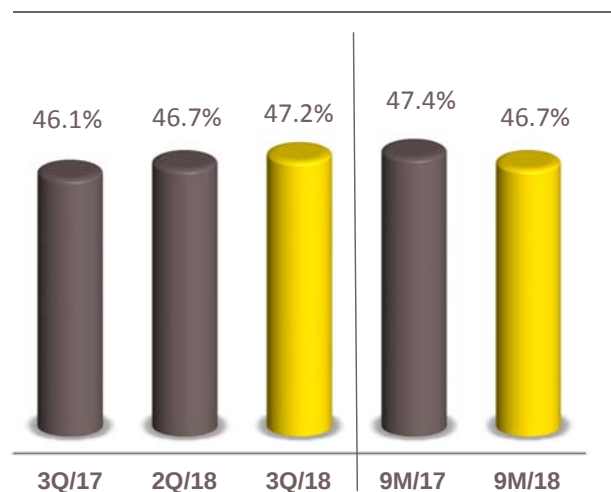
For the nine-month period ended September 30, 2018

For the first nine months of 2018, total other operating expenses were Baht 37,865 million, increased by Baht 2,788 million, or 7.9%. Key items are as follows:

- Employee expenses increased by Baht 1,542 million, or 8.5%, mainly due to annual merit increases and incentives.

- Other expenses increased by Baht 1,006 million, or 11.3%, driven by an increase in marketing promotion expenses and impairment on NPA.

Cost to Income Ratio



The cost-to-income ratio was recorded at 47.2% in 3Q/18, compared to 46.7% in 2Q/18.

For 9M/18, the cost-to-income ratio was recorded at 46.7%, improving from 47.4% in 9M/17, as a result of our continued efforts to enhance operating efficiency and improve income generating capabilities.

2.4 Impairment loss of loans and debt securities

Consolidated	3Q/18	2Q/18	3Q/17	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	5,709	6,012	5,797	(303)	(5.0)	(88)	(1.5)
Loss on Debt Restructuring	594	392	380	202	51.5	214	56.3
Total impairment loss of loan and debt securities	6,303	6,404	6,177	(101)	(1.6)	126	2.0

Consolidated	9M/18	9M/17	Change YoY	
			Baht mn	%
Bad Debt and Doubtful Accounts	18,047	15,722	2,325	14.8
Loss on Debt Restructuring	1,343	1,138	205	18.0
Total impairment loss of loan and debt securities	19,390	16,860	2,530	15.0

The loan-loss provision in 3Q/18 amounted to Baht 6,303 million, a decrease of Baht 101 million, or 1.6%, from 2Q/18, corresponding to the improvement of coverage ratio during the quarter.

In 9M/18, the loan-loss provision was recorded at Baht 19,390 million, representing an increase of Baht 2,530 million, or 15.0%, on a year-on-year basis, corresponding to a higher loan volume and our prudential management of the loan portfolio.

3. Financial Status

3.1 Statement of Financial Position

Consolidated	As at Sep. 30, 18	As at Jun. 30, 18	As at Dec. 31, 17	Change from Jun. 30, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
ASSETS							
Cash	30,138	31,752	38,244	(1,614)	(5.1)	(8,106)	(21.2)
Interbank and money market items, net	238,955	260,024	330,797	(21,069)	(8.1)	(91,842)	(27.8)
Investments, net	115,472	109,033	83,934	6,439	5.9	31,538	37.6
Investments in subsidiaries and joint ventures, net	2,538	2,441	2,222	97	4.0	316	14.2
Loans to customers	1,745,474	1,719,576	1,619,358	25,898	1.5	126,116	7.8
Accrued interest receivable	4,509	4,006	3,917	503	12.6	592	15.1
Deferred revenue	(78,595)	(77,278)	(68,954)	(1,317)	(1.7)	(9,641)	(14.0)
Allowance for doubtful accounts	(61,111)	(58,658)	(54,173)	(2,453)	(4.2)	(6,938)	(12.8)
Revaluation allowance for debt restructuring	(1,565)	(1,329)	(1,303)	(236)	(17.8)	(262)	(20.1)
Properties for sale, net	3,687	3,679	3,685	8	0.2	2	0.1
Others	93,782	107,695	131,045	(13,913)	(12.9)	(37,263)	(28.4)
TOTAL ASSETS	2,093,284	2,100,941	2,088,772	(7,657)	(0.4)	4,512	0.2
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	1,376,585	1,367,531	1,319,229	9,054	0.7	57,356	4.3
Interbank and money market items, net	209,197	243,980	279,721	(34,783)	(14.3)	(70,524)	(25.2)
Debt issued and borrowings	185,083	165,329	142,866	19,754	11.9	42,217	29.6
Others	84,642	89,538	120,969	(4,896)	(5.5)	(36,327)	(30.0)
TOTAL LIABILITIES	1,855,507	1,866,378	1,862,785	(10,871)	(0.6)	(7,278)	(0.4)
Issued and paid-up share capital	73,558	73,558	73,558	0	0.0	0	0.0
Retained earning	107,818	104,485	95,198	3,333	3.2	12,620	13.3
Others	56,401	56,520	57,231	(119)	(0.2)	(830)	(1.5)
TOTAL SHAREHOLDERS' EQUITY	237,777	234,563	225,987	3,214	1.4	11,790	5.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,093,284	2,100,941	2,088,772	(7,657)	(0.4)	4,512	0.2
Book value per share (Baht)	32.33	31.89	30.72	0.44	1.4	1.61	5.2

As of September 30, 2018, total assets stood at Baht 2,093,284 million, representing an increase of Baht 4,512 million, or 0.2%, from December 2017. Key items are as follows:

- Total loans (net of deferred revenue) increased by Baht 116,475 million, or 7.5%.
- Net investments increased by Baht 31,538 million, or 37.6%, mainly resulting from a higher AFS portfolio balance.
- Net interbank and money market items decreased by Baht 91,842 million, or 27.8%, caused by a decrease in repurchase agreements of Baht 120,754 million, offset by an increase in loans and deposits with financial institutions of Baht 17,109 million, and Baht 11,803 million, respectively.
- Other assets decreased by Baht 37,623 million, or 28.4%, mainly owing to a decrease in claim on securities.

Compared to 2Q/18, total assets decreased by Baht 7,657 million, or 0.4%. Key items are as follows:

- Net interbank and money market items decreased by Baht 21,069 million, or 8.1%, mainly resulting from a decrease in repurchase agreements of Baht 30,851 million, offset by an increase in deposits with financial institutions of Baht 15,753 million.
- Other assets decreased by Baht 13,913 million, or 12.9%, mainly due to a decrease in derivative assets and claims on securities.
- Total loans (net of deferred revenue) increased by Baht 24,581 million, or 1.5%.
- Net investments increased by Baht 6,439 million, or 5.9%, mainly resulting from an increase in the AFS portfolio.

As of September 30, 2018, total liabilities stood at Baht 1,855,507 million, representing a decrease of Baht 7,278 million, or 0.4%, from December 2017. Key items are as follows:

- Net interbank and money market items decreased by Baht 70,524 million, or 25.2%, mainly due to a decrease in loans from financial institutions of Baht 52,735 million and a decrease in repurchase agreements of Baht 20,326 million.
- Other liabilities decreased by Baht 36,327 million, or 30.0%, driven by a decrease in liabilities to deliver securities.
- Deposits increased by Baht 57,356 million, or 4.3%, largely driven by time deposits with maturities of more than one year.
- Debt issued and borrowings increased by Baht 42,217 million, or 29.6%, driven by net issuance of Krungsri Group's debentures of Baht 41,265 million.

Compared to 2Q/18, total liabilities decreased by Baht 10,871 million, or 0.6%. Key items are as follows:

- Net interbank and money market items decreased by Baht 34,783 million, or 14.3%, mainly due to a decrease in loans from financial institutions of Baht 28,403 million and a decrease in repurchase agreements of Baht 7,336 million.
- Other liabilities decreased by Baht 4,896 million, or 5.5%, driven by a decrease in liabilities to deliver securities.
- Debt issued and borrowings increased by Baht 19,754 million, or 11.9%, resulted from net issuance of Krungsri Group's debentures of Baht 20,465 million.
- Deposits increased by Baht 9,054 million, or 0.7%, mainly resulting from an increase in time deposits.

Total shareholders' equity rose to Baht 237,777 million, an increase of Baht 11,790 million, or 5.2%, from December 2017 due to an increase in equity holders' net profit of Baht 18,703 million in 9M/18, which was partially offset by dividends paid of Baht 6,252 million.

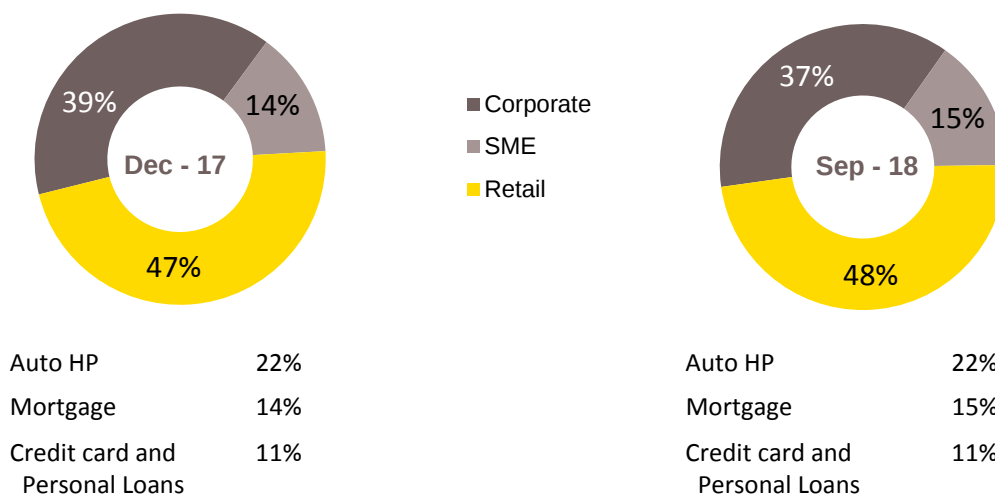
Book value per share as of September 30, 2018 increased to Baht 32.33, compared to Baht 30.72 at the end of 2017, and Baht 31.89 in 2Q/18.

3.2 Loans to customers

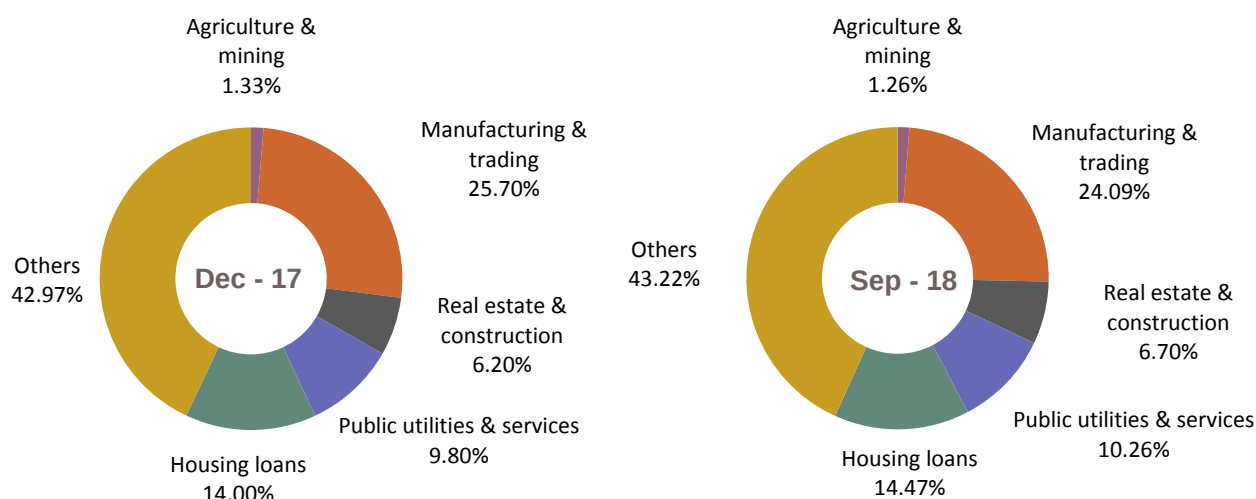
3.2.1 Loans by segment

Consolidated	Sep. 30, 18	Jun. 30, 18	Dec. 31, 17	Change from Jun. 30, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Corporate	625,432	630,771	601,797	(5,339)	(0.8)	23,635	3.9
- Thai Corporate	429,857	444,522	431,136	(14,665)	(3.3)	(1,279)	(0.3)
- International Corporate (JPC/MNC)	195,575	186,249	170,661	9,326	5.0	24,914	14.6
SMEs	243,169	234,836	220,627	8,333	3.5	22,542	10.2
Retail	798,278	776,691	727,980	21,587	2.8	70,298	9.7
- Hire purchase	371,665	366,778	336,627	4,887	1.3	35,038	10.4
- Mortgage	241,283	231,069	217,098	10,214	4.4	24,185	11.1
- Credit cards and personal loans	185,330	178,844	174,255	6,486	3.6	11,075	6.4
Total *	1,666,879	1,642,298	1,550,404	24,581	1.5	116,475	7.5

* Loans to customers net of deferred revenue



3.2.2 Loans by Industry



As of September 30, 2018, total outstanding loans (net of deferred revenue) stood at Baht 1,666,879 million, an increase of Baht 116,475 million, or 7.5% from December 2017, which grew across segments; meanwhile, on a quarter-on-quarter basis, loans increased by Baht 24,581 million, or 1.5% from 2Q/18, driven by retail and SME segments.

As of the end of September 2018, commercial loans, comprising corporate and SME customers, accounted for 52% of the total loan portfolio, while retail lending represented the remaining 48%.

Details of loan performance by segment are as follows:

Corporate loans grew by 3.9%, or Baht 23,635 million from December 2017, of which Thai Corporate loans slightly contracted by 0.3%, or Baht 1,279 million, while International Corporate (JPC/MNC) loans increased by 14.6%, or Baht 24,914 million.

On a quarter-on-quarter basis, corporate loans contracted 0.8%, or Baht 5,339 million in 3Q/18, resulting from a decrease in Thai Corporate loans of Baht 14,665 million, or 3.3%, mainly due to loan repayments; while International Corporate (JPC/MNC) loans continued to increase by 5.0%, or Baht 9,326 million in 3Q/18, mirroring the uptrend in global economic strength, and our abilities to further leverage MUFG's global capabilities.

Mirroring improvements in both domestic investments and consumption, **SME loans** grew by 10.2%, or Baht 22,542 million from December 2017, and increased by 3.5%, or Baht 8,333 million, in 3Q/18. The growth of SME loans in the third quarter was broad-based, covering all SME segments, underpinning Thailand's sustained economic recovery and Krungsri's supply chain business solutions.

The **retail loan segment** registered a growth of Baht 70,298 million, or 9.7% from December 2017 and Baht 21,587 million, or 2.8% in 3Q/18.

- **Auto hire purchase loans** grew by 10.4%, or Baht 35,038 million from December 2017, and increased by 1.3%, or Baht 4,887 million in 3Q/18, reflecting our current development on digital platform to deliver customer experience excellence.
- **Mortgage loans** grew by 11.1%, or Baht 24,185 million from December 2017, and increased by 4.4%, or Baht 10,214 million, in 3Q/18. The growth of mortgage loans in the third quarter was supported by Krungsri's strategic focus on digital solutions to improve customer experiences.
- **Credit cards and personal loans** grew by 6.4%, or Baht 11,075 million from December 2017, and increased by 3.6%, or Baht 6,486 million in 3Q/18. The growth of credit cards and personal loans during the quarter was driven by seasonality and improvement in private consumption together with the loan expansion of Hattha Kaksekar Limited in Cambodia.

3.2.3 Loan classification and provision

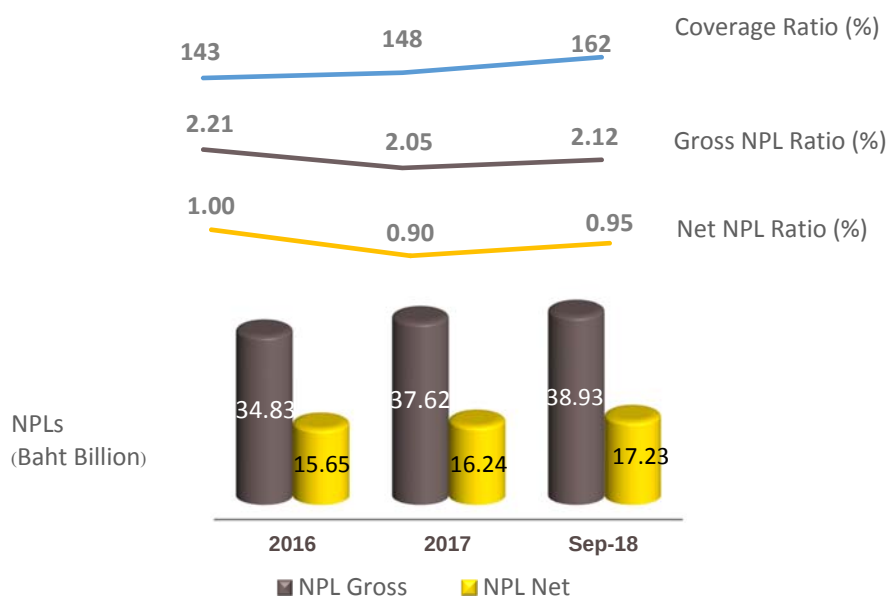
Unit : Baht mn

Consolidated	Sep. 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	1,571,758	13,344	1,462,823	11,863	108,935	1,481
Special mention	60,702	3,526	53,876	2,998	6,826	528
Substandard	9,793	4,978	11,279	5,938	(1,486)	(960)
Doubtful	5,393	2,182	7,021	3,902	(1,628)	(1,720)
Doubtful of loss	23,742	13,797	19,322	11,020	4,420	2,777
Total	1,671,388	37,827	1,554,321	35,721	117,067	2,106
Surplus Reserve		23,284		18,452		4,832
Total	1,671,388	61,111	1,554,321	54,173	117,067	6,938

3.2.4 Non-performing loans

Consolidated	Sep. 30, 18	Jun. 30, 18	Dec. 31, 17	Change from Jun. 30, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	17,231	16,676	16,243	555	3.3	988	6.1
Non-Performing Loans (Gross)	38,927	37,417	37,622	1,510	4.0	1,305	3.5
Loans Loss Reserves (LLR)	63,091	60,507	55,841	2,584	4.3	7,250	13.0
Coverage Ratio	162.1%	161.7%	148.4%	0.4%	0.2	13.7%	9.2
BOT Requirement	39,807	38,411	37,389	1,396	3.6	2,418	6.5
Actual / Required LLR	158.5%	157.5%	149.4%	1.0%	0.6	9.1%	6.1

NPLs and Coverage Ratio



NPL by Segment

Consolidated	Sep. 30, 18	Jun. 30, 18	Mar. 31, 18	Dec. 31, 17	Sep. 30, 17
Corporate	1.2%	1.2%	1.3%	1.3%	1.4%
SME	6.5%	6.4%	7.1%	7.4%	7.3%
Retail	2.0%	1.9%	1.8%	1.8%	1.8%
Hire Purchase	1.7%	1.6%	1.5%	1.5%	1.5%
Mortgage	2.7%	2.6%	2.5%	2.4%	2.4%
Personal Loan, Credit Card, and Other	1.6%	1.5%	1.7%	1.7%	1.7%

As of September 30, 2018, gross NPLs stood at Baht 38,927 million, an increase of Baht 1,305 million, or 3.5%, from Baht 37,622 million at the end of 2017. Compared to June 2018, gross NPLs increased by Baht 1,510 million, or 4.0%.

The ratio of gross NPLs in 3Q/18 stood at 2.12%, compared to 2.05% in December 2017, and 2.02% in 2Q/18. The ratio of gross NPLs of corporate loans remained stable at 1.2% from 2Q/18, meanwhile NPL ratios for SME and retail loans were at 6.5% and 2.0% respectively.

As of September 30, 2018, loan-loss reserves stood at Baht 63,091 million, with an excess of Baht 23,284 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 158.5%.

Maintaining as a prudential safeguard, the coverage ratio continued to improve to 162.1% in 3Q/18, compared to 148.4% at the end of 2017, and 161.7% in 2Q/18.

3.3 Funding Structure

Deposits

Consolidated	Sep. 30, 18	Jun. 30, 18	Dec. 31, 17	Change from Jun. 30, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Current	34,442	34,413	36,798	29	0.1	(2,356)	(6.4)
Savings	566,841	567,680	550,962	(839)	(0.1)	15,879	2.9
Time	775,302	765,438	731,469	9,864	1.3	43,833	6.0
< 6 Months	362,396	350,952	341,517	11,444	3.3	20,879	6.1
6 Months and < 1 Year	203,536	275,077	285,292	(71,541)	(26.0)	(81,756)	(28.7)
1 Year and over 1 Year	209,370	139,409	104,660	69,961	50.2	104,710	100.0
Total Deposit	1,376,585	1,367,531	1,319,229	9,054	0.7	57,356	4.3

Borrowing

Consolidated	Sep. 30, 18	Jun. 30, 18	Dec. 31, 17	Change from Jun. 30, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Debenture	137,590	117,125	96,325	20,465	17.5	41,265	42.8
Subordinated debenture	42,735	42,786	42,808	(51)	(0.1)	(73)	(0.2)
Other	4,758	5,418	3,733	(660)	(12.2)	1,025	27.5
Total Borrowing	185,083	165,329	142,866	19,754	11.9	42,217	29.6

As of September 30, 2018, deposits totaled Baht 1,376,585 million, an increase of Baht 57,356 million, or 4.3%, from December 2017, attributed to an increase in time deposits of Baht 43,883 million and savings deposits of Baht 15,879 million. With the upward momentum for interest rates projected, Krungsri launched a 15-month time deposit campaign with interest rate of 1.75% during the quarter.

As a result, the proportion of current and savings deposits (CASA) as a percentage of total deposits decreased to 43.7%, compared to 44.6% in December 2017.

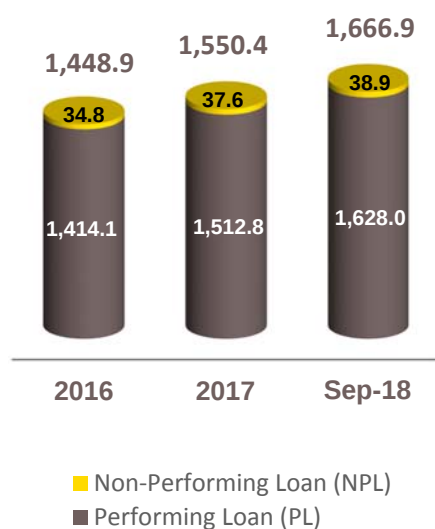
As of September 30, 2018, total borrowing stood at Baht 185,083 million, increasing by Baht 42,217 million, or 29.6% from December 2017, mainly driven by an increase in net issuance of Krungsri Group's debentures of Baht 41,265 million. Details are as follows:

- 1) The Bank issued new long-term debentures in the amount of Baht 15,000 million in 1Q/18 (with a maturity of 3 years carrying an interest rate of 1.91%) and Baht 14,000 million in 3Q/18 (with a maturity of 3 years carrying an interest rate of 2.22%), 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 31,265 million, offset by matured debentures totaling Baht 10,000 million.

Consequently, the loan to deposit ratio increased to 121%, and the loan to deposit plus bills of exchange and debentures ratio remained unchanged from December 2017 at 110%.

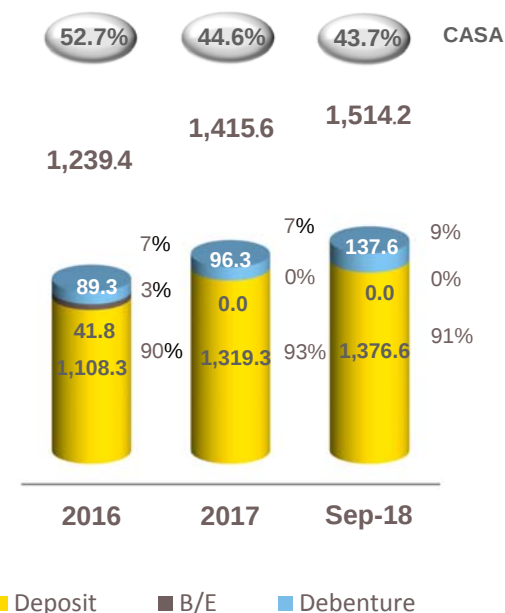
Loans

Unit: Baht Billion



Deposits + B/E + Debenture

Unit: Baht Billion



	2016	2017	Sep-18
L/D	131%	118%	121%
L/D+B/E+Debentures	117%	110%	110%

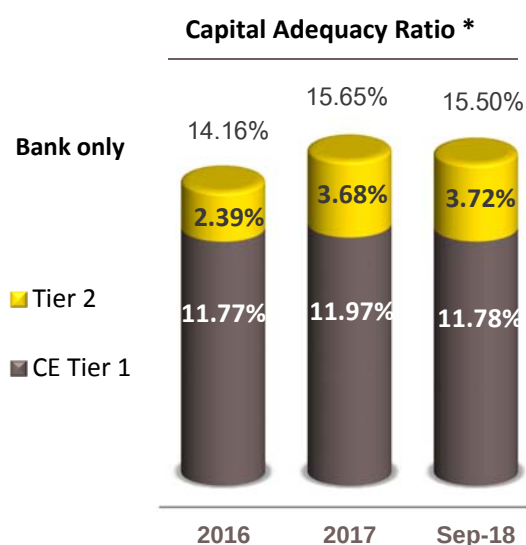
3.4 Contingencies

Consolidated	Sep. 30, 18	Jun. 30, 18	Dec. 31, 17	Change from Jun. 30, 18		Change from Dec. 31, 17	
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	3,489	3,587	3,005	(98)	(2.7)	484	16.1
Liability under unmatured import bills	1,425	1,496	1,437	(71)	(4.7)	(12)	(0.8)
Letters of credit	6,307	6,446	7,744	(139)	(2.2)	(1,437)	(18.6)
Other contingencies	90,080	90,120	100,010	(40)	(0.0)	(9,930)	(9.9)
Total	101,301	101,649	112,196	(348)	(0.3)	(10,895)	(9.7)

Krungsri Group's contingencies as of September 30, 2018 totaled Baht 101,301 million, a decrease of Baht 10,895 million, or 9.7%, from December 31, 2017. The decrease was mainly caused by a decrease in other contingencies of Baht 9,930 million, mainly due to other guarantees and unused credit limit.

3.5 Statutory Capital

As of September 30, 2018, the Bank's capital increased to Baht 231,769 million, equivalent to 15.50% of risk-weighted assets, comprising common equity tier 1 capital of 11.78% and tier 2 capital of 3.72%.



* 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	Sep-18
CE Tier 1	158.83	167.53	176.12
Tier 2	32.26	51.50	55.65
Total Capital	191.09	219.03	231.77

Remark: BOT has adopted supervisory framework for Domestic Systemically Important Banks ("D-SIBs") by requiring qualified banks to maintain higher capital to better absorb losses from their operations. The Bank is identified as D-SIBs and required to maintain additional 1% of common equity tier 1 ratio. This new requirement will be phasing in starting at 0.5% on January 1, 2019 and 1% on January 1, 2020.

4. Credit Ratings

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's, Fitch Ratings and TRIS Rating as of September 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