



Management Discussion and Analysis

For the quarter and the year ended December 31, 2011

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Executive Summary:

The 2011 execution of our “One krungsri” mission progressed significantly as evidenced by our achievements - record core financial earning performance, an upgrade from Moody’s Investor Services of the company’s financial strength and recognition from the Stock Exchange of Thailand’s in winning its 2011 Top Corporate Governance Report Award.

Amid continuing global financial volatility paired with the twin domestic challenges of a rising interest rate environment and the worst nationwide flooding in 50 years, Krungsri Group successfully executed and delivered robust performing loan growth of 13%, with record core earnings of Baht 12.4 billion. Including the one-off impact from the floods and the Corporate Income Tax rate reduction, net profit was Baht 9.3 billion.

The 2011 floods took a heavy toll on the economy with 13 million people impacted. Our key focus in the fourth quarter was assisting our customers and employees through this difficult period with the goals of strengthening long term business relationships and demonstrating a strong commitment to our staff. Through the “Debt Relief Program”, Krungsri Group provided a range of options to assist customers including principal and interest grace periods, waiving of selected fees, and reconstruction financing. These actions resulted in our net interest margin moderating in the fourth quarter to 4.25%; if the impact of the floods was excluded net interest margin in the fourth quarter would have been at 4.37%.

Notwithstanding the business disruptions and hold backs, a notable 3.9% performing loan growth was delivered in the fourth quarter, highlighting Krungsri Group’s strong and resilient business model.

In 4Q/11, other key developments included the publication of the Royal Decree adopting a Corporate Income Tax (CIT) rate reduction from 30% to 23% for 2012, and to 20% for 2013 and 2014. Since the Krungsri Group had early adopted the deferred tax accounting policy in 2009, we incurred a one-time impact to the financial statements of Baht 2.1 billion which is a non-cash charge. This adjustment did not affect the economics of the bank nor its capital ratio. Going forward, the reduction in corporate income tax is beneficial to our financial statements.

Overall, in 2011, significant advancements were made in building a strong and balanced loan portfolio with broad-based growth delivered in Corporate, SME, and Retail segments. Of particular importance, our retail segment grew strongly at 17% and now accounts for 45.4% of our loan portfolio, reflecting our balancing of the optimal portfolio mix as well as our deliberate shift out of lower yielding assets in light of pricing wars in the corporate segment in the first half of 2011.

In light of the domestic and global challenges facing the Thai economy and banking sector, our ability to grow the retail business enabled us to maintain our net interest margin at 4.51% on a full year

basis. Excluding the Debt Relief Program extended to our customers, our net interest margin would have closed at 4.54% for the year.

Despite the floods, our asset quality improved. NPLs continued their declining trend, with a sharp reduction of 22.6% in 2011 resulting in an NPL ratio to gross loans of 3.7%, as opposed to 5.5% at the end of 2010. At the same time coverage improved further to 106%. We have set aside an additional “environmental reserve” in the fourth quarter of Baht 800 million to cover future losses arising as a result of the floods.

For the year 2011, reported net profit rose 5.5% over the prior year to Baht 9.3 billion. Excluding the one-time impact of the floods and deferred tax asset revaluation, the core net profit increased by 40.4%, primarily reflecting higher net interest income from strong loan growth, fees and service income growth, and lowered provisions.

In summary, while the fourth quarter momentum was weaker than our operating plan, we managed through the disaster effectively, not only preserving our loan portfolio quality but also exhibiting our genuine commitment to our customers and staff.

The outlook for 2012 is positive. We expect a continued robust performance in loan growth and core earnings, on the back of an economic recovery and an increased demand for loans for reconstruction and rehabilitation as well as the pent up demand for both automobiles and durable goods. Our key mission for 2012 remains “to be customers’ number one preferred bank” by offering simple, comprehensive products and services across our customer groups under our “Make Life Simple” brand positioning.

Management Discussion and Analysis (MD&A)

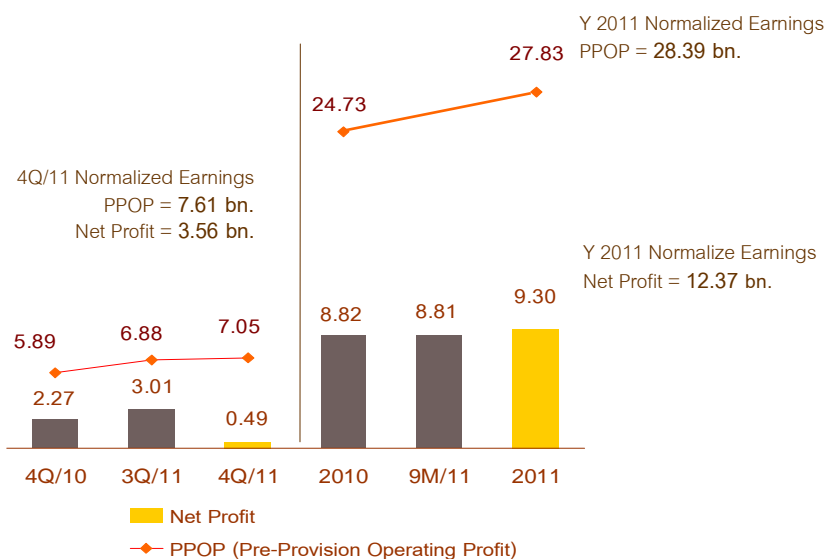
1. Summary of Financial Performance and Status:

2011 Key Targets were successfully achieved:

- **Performing Loan Growth:**
Increased 13% or Baht 79.2 billion compared to December 2010, and Baht 25.5 billion, or 3.9%, compared to September 2011.
- **Core Operating Profit:**
*Delivered Baht 28.4 billion, an increase of 14.8% from 2010.
Including the one-time impact from the flood Debt Relief Program, operating profit increased 12.5% to Baht 27.8 billion.*
- **Core Net Profit:**
*Achieved Baht 12.4 billion (before one-offs), increasing 40.4% from 2010.
Including the one-time impact from the floods and deferred tax asset revaluation, net profit increased 5.5% to 9.3 billion from 2010.*
- **Net Interest Margin:**
Maintained strong NIM at 4.51%, including the impact of the "Debt Relief Program" extended to customers. Excluding the Debt Relief Program, the NIM registered at 4.54% for 2011.
- **Cost to Income Ratio**
Improved to 49.7% from 52% in 2010.
- **Non-Performing Loans:**
Decreased sharply to Baht 29.5 billion from Baht 38.1 billion in December 2010, and from 5.4% to 3.7% on a gross NPLs to total loans basis. Coverage improved to 106%.
- **Net Fees and Service Income:**
Increased 7% for 2011, amid the prolonged business disruption in 4Q/11.
- **Funding Growth:**
Increased Baht 93.0 billion, or 13.8%, compared to December 2010.
- **Capital Adequacy Ratio:**
Moderated to 16.29%, reflecting higher loan growth achieved this period.

PPOP & Net Profit

Unit: Baht Billion



For the fourth quarter period ended December 31, 2011

In 4Q/11, the core operating profit excluding floods was 7,610 million, representing an increase of Baht 735 million, or 10.7%, when compared to 3Q/11 largely driven by higher interest income, higher fees and service income and the reversal of reserves for contingent liabilities which were recorded in the prior quarter.

Including the one-time impact from floods, on a quarter-on-quarter basis, core operating profit increased by Baht 176 million, or 2.6%, largely attributed to a decline in reserves for contingent liabilities and a marked decrease in marketing and promotion campaigns for year-end retail business volumes, reflecting our conscious efforts to control costs and postpone certain marketing activities/programs initially planned for November at the peak of the floods.

For the year ended December 31, 2011

Core operating profit, excluding the impact of the floods, rose to Baht 28,386 million, representing an increase of Baht 3,655 million, or 14.8%, from last year, largely attributed to robust growth in both net interest income and non-interest income, together with a marked decrease in operating expenses.

Including the one-time impact from floods, operating profit rose to Baht 27,827 million, representing an increase of Baht 3,096 million, or 12.5%, from last year, resulting from robust growth in both net interest income and non-interest income.

Normalized net profits for 2011 rose to Baht 12,373 million, an increase of 3,557 from last year. If the one-time impact in 4Q/11 was included from the floods and the deferred tax asset revaluation, net profits grew 5.5% to Baht 9,304 million in 2011.

Statements of Comprehensive Income Consolidated	YE	YE	Change YoY	
	2011	2010	Baht mn	%
Interest Income	56,428	47,275	9,153	19.4
Interest Expenses	18,963	12,647	6,316	49.9
Interest Income, Net	37,465	34,628	2,837	8.2
Fees and Service Income	13,838	12,898	940	7.3
Fees and Service Expenses	3,051	2,818	233	8.3
Fees and Service Income, Net	10,787	10,080	707	7.0
Non-interest and Non-fees Income	7,052	6,819	233	3.4
Other Operating Expenses	27,477	26,796	681	2.5
Pre-Provision Operating Profit (PPOP)	27,827	24,731	3,096	12.5
Impairment Loss of Loan and Debt Securities	12,213	12,391	(178)	(1.4)
Income Tax Expenses	6,310	3,524	2,786	79.1
Net Profit	9,304	8,816	488	5.5
Other Comprehensive income	347	288	59	20.5
Total Comprehensive income	9,651	9,104	547	6.0
Net Profit Attributable To				
Owners of the Bank	9,265	8,793	472	5.4
Non-Controlling Interest	39	23	16	69.6
Net Profit	9,304	8,816	488	5.5
Total Comprehensive Income Attributable To				
Owners of the Bank	9,612	9,081	531	5.8
Non-Controlling Interest	39	23	16	69.6
Total Comprehensive income	9,651	9,104	547	6.0
Earning Per Share (Baht)	1.53	1.45	0.08	5.5

Statements of Comprehensive Income Consolidated	4Q/11	3Q/11	4Q/10	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Interest Income	14,958	14,879	12,382	79	0.5	2,576	20.8
Interest Expenses	5,811	5,146	3,251	665	12.9	2,560	78.7
Interest Income, Net	9,147	9,733	9,131	(586)	(6.0)	16	0.2
Fees and Service Income	3,479	3,438	3,348	41	1.2	131	3.9
Fees and Service Expenses	780	688	814	92	13.4	(34)	(4.2)
Fees and Service Income, Net	2,699	2,750	2,534	(51)	(1.9)	165	6.5
Non-interest and Non-fees Income	1,571	1,936	2,207	(365)	(18.9)	(636)	(28.8)
Other Operating Expenses	6,366	7,544	7,987	(1,178)	(15.6)	(1,621)	(20.3)
Pre-Provision Operating Profit (PPOP)	7,051	6,875	5,885	176	2.6	1,166	19.8
Impairment Loss of Loan and Debt Securities	3,740	2,624	3,156	1,116	42.5	584	18.5
Income Tax Expenses	2,819	1,241	464	1,578	127.2	2,355	507.5
Net Profit	492	3,010	2,265	(2,518)	(83.7)	(1,773)	(78.3)
Other Comprehensive income	818	(344)	(364)	1,162	337.8	1,182	324.7
Total Comprehensive income	1,310	2,666	1,901	(1,356)	(50.9)	(591)	(31.1)
Net Profit Attributable To							
Owners of the Bank	478	3,007	2,261	(2,529)	(84.1)	(1,783)	(78.9)
Non-Controlling Interest	14	3	4	11	366.7	10	250.0
Net Profit	492	3,010	2,265	(2,518)	(83.7)	(1,773)	(78.3)
Total Comprehensive Income Attributable To							
Owners of the Bank	1,296	2,663	1,897	(1,367)	(51.3)	(601)	(31.7)
Non-Controlling Interest	14	3	4	11	366.7	10	250.0
Total Comprehensive income	1,310	2,666	1,901	(1,356)	(50.9)	(591)	(31.1)
Earning Per Share (Baht)	0.08	0.49	0.37	(0.41)	(83.7)	(0.29)	(78.4)

2. Financial Performance

2.1 Net Interest Income

Consolidated	4Q/11	3Q/11	4Q/10	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
INTEREST INCOME							
Interest on loans	9,608	9,517	8,093	91	1.0	1,515	18.7
Interest on interbank and money market items	921	938	414	(17)	(1.8)	507	122.5
Hire purchase and financial lease income	3,807	3,869	3,399	(62)	(1.6)	408	12.0
Investments and trading transactions	16	12	39	4	33.3	(23)	(59.0)
Investments in debt securities	606	543	437	63	11.6	169	38.7
Total Interest Income	14,958	14,879	12,382	79	0.5	2,576	20.8
INTEREST EXPENSES							
Interest on deposits	2,767	2,327	1,548	440	18.9	1,219	78.7
Interest on interbank and money market items	504	339	154	165	48.7	350	227.3
Interest on borrowings	1,993	1,936	989	57	2.9	1,004	101.5
Contribution to Deposit Protection Agency	545	542	559	3	0.6	(14)	(2.5)
Other interest expenses	2	2	1	0	0.0	1	100.0
Total Interest Expenses	5,811	5,146	3,251	665	12.9	2,560	78.7
Interest Income, net	9,147	9,733	9,131	(586)	(6.0)	16	0.2
Net Interest Margin	4.25%	4.58%	4.78%				
Yield on Earning Assets	6.95%	7.01%	6.48%				
Cost of Funds	2.98%	2.69%	1.88%				

Consolidated	YE	YE	Change YoY	
	2011	2010	Baht mn	%
INTEREST INCOME				
Interest on loans	36,356	31,391	4,965	15.8
Interest on interbank and money market items	3,095	1,145	1,950	170.3
Hire purchase and financial lease income	14,952	13,049	1,903	14.6
Investments and trading transactions	79	90	(11)	(12.2)
Investments in debt securities	1,946	1,600	346	21.6
Total Interest Income	56,428	47,275	9,153	19.4
INTEREST EXPENSES				
Interest on deposits	8,956	5,630	3,326	59.1
Interest on interbank and money market items	1,631	718	913	127.2
Interest on borrowings	6,140	4,139	2,001	48.3
Contribution to Deposit Protection Agency	2,229	2,155	74	3.4
Other interest expenses	7	5	2	40.0
Total Interest Expenses	18,963	12,647	6,316	49.9
Interest Income, net	37,465	34,628	2,837	8.2
Net Interest Margin	4.51%	4.60%		
Yield on Earning Assets	6.79%	6.28%		
Cost of Funds	2.51%	1.85%		

For the fourth quarter period ended December 31, 2011

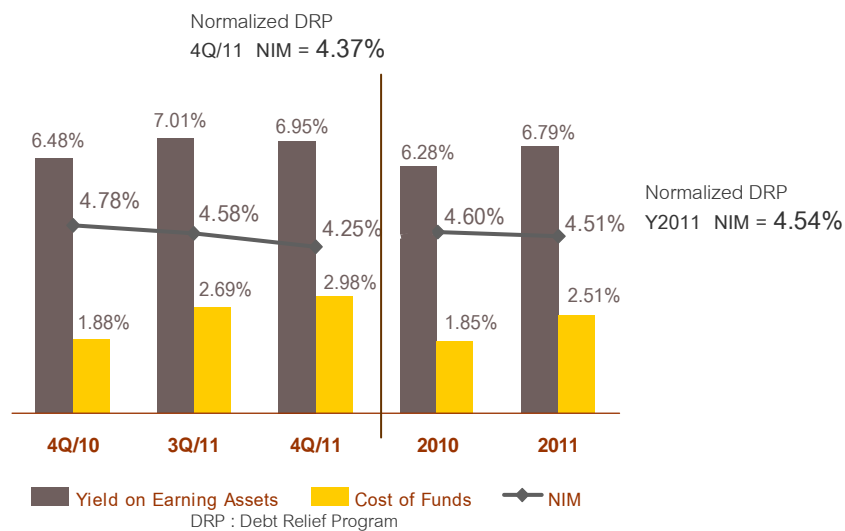
Net interest income in 4Q/11 was Baht 9,147 million, an increase of Baht 16 million, or 0.2%, when compared to the same period last year. The increase in net interest income was mainly due to higher yields on loans, money market funds and investments, partially offset by lower yields in the hire purchase business. Interest expenses rose due to rising deposit and borrowing rates driven by policy rate increases, together with higher average bills of exchange balances.

On a quarter-on-quarter basis, net interest income decreased Baht 586 million, representing a decrease of 6.0%. The lowered net interest income reflected our undertaking a Debt Relief Program to assist our customers impacted by the floods. In 4Q/11, Krungsri Group provided a range of options to assist customers including principal and interest grace periods, waiving of selected fees, and reconstruction financing. The decrease in net interest income was also due in part to the rise in interest expense in 4Q/11 from higher deposit costs, in line with the market, together with higher average deposits outstanding, and a higher money market rate. As a result, NIM moderated to 4.25% from the 4.58% recorded in 3Q/11. If the impact of the floods was excluded, NIM in 4Q/11 would have been 4.37%.

For the year ended December 31, 2011

For 2011, net interest income reached Baht 37,465 million, an increase of Baht 2,837 million, or 8.2%, compared to last year, as interest income rose by a larger magnitude than interest expenses. The marked growth in net interest income was attributed to higher interest rates, higher loan and hire purchase volumes, and higher average repurchase transactions. Meanwhile, the higher interest expenses on deposits and borrowing costs reflected the six policy rate increases in 2011.

Net Interest Margin (NIM)



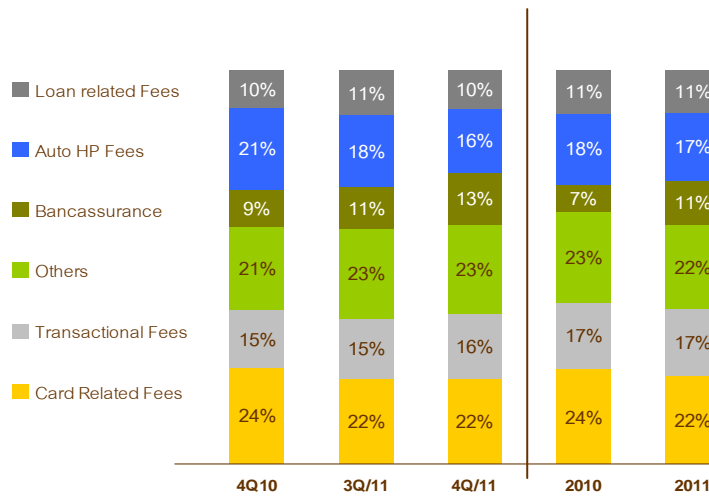
	Dec-10	Jan-11	Mar-11	Apr-11	Jun-11	Jul-11	Sep-11	Nov-11
Policy Rate	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.25%
BAY Lending Rate	6.50%	6.75%	7.00%	7.125%	7.25%	7.50%	7.625%	7.625%
Saving Rate	0.50%	0.50%	0.75%	0.75%	0.75%	0.75-0.87%	0.87%	0.87%
3 - month deposits	1.125-1.30%	1.25-1.40%	1.40-1.70%	1.50-1.75%	1.65-1.90%	1.65-1.90%	2.05-2.25%	2.05-2.25%
6 - month deposits	1.10-1.55%	1.55-1.675%	1.65-1.90%	1.90-2.10%	2.00-2.30%	2.00-2.30%	2.35-2.50%	2.35-2.50%
12 - month deposits	1.45-1.70%	1.65-1.85%	2.00%	2.15-2.30%	2.30-2.50%	2.30-2.75%	2.75-3.00%	2.75-3.00%

2.2 Net Fees and Service Income

Consolidated	4Q/11	3Q/11	4Q/10	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Acceptances, aval and guarantees	139	151	155	(12)	(7.9)	(16)	(10.3)
Other fees and service income	3,340	3,287	3,193	53	1.6	147	4.6
Fees and service income	3,479	3,438	3,348	41	1.2	131	3.9
Fees and service expenses	780	688	814	92	13.4	(34)	(4.2)
Fee and Service Income, net	2,699	2,750	2,534	(51)	(1.9)	165	6.5

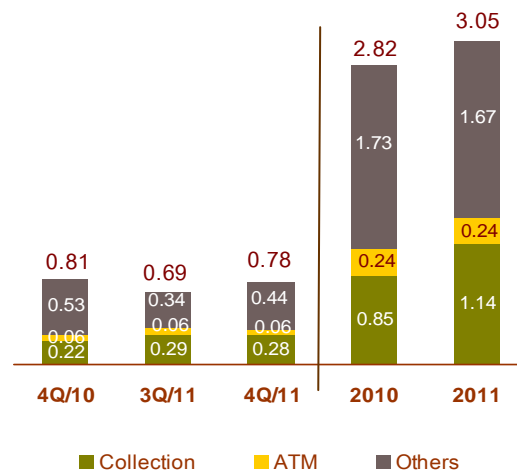
Consolidated	YE 2011	YE 2010	Change YoY	
			Baht mn	%
Acceptances, aval and guarantees	601	637	(36)	(5.7)
Other fees and service income	13,237	12,261	976	8.0
Fees and service income	13,838	12,898	940	7.3
Fees and service expenses	3,051	2,818	233	8.3
Fee and Service Income, net	10,787	10,080	707	7.0

Fees & Service Income Breakdown



Fees & Service Expenses

Unit: Baht Billion



For the fourth quarter period ended December 31, 2011

On a quarter-on-quarter basis, net fees and service income decreased by Baht 51 million, or 1.9%, resulting from the waiver of selected fees, under the Debt Relief Program and lower banking business volume due to the floods.

For the year ended December 31, 2011

Compared with 2010, net fees and service income increased by Baht 707 million, or 7.0%, driven primarily by increased fees from Bancassurance and fund management fees. This was offset by a reduction in collection fees resulting from the Debt Relief Program in 4Q/11.

2.3 Non-interest and Non-fees Income

Consolidated	4Q/11	3Q/11	4Q/10	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Gains (losses) on trading and foreign							
exchange transactions	411	360	878	51	14.2	(467)	(53.2)
Gains (losses) on investments	64	72	19	(8)	(11.1)	45	236.8
Share of profit (loss) from investment for							
using equity method	(26)	35	60	(61)	(174.3)	(86)	(143.3)
Other operating income	1,122	1,469	1,250	(347)	(23.6)	(128)	(10.2)
Total Non-interest and Non-fees Income	1,571	1,936	2,207	(365)	(18.9)	(636)	(28.8)

Consolidated	YE	YE	Change YoY	
	2011	2010	Baht mn	%
Gains (losses) on trading and foreign				
exchange transactions	1,278	1,459	(181)	(12.4)
Gains (losses) on investments	820	251	569	226.7
Share of profit (loss) from investment for				
using equity method	32	144	(112)	(77.8)
Other operating income	4,922	4,965	(43)	(0.9)
Total Non-interest and Non-fees Income	7,052	6,819	233	3.4

For the fourth quarter period ended December 31, 2011

On a quarter-on-quarter basis, non-interest and non-fee income decreased by Baht 365 million, or 18.9%, driven primarily by a decrease in other operating income of Baht 347 million, or a 23.6% decrease, mainly due to a decrease in loan recovery income of Baht 155 million together with prior quarter dividend income of Baht 177 million. The dividend income was mainly received from Vayupak and two mutual funds of Baht 169 million.

For the year ended December 31, 2011

Compared with 2010, non-interest and non-fee income rose 3.4% to Baht 7,052 million, driven primarily by:

- An increase in gains on investments of Baht 569 million, or 226.7%, mainly from a reversal of a reserve for investment in loan of Dubai World Group Finance Limited at Baht 424 million recorded in 2Q/11.
- An increase in returns from treasury transactions and positions of Baht 504 million, or 67.2%.

The above-mentioned items were offset by:

- A decrease in gain on debt instrument of Baht 665 million, driven by a one-off gain on a CDO sale of Baht 677 million in 4Q/10.
- A decrease in an excess of net fair value of acquired subsidiary over purchase cost of Baht 519 million recorded in 4Q/10.

2.4 Other Operating Expenses

Consolidated	4Q/11	3Q/11	4Q/10	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Employee's expenses	3,204	3,020	3,274	184	6.1	(70)	(2.1)
Premises and equipment expenses	1,076	1,209	1,094	(133)	(11.0)	(18)	(1.6)
Taxes and duties	475	457	403	18	3.9	72	17.9
Directors' remuneration	8	9	7	(1)	(11.1)	1	14.3
Other expenses	1,603	2,849	3,209	(1,246)	(43.7)	(1,606)	(50.0)
Total Other Operating Expenses	6,366	7,544	7,987	(1,178)	(15.6)	(1,621)	(20.3)

Consolidated	YE	YE	Change YoY	
	2011	2010	Baht mn	%
Employee's expenses	12,319	11,820	499	4.2
Premises and equipment expenses	4,632	4,293	339	7.9
Taxes and duties	1,782	1,535	247	16.1
Directors' remuneration	33	28	5	17.9
Other expenses	8,711	9,120	(409)	(4.5)
Total Other Operating Expenses	27,477	26,796	681	2.5

For the fourth quarter period ended December 31, 2011

On a quarter-on-quarter basis, other operating expenses decreased by 15.6%, driven by:

- Marketing and promotion costs reduced by Baht 559 million, or 46%, highlighting our conscious control and management of operating expenses in 4Q/11 in light of the floods, together with our flexibility in adjusting our year-end marketing campaigns from the original plan.

- A decrease in other expenses of Baht 1,246 million, or 43.7%, mainly from reserves for contingent liabilities of Baht 694 million recorded in 3Q/11 then partially resolved in 4Q/11 in the amount of Baht 467 million due to mitigation actions taken.

- The above-mentioned improvement in operating expenses was partially offset by an increase in employees' expenses of Baht 184 million, or 6.1%, mainly due to assistance provided to employees affected by the floods.

For the year ended December 31, 2011

Compared to 2010, other operating expenses increased by Baht 681 million, or 2.5%, driven by:

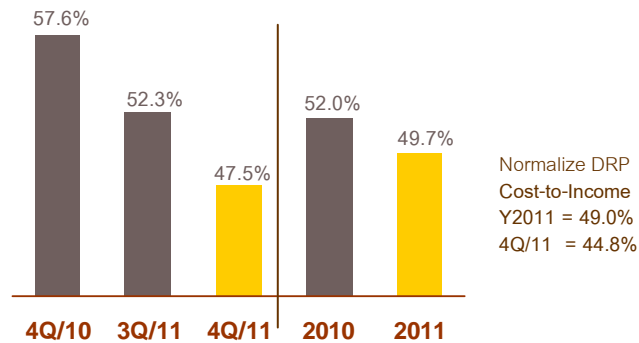
- An increase in employee's expenses of Baht 499 million, or 4.2%, mainly driven by the adoption of a new accounting principle governing employee benefits in early 2011, incentive payments, annual merit increases, and assistance provided to our employees affected by the floods.

- An increase in premises and equipment expenses of Baht 339 million, or 7.9%, mainly driven by the Bank's continued investment in its ATM network expansion, ongoing branch refurbishment improvements and supporting activities relating to our rebranding initiative.

The above-mentioned increases in operating expenses were offset by:

- A decrease in other expenses of Baht 409 million, or 4.5%, mainly from a decrease in marketing and promotion expenses of Baht 530 million, or a 17.8% reduction, from our cost control and management initiative in 4Q/11, and a reserve on assets transferred to TAMC of Baht 600 million recorded in 2010. These improvements were offset by an increase in the amortization of the fair value of intangible assets of Baht 247 million and reserves for customer loyalty program bonus points of Baht 539 million.

Cost-to-Income Ratio



Given our cost control initiatives, together with the strong improvement in core earnings, the cost-to-income ratio reduced markedly from 52% in 2010 to 49.7% in 2011, reflecting the on-going effort to improve operations and income generation efficiency.

2.5 Impairment loss of loans and debt securities

Consolidated	4Q/11	3Q/11	4Q/10	Change QoQ		Change YoY	
				Baht mn	%	Baht mn	%
Bad Debt and Doubtful Accounts	3,534	2,041	2,506	1,493	73.2	1,028	41.0
Loss on Debt Restructuring	206	583	650	(377)	(64.7)	(444)	68.3
Total impairment loss of loan and debt securities	3,740	2,624	3,156	1,116	42.5	584	18.5

Consolidated	YE	YE	Change YoY	
	2011	2010	Baht mn	%
Bad Debt and Doubtful Accounts	11,392	11,425	(33)	(0.3)
Loss on Debt Restructuring	821	966	(145)	(15.0)
Total impairment loss of loan and debt securities	12,213	12,391	(178)	(1.4)

Loan loss provisions in the current period totaled Baht 3,740 million, an increase of Baht 1,116 million, or 42.5%, from the previous quarter largely reflecting our prudent reserving policy in establishing a Baht 800 million “environmental reserve” for the floods in 4Q/11. This increase in provisioning was a one-time event with the provision expected to normalize in 2012.

Despite recording an “environmental reserve” in 4Q/11, the overall loan loss provision decreased by Baht 178 million, or 1.4%, from 2010. This improvement reflected both the declining trend of new NPL formation and our rigorous credit analysis standards. Meanwhile, the Group’s loan loss coverage ratio improved to 106.2% from 89.1% at the end of 2010.

3. Financial Status

3.1 Financial Position

Consolidated	As at	As at	As at	Change from		Change from	
	Dec. 31, 11	Sep. 30, 11	Dec. 31, 10	Sep. 30, 11	Dec. 31, 10	Sep. 30, 11	Dec. 31, 10
				Baht mn	%	Baht mn	%
ASSETS							
Cash	25,165	20,112	22,461	5,053	25.1	2,704	12.0
Interbank and money market items, net	81,818	74,886	74,527	6,932	9.3	7,291	9.8
Investments, net	81,204	87,786	78,360	(6,582)	(7.5)	2,844	3.6
Investments in subsidiaries and associates, net	769	796	729	(27)	(3.4)	40	5.5
Loans to customers	751,405	728,372	674,596	23,033	3.2	76,809	11.4
Accrued interest receivable	1,859	1,838	1,724	21	1.1	135	7.8
Deferred revenue	(31,898)	(31,281)	(25,636)	(617)	(2.0)	(6,262)	(24.4)
Allowance for doubtful accounts	(30,776)	(31,722)	(33,410)	946	3.0	2,634	7.9
Revaluation allowance for debt restructuring	(502)	(474)	(543)	(28)	(5.9)	41	7.6
Properties for sale, net	11,737	12,593	14,727	(856)	(6.8)	(2,990)	(20.3)
Others	57,016	51,462	62,299	5,554	10.8	(5,283)	(8.5)
TOTAL ASSETS	947,797	914,368	869,834	33,429	3.7	77,963	9.0
LIABILITIES AND SHAREHOLDERS' EQUITY							
Deposits	560,540	536,120	576,479	24,420	4.6	(15,939)	(2.8)
Interbank and money market items, net	23,741	23,141	43,762	600	2.6	(20,021)	(45.7)
Debt issued and borrowings	208,263	209,872	99,365	(1,609)	(0.8)	108,898	109.6
Others	52,558	43,937	51,124	8,621	19.6	1,434	2.8
TOTAL LIABILITIES	845,102	813,070	770,730	32,032	3.9	74,372	9.6
Issued and paid-up share capital	60,741	60,741	60,741	0	-	0	-
Retained earning	22,442	22,101	19,225	341	1.5	3,217	16.7
Others	19,512	18,456	19,138	1,056	5.7	374	2.0
TOTAL SHAREHOLDERS' EQUITY	102,695	101,298	99,104	1,397	1.4	3,591	3.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	947,797	914,368	869,834	33,429	3.7	77,963	9.0

In 2011, total assets increased Baht 77,963 million, or 9.0%, largely attributed to a higher loan volume of Baht 70,547 million, or 10.9%. Interbank and money market items grew 9.8% or Baht 7,291 million. Liabilities grew 9.6% in 2011, driven by a strong increase in bills of exchange of 460.4%.

Total shareholders' equity rose to Baht 102,695 million, an increase of Baht 3,591 million, or 3.6%, from December 31, 2011. The increase was mainly due to equity holders' net income of Baht 9,265 million for the year 2011. This was offset mainly by dividends paid of Baht 4,252 million and the adjustment for provision of employee's benefits of Baht 1,793 million.

Book value per share as of December 31, 2011 was Baht 16.91, up from Baht 16.32 last year, equivalent to an increase of 3.6%.

3.2 Loans to customer

3.2.1 Loans by segment

Consolidated	Dec. 31, 11	Sep. 30, 11	Dec. 31, 10	Change from		Change from	
				Sep. 30, 2011		Dec. 31, 2010	
				Baht mn	%	Baht mn	%
Corporate	204,286	197,154	190,046	7,132	3.6	14,240	7.5
SMEs	188,955	187,105	180,104	1,850	1.0	8,851	4.9
Retail	326,266	312,832	278,810	13,434	4.3	47,456	17.0
- Hire purchases	156,041	150,600	126,444	5,441	3.6	29,597	23.4
- Housing	93,320	90,656	82,280	2,664	2.9	11,040	13.4
- Personal & other	76,905	71,576	70,086	5,329	7.4	6,819	9.7
Total *	719,507	697,091	648,960	22,416	3.2	70,547	10.9

* Loans to customers net of deferred income

Despite the slowdown in volumes due to the floods in 4Q/11, loans increased Baht 22,416 million, or 3.2%, from the previous quarter. As of December 31, 2011, total outstanding loans stood at Baht 719,507 million. A broad-based growth, covering all customer segments, was achieved in 4Q/11.

For 2011, total loans rose 10.9% to 719,507 million, an increase of Baht 70,547 million from the end of December 31, 2010, driven by an increase in performing loans of Baht 79,158 million. In line with our strategic focus, the retail segment continued to drive growth with a notable increase of Baht 47,456 million, or 17.0%, followed by Corporate and SME segments which grew 7.5% and 4.9%, respectively.

For Corporate and SME loans, the growth observed were largely long-term domestic loans covering sectors such as commerce and manufacturing. Strong growth was also achieved in the SME-Small and SME-Retail segments through our SME customer segmentation strategy, complemented by product and customer touch point simplification through our 55 Business Centers.

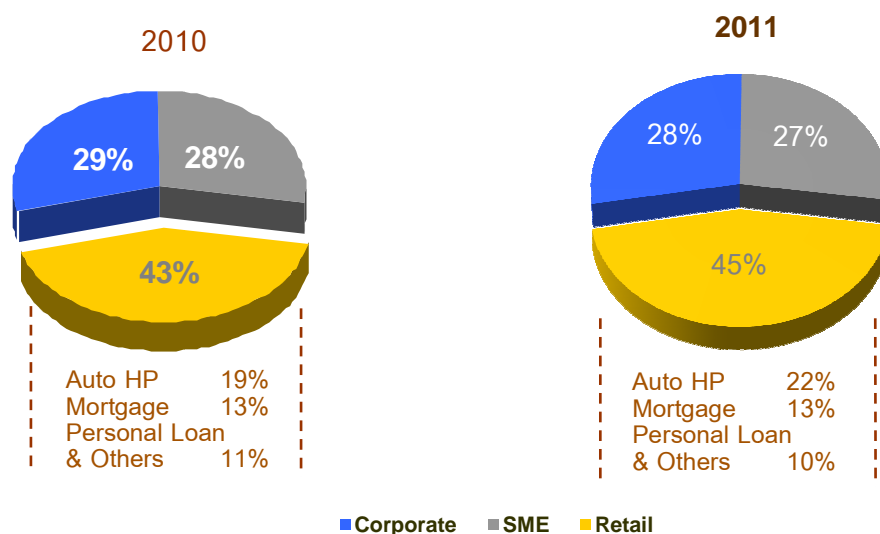
For consumer loans, impressive growth continued to be driven by the auto hire purchase business. Notwithstanding the supply-chain disruption from Japan in 2Q/11 and Thailand's floods in 4Q/11, hire purchase loans grew a record of Baht 29,597 million, or 23.4%, for 2011. Our performance was enhanced by our diversified portfolio mix of new car, used car and refinance program volume, together with a diversified brand mix. This strategy provides us greater flexibility to shift segments or brands in light of a changing environment and market conditions. The fast-growing volume generated from Krungsri channels, together with product and service innovations, such as quicker turnaround times and the introduction of "Krungsri Auto Express", also helped to boost volume.

The outlook for the auto hire purchase segment is positive for 2012, supported by pent up demand due to the closures of auto manufacturers in 4Q/11, and the implementation of the government's first car program.

Housing loans grew strongly at 13.4% in 2011, and 2.9% in the fourth quarter alone. This reflected both sustained positive economic conditions and an improvement in the residential housing market for the first nine months of 2011. And of particular importance, our strategic relationships with prime developers, particularly in the condominium segment, also helped to boost the housing loan volume.

In 2011, personal loans and credit card receivables grew 9.7% and 7.4%, respectively. The strong growth in these two segments highlighted our sustained leadership position, supported by both the offering of a strong customer value proposition and product innovations.

Loan Composition



Loan classification and provision

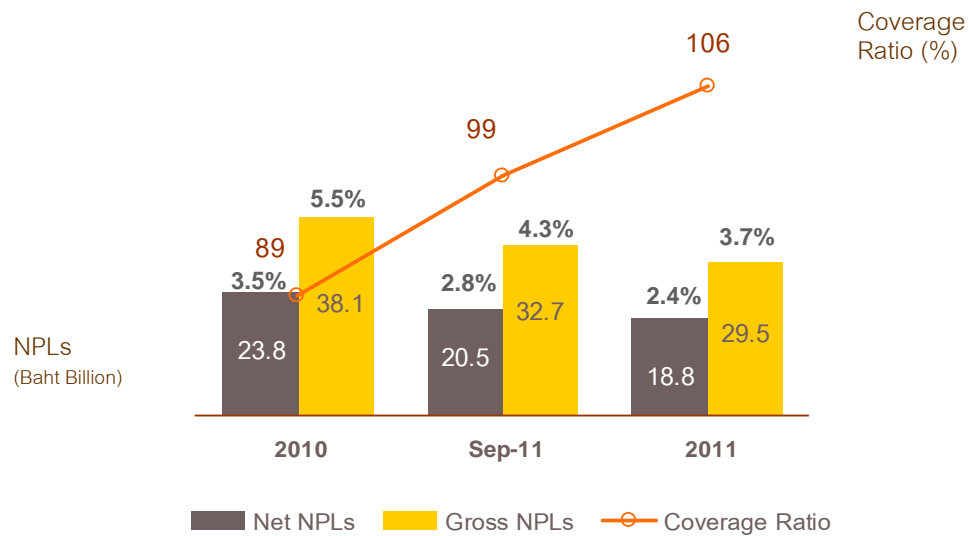
Unit : Baht mn

Consolidated	Dec. 30, 2011		Dec. 31, 2010		Change	
	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision	Loans and Accrued Interest Receivable	Provision
Normal	658,937	5,031	586,356	5,257	72,581	(226)
Special mention	31,447	2,603	24,864	1,170	6,583	1,433
Substandard	7,260	2,923	10,104	5,564	(2,844)	(2,641)
Doubtful	7,532	3,089	4,897	1,268	2,635	1,821
Doubtful of loss	14,800	4,663	23,269	7,485	(8,469)	(2,822)
Total BOT Provision	719,976	18,309	649,490	20,744	70,486	(2,435)
Plus (less) deferred income / commission	1,390		1,194		196	
Surplus Reserve		12,467		12,666		(199)
Total	721,366	30,776	650,684	33,410	70,682	(2,634)

Non-performing loans

Consolidated	Dec 31, 11	Sep 30, 11	Dec 31, 10	Change from Sep 30, 11		Change from Dec 31, 10	
				Baht mn	%	Baht mn	%
Non-Performing Loans (Net)	18,763	20,547	23,832	(1,784)	(8.7)	(5,069)	(21.3)
Non-Performing Loans (Gross)	29,536	32,671	38,149	(3,135)	(9.6)	(8,613)	(22.6)
Loans loss reserves (LLR)	31,366	32,285	33,988	(919)	(2.8)	(2,622)	(7.7)
Coverage	106.2%	98.8%	89.1%	7.4%	7.5	17.1%	19.2
BOT Requirement	18,899	19,663	21,322	(764)	(3.9)	(2,423)	(11.4)
Actual / Required LLR	166.0%	164.2%	159.4%	1.8%	1.1	6.6%	4.1

NPLs and Coverage Ratio



Asset quality continued to improve. Gross NPLs fell sharply to Baht 29,536 million from Baht 32,671 million at the end of September 2011, equivalent to a 9.6% reduction, resulting from the successful sale of NPLs with a book value of Baht 3,890 million.

Amid a challenging environment in 2011, NPLs were reduced by 22.6%, from Baht 38,149 million to Baht 29,536 million. Consequently, NPLs stood at 3.7% of gross loans as of year end 2011. The improvement in asset quality is largely attributed to the Bank's vigilant credit risk management policies and procedures to prevent new NPL formation, our continued efforts to resolve legacy NPLs, and improved collection and workout practices. Consequently, our coverage ratio improved to 106% from 89% in the prior year.

As of December 31, 2011, the provision stood at Baht 31,366 million, with an excess provision over Bank of Thailand requirements of Baht 12,467 million. Correspondingly, the actual provisioning ratio when compared to Bank of Thailand requirements increased to 166.0% from 159.4% last year.

3.3 Deposits

Consolidated	Dec. 31, 11	Dec. 31, 10	Change		Deposit Structure	
	(Baht mn.)	(Baht mn.)	Baht mn.	%	Dec. 31, 11	Dec. 31, 10
Current	19,265	18,129	1,136	6.3	3.44	3.14
Savings	218,395	219,464	(1,069)	(0.5)	38.96	38.07
Time	322,880	338,886	(16,006)	(4.7)	57.60	58.79
< 6 months	66,436	95,395	(28,959)	(30.4)	11.85	16.55
6 M - 1 Year	158,625	106,666	51,959	48.7	28.30	18.50
> 1 Year	97,819	136,825	(39,006)	(28.5)	17.45	23.73
Total	560,540	576,479	(15,939)	(2.8)	100.00	100.00

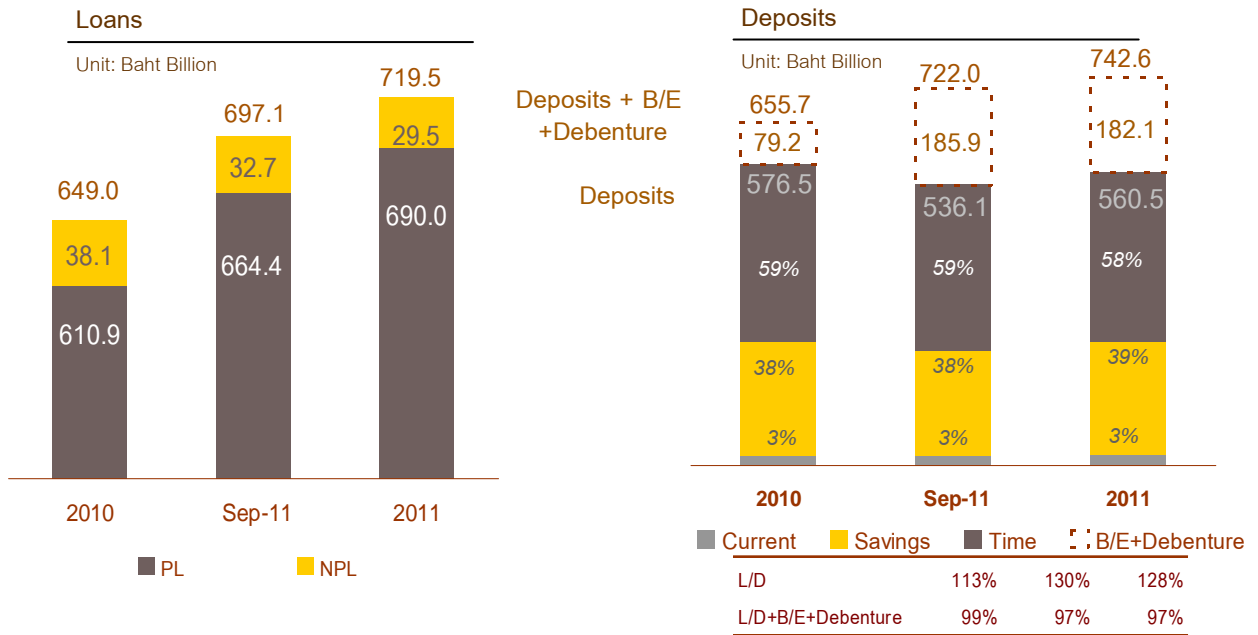
As of December 31, 2011, overall funding for the Bank including deposits, bills of exchange and debentures increased Baht 92,959 million, or 13.8%, from December 2010.

During the year, the popularity of bills of exchange, particularly among retail investors, grew the outstanding balance to Baht 155,785 million. Bills of exchange are a product that has increasingly substituted for time deposits in Thailand. Their “sticky” behavior and broad range of tenors also suit our “matched funding” discipline. Thus, this year, we replaced maturing debentures with bills of exchange, resulting in a lower cost of funds.

Overall, the increase in bills of exchange of Baht 127,986 million, or 460.4%, more than offset the decrease in deposits of Baht 15,939 million, or 2.8%. The significant increase in bills of exchange in 2011 reflected customers’ interest in alternative products providing higher yields. This trend accelerated as a result of the drop in deposit insurance coverage from an unlimited level to a maximum of Baht 50 million per customer per bank which became effective on August 11, 2011.

As of December 31, 2011, deposits totaled Baht 560,540 million, a decrease of Baht 15,939 million. The proportion of savings and demand deposits as a percentage of total deposits improved from 41.2% to 42.4%. The ability to maintain this mix was notable in light of the strong competition to mobilize funds from domestic commercial banks and specialized financial institutions in 2011, as well as other competing deposit-substitution products.

The strong loan growth observed in 2011 resulted in an L/D ratio at 128%; nevertheless, our L/D plus bills of exchange and debenture ratio improved to 97%.



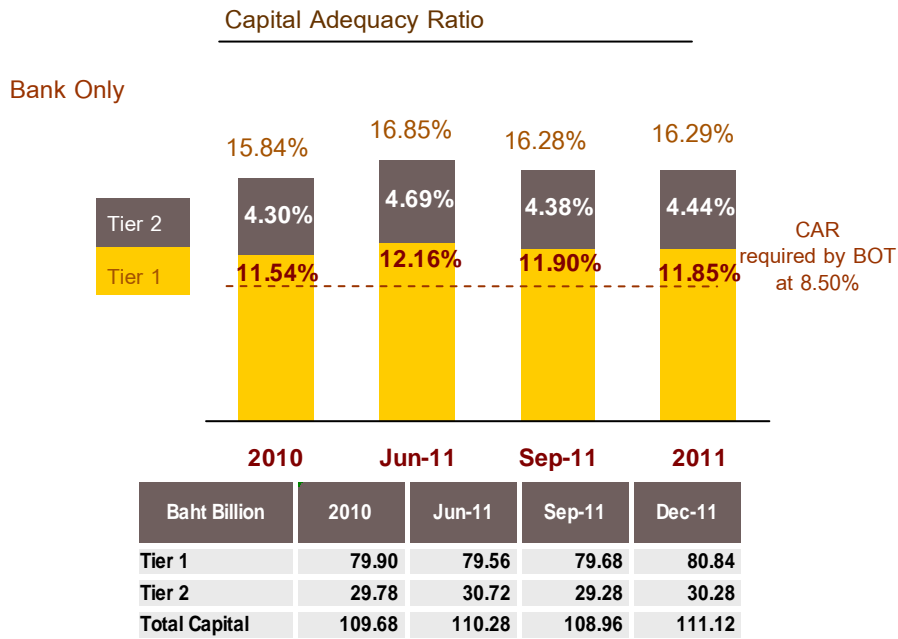
3.4 Contingencies

Consolidated	Dec.31, 11	Sep.30, 11	Dec. 31, 10	Change from		Change from	
				Sep. 30, 11	Dec. 31, 10	Sep. 30, 11	Dec. 31, 10
				Baht mn	%	Baht mn	%
Avals to bills and Guarantees of loans	1,765	2,109	3,929	(344)	(16.3)	(2,164)	(55.1)
Liability under unmatured import bills	1,465	1,516	1,202	(51)	(3.4)	263	21.9
Letters of credit	8,293	8,799	8,126	(506)	(5.8)	167	2.1
Other contingencies	456,621	445,096	387,165	11,525	2.6	69,456	17.9
Total	468,144	457,520	400,422	10,624	2.3	67,722	16.9

Krungsri Group's contingencies as of December 31, 2011 totaled Baht 468,144 million, an increase of Baht 67,722 million or 16.9% from December 31, 2010. This increase was driven by other contingencies of Baht 69,456 million, mainly resulting from derivative transactions of Baht 65,573 million.

3.5 Statutory Capital

As of December 31, 2011, the Bank's capital increased to Baht 111,122 million, equivalent to 16.29% of risk-weighted assets with 11.85% in Tier 1 capital. Adding the 2H/11 net profit the total BIS ratio would be 16.84%.



4. Credit Ratings

The Bank's credit ratings assigned by Moody's Investors Service, Standard & Poor's and Fitch Ratings as of December 31, 2011 are shown in the table below. On October 13, 2011, Moody's Investors Service upgraded Krungsri's Standalone Bank Financial Strength Rating (BFSR) to D+ from D, citing "the Bank's achievements in growing its franchise, especially in consumer lending, while also improving its financial fundamentals, especially its capitalization and asset quality".

Moody's Investors Service

Bank Deposits

- Long Term	Baa2
- Short Term	Prime-2

Debt

- Long Term -Senior Debt	Baa2
- Long Term –Subordinated Debt	Ba2
- Short Term	Prime-3

Debt and Deposit Rating Outlook	Stable
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Bank Financial Strength Ratings	D+
Outlook	Stable

Standard and Poor's

Issuer Credit Rating (ICR)

- Long Term	BBB-
- Short Term	A-3

Foreign Currency

- Long Term - Senior Debt	BBB-
- Short Term	A-3

Stand-alone Credit Profile (SACP)	bb+
Outlook	Stable

Fitch Ratings

International Rating (Foreign Currency)

- Long Term	BBB
- Subordinated Debt	BBB-
- Short Term	F3
- Individual Rating	C
- Viability rating	bbb
- Support	3
- Support Rating Floor	BB+
- Outlook	Stable

National Ratings

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