krungsri
กรุงศรี

A member of MUFG
a global financial group

Financial Performance 1Q 2020

15 May 2020

"Make Life Simple เรื่องเงิน เรื่องง่าย"

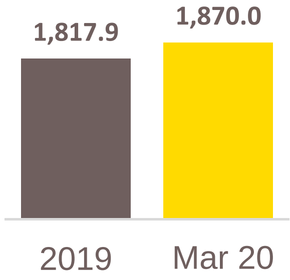
Krungsri's 75th Anniversary

Highlights

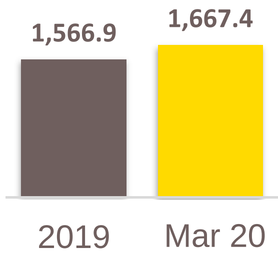
1Q 2020 Key Financial Highlights

Loan Growth
+2.9% QoQ

Consolidated
(Baht Billion)



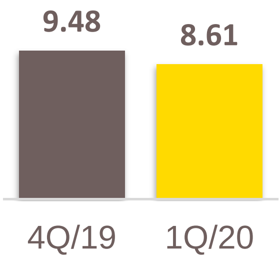
Deposit Growth
+6.4% QoQ



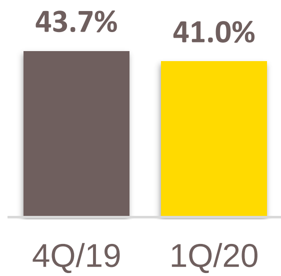
CASA
43.4%

NIM
3.94%

Non-interest Income Growth
-9.2% QoQ



Cost-to-Income Ratio



NPL Ratio
2.22%

Coverage Ratio
159.1%

Thailand Economic Outlook

2020 Outlook: The worst since the 1998 Asian Financial Crisis

2020 Key Economic Forecasts

% YoY growth unless otherwise stated	2018A	2019A	2020F
GDP	**4.2**	**2.4**	**-5.0**
Private Consumption	4.6	4.5	-1.1
Private Investment	4.1	2.8	-5.5
Exports (in USD term)	7.5	-3.2	-10.0
Headline Inflation	1.1	0.7	-0.8
Policy Interest Rate (%, end of period)	1.75	1.25	0.50

Note: 2020 forecast by Krungsri Research

Krungsri Research's view:

- Based on the two-month lockdown scenario, Krungsri Research slashed 2020 GDP growth forecast from -0.8% to -5.0%, the worst since the 1998 Asian Financial Crisis.
- The coronavirus pandemic has spread rapidly across the world, including Thailand, and there may be a need for strict containment measures for an extended period. We expect foreign tourist arrivals to tumble by 65% this year to a 14-year low of only 14.2 million.
- Furthermore, the drought crisis and delays in infrastructure investments in Thailand, coupled with deteriorating confidence and the negative feedback loop, would exacerbate the economic pain triggered by the pandemic.

Headwinds

- Impacts of coronavirus outbreak via tourism, supply disruption (at home and abroad), and income effect
- Global economic recession
- Delays in infrastructure investments
- Worse-than-expected drought
- Downward spiral of lower confidence and weaker growth
- Other risks: rising debts, EU-Vietnam FTA
- Structural problems e.g. labor shortage and lack of competitiveness in some sectors

Tailwinds

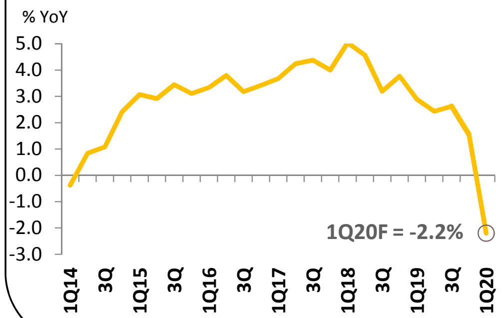
- Global massive easing of fiscal and monetary policies
- Domestic measures worth THB1.9trn to alleviate Covid-19 impacts
- Thailand's sound economic fundamentals

Sources: NESDC, MOC, BOT, Krungsri Research

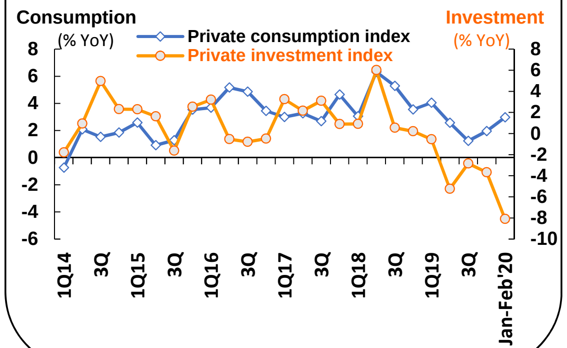
Recent Economic Development

- Due to Covid-19 repercussion, the Thai economy has faced a recession, with 1Q20 GDP growth estimated at -2.2%.
  - Tourism sector was hit by a coronavirus pandemic worldwide.
  - Weak external demand has been spreading to domestic economy.
  - Consumer and business confidence indices plunged to multi-year lows. Private consumption growth remained weak despite a rebound in spending on necessary goods ahead of a lockdown period.
  - Private investment plunged due to weakening exports and domestic demand as well as a delay in passage of FY2020 budget bill.

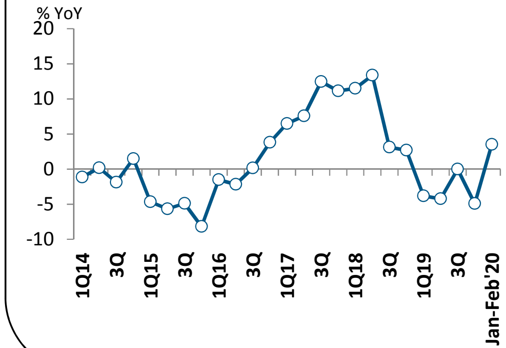
GDP: plunging economic activity amid deteriorating confidence



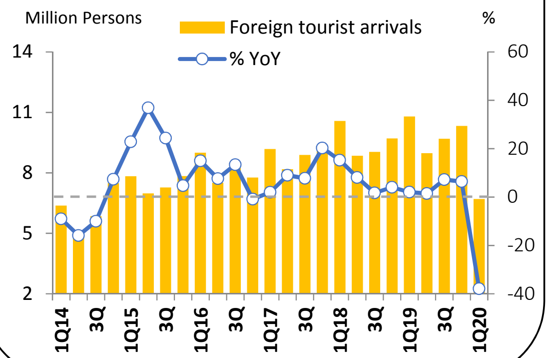
Domestic demand: weak consumption and shrinking investment



Exports: rebound on temporary factors



Tourism: hit by COVID-19 outbreak

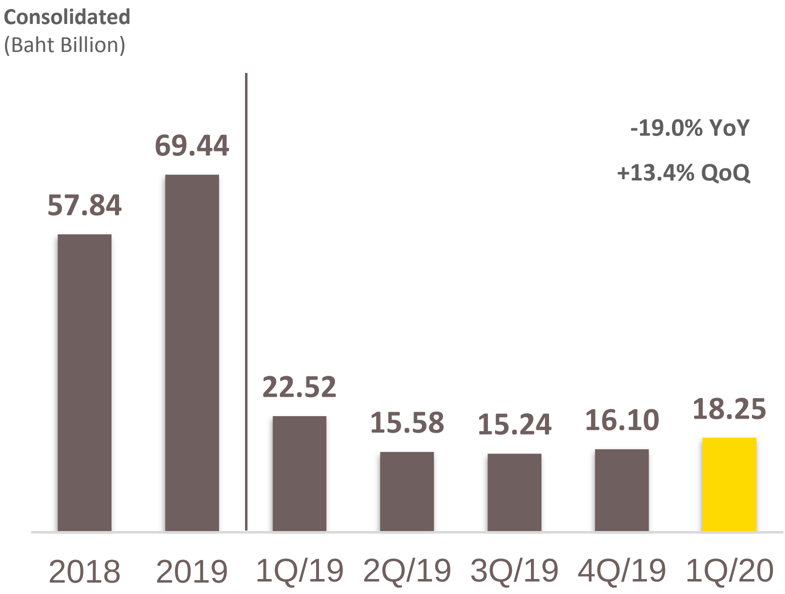


Sources: NESDC, BOT, MOTS, Krungsri Research

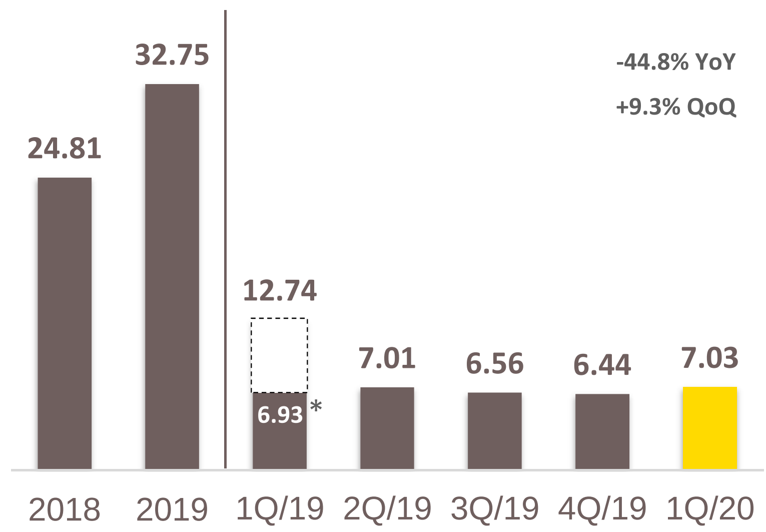
Financial Performance

Profitability

Pre-Provision Operating Profit (PPOP)



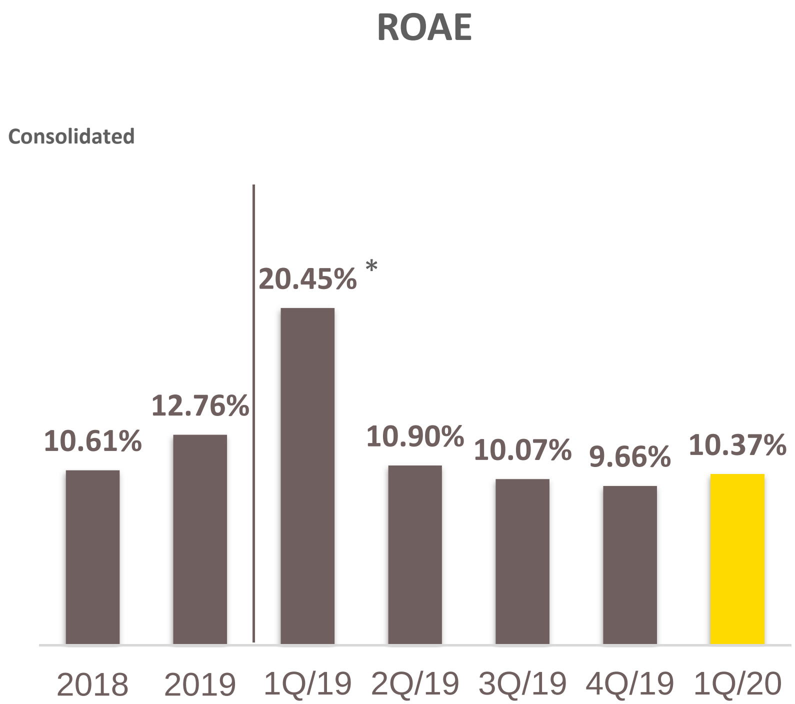
Net Profit

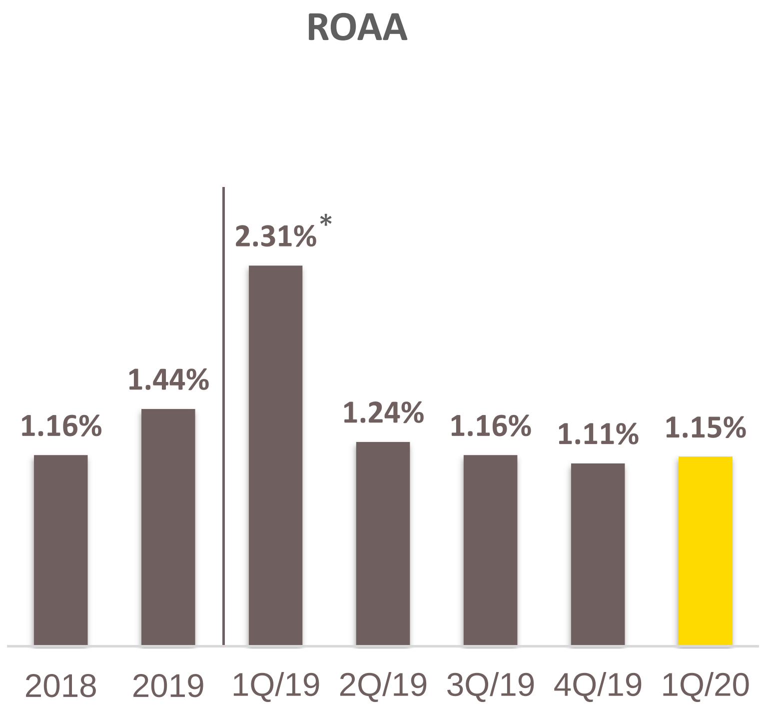


** Normalized Net Profit (excluding one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act).*

ROAE & ROAA

Reported ROAE at 10.37% and ROAA at 1.15%



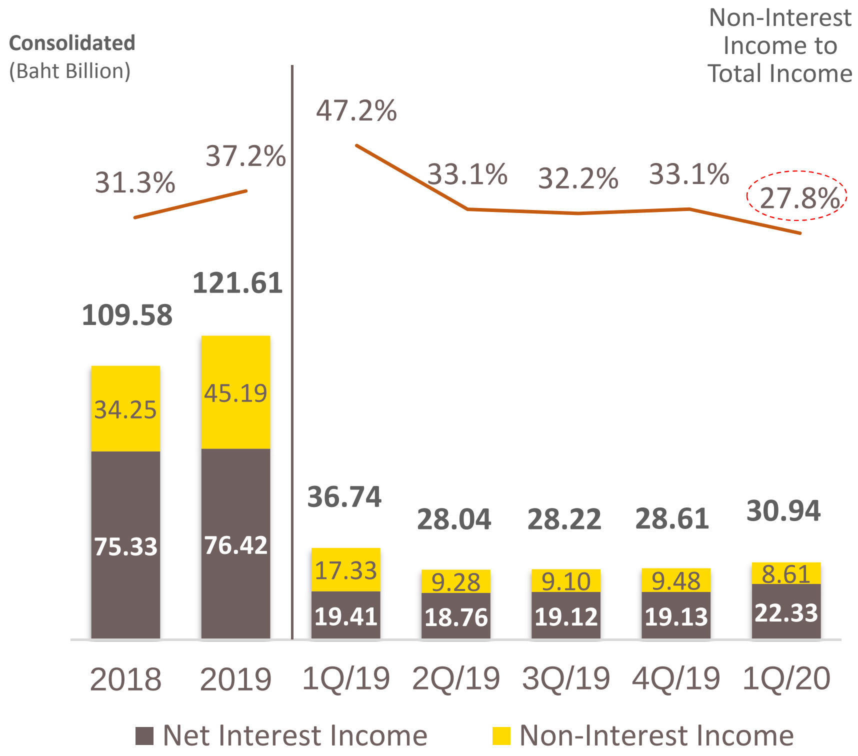


** Including the one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act.*

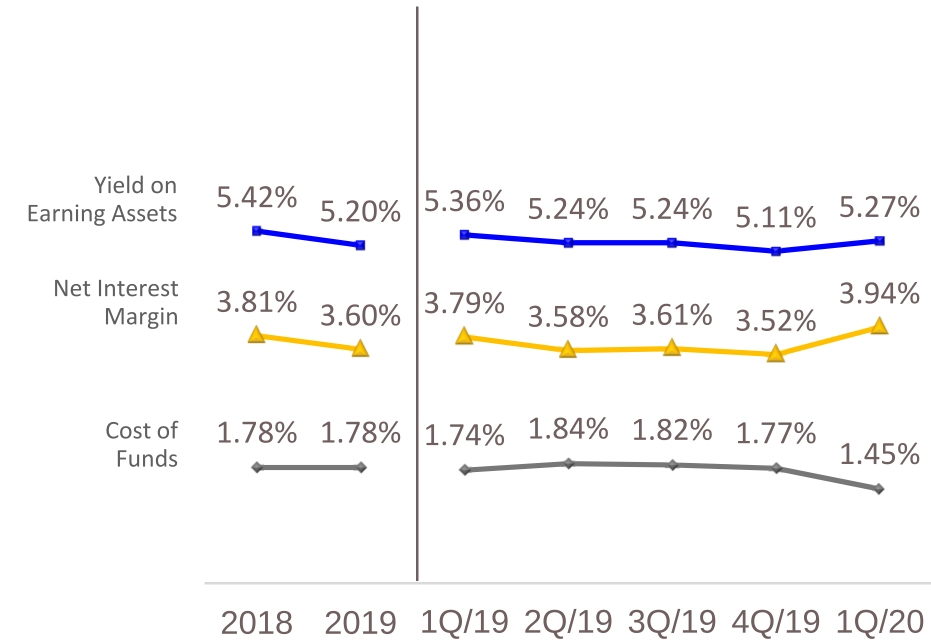
Profitability Measurement

NIM improved to 3.94%, mainly due to higher yield on earning assets and lower cost of fund

Total Income



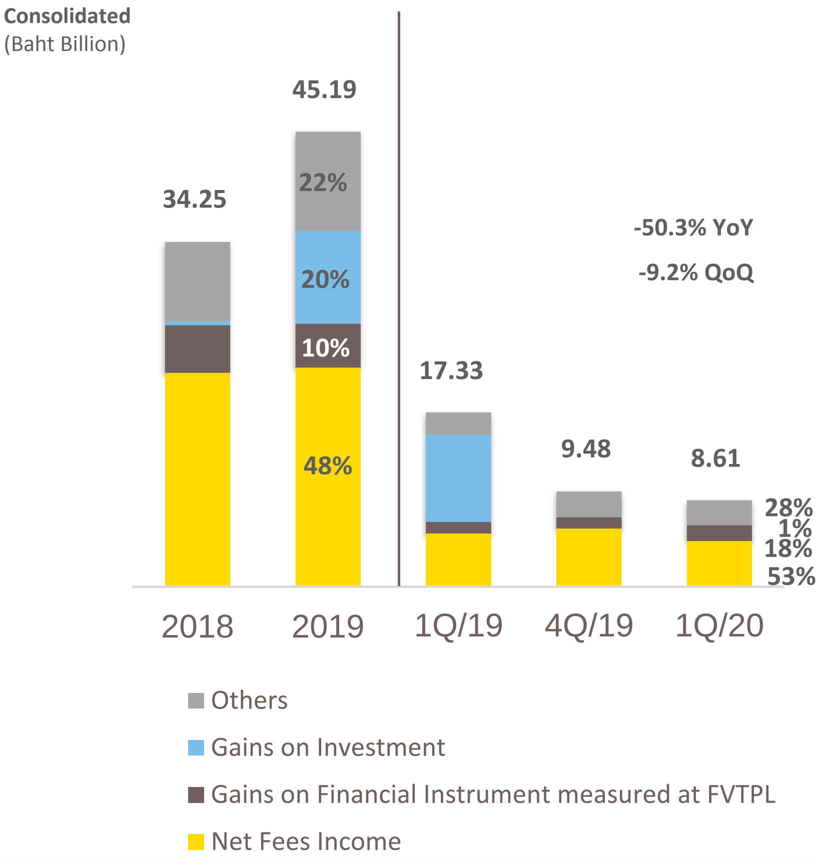
Net Interest Margin (NIM)



Yield on Loans	6.07%	5.85%	6.04%	5.86%	5.87%	5.81%	6.16%
Cost of Deposits	1.56%	1.67%	1.62%	1.73%	1.72%	1.65%	1.32%

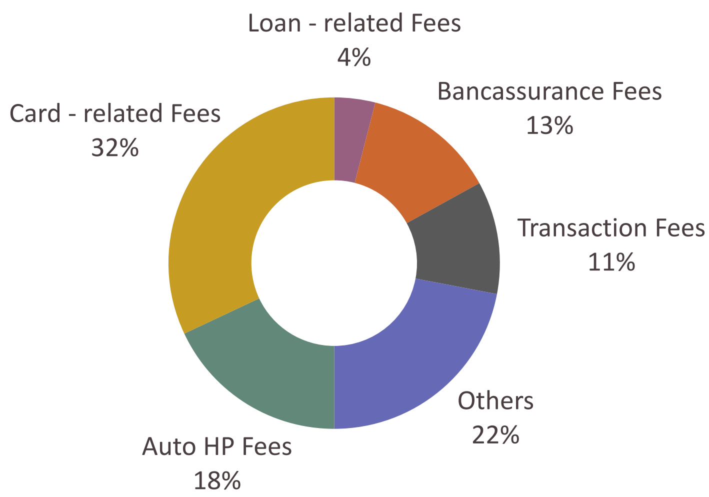
Non-Interest Income & Fees and Service Income

Non-Interest Income



Fees & Service Income Breakdown

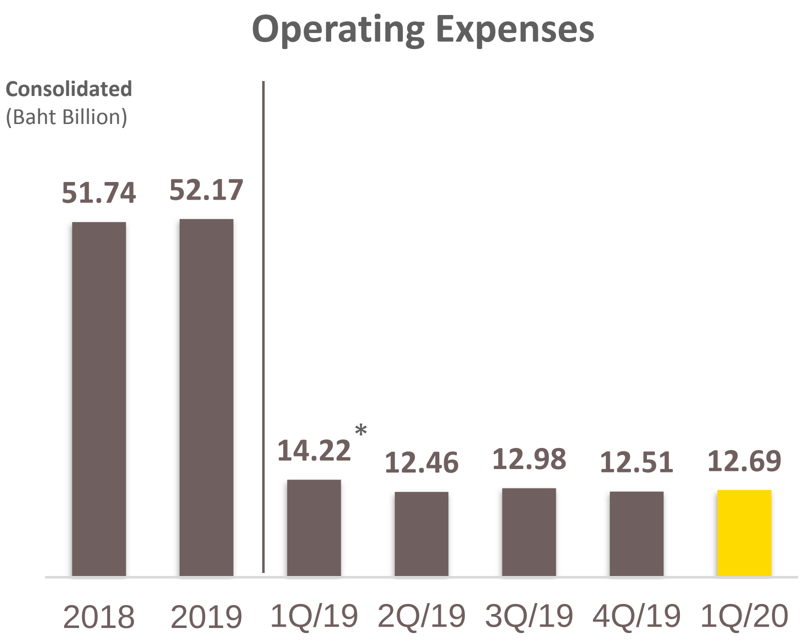
1Q/20

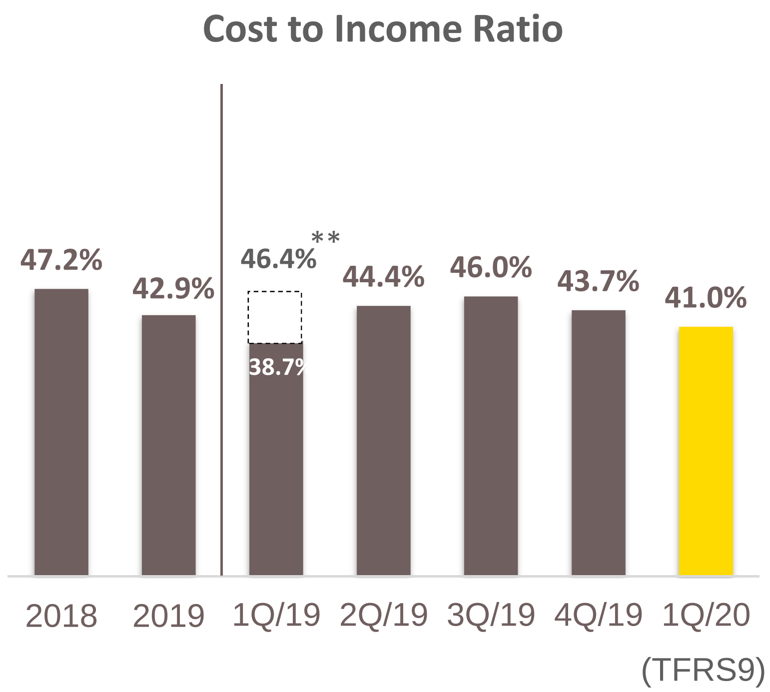


FVTPL: Fair value through profit or loss

Productivity

Cost to income ratio was recorded at 41.0%, improving from 43.7% in 4Q/19





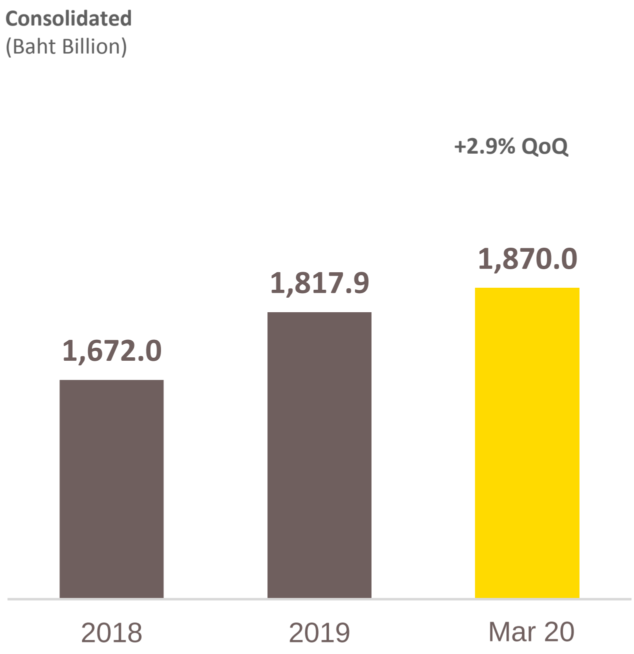
** Including the one-time item of provision in accordance to the amended Labor Protection Act.*

*** Normalized cost-to-income, (excluding one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act).*

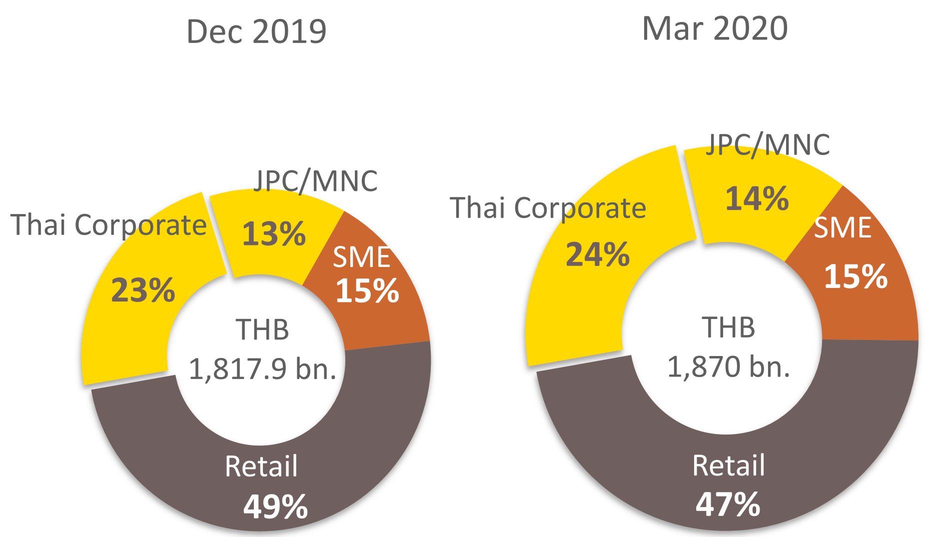
Loan Portfolio

The loan expansion was driven mainly by the commercial segment, while auto hire purchase was the key driver of retail segment

Loans



Loans by Segment



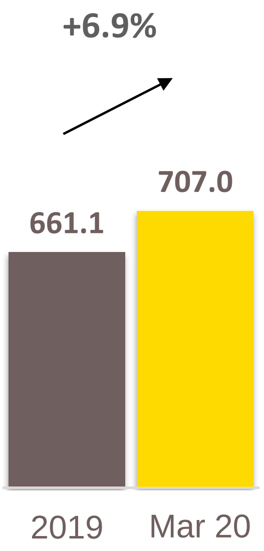
Retail

- Auto HP 23%
- Mortgage 14%
- Credit Card & Personal Loans 10%

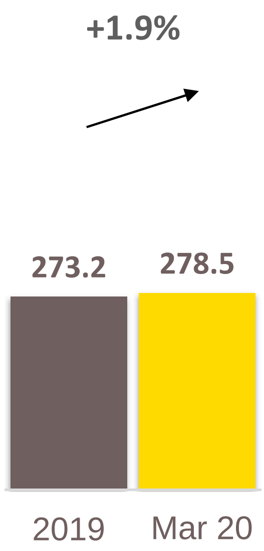
Loans by Segment

Corporate Loan

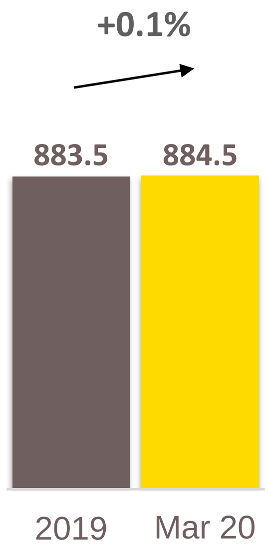
Consolidated
(Baht Billion)



SME Loan



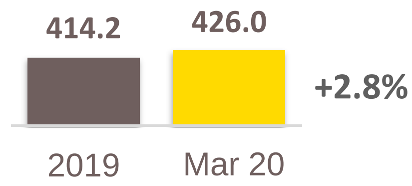
Retail Loan



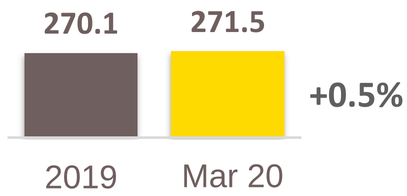
Under Retail Segment

Hire Purchase

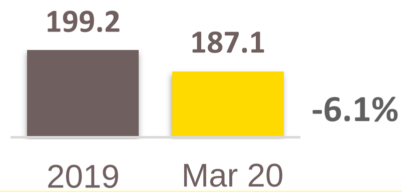
Consolidated
(Baht Billion)



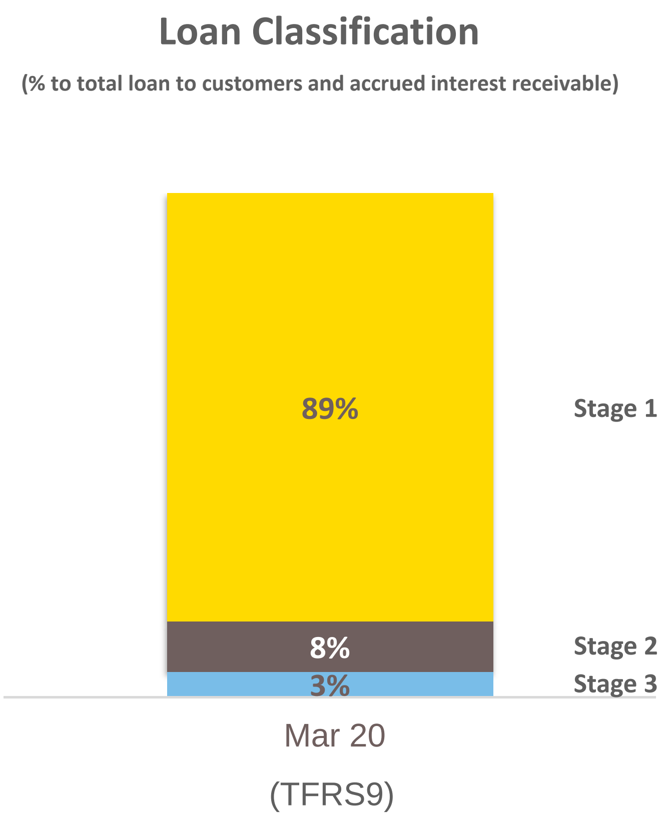
Mortgage

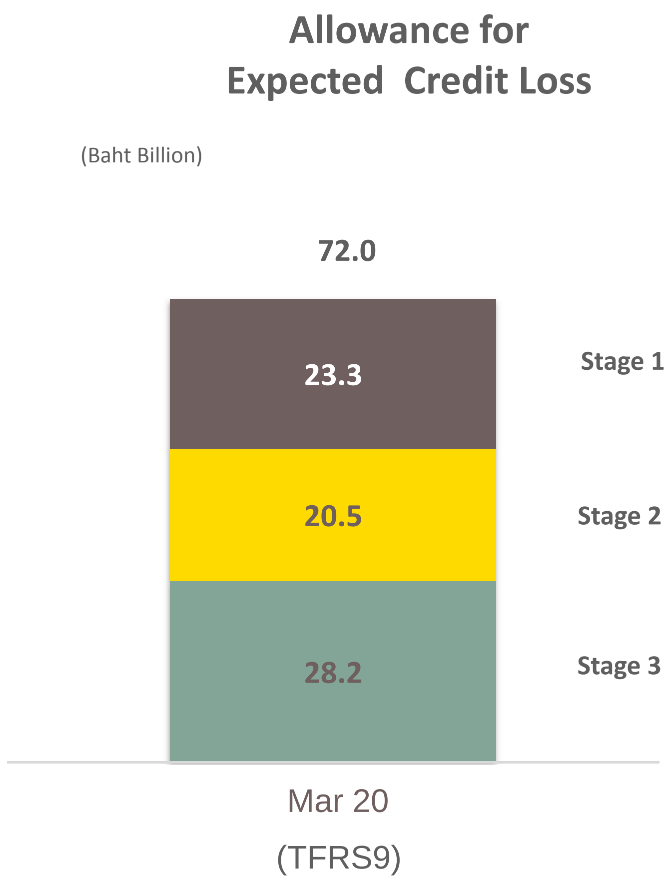


Credit Card and Personal Loans



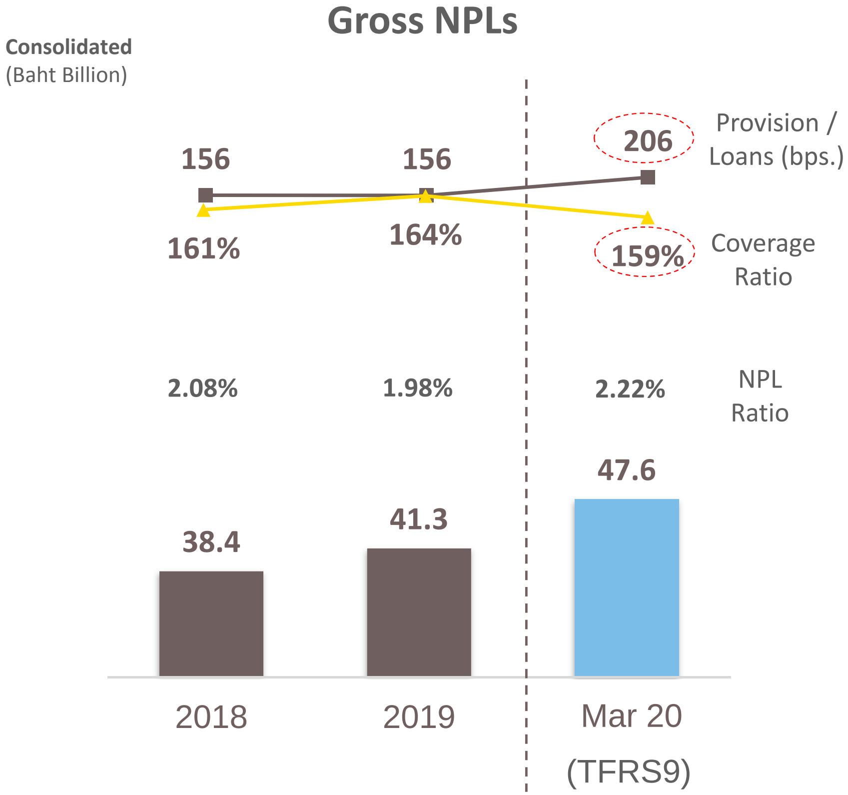
Loan Classification and Provisioning

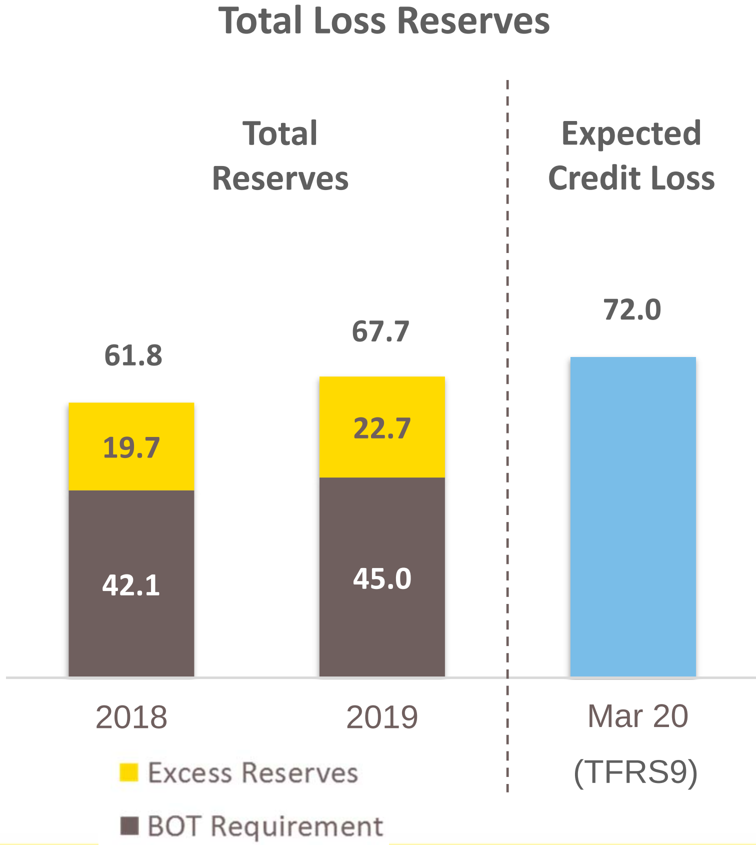




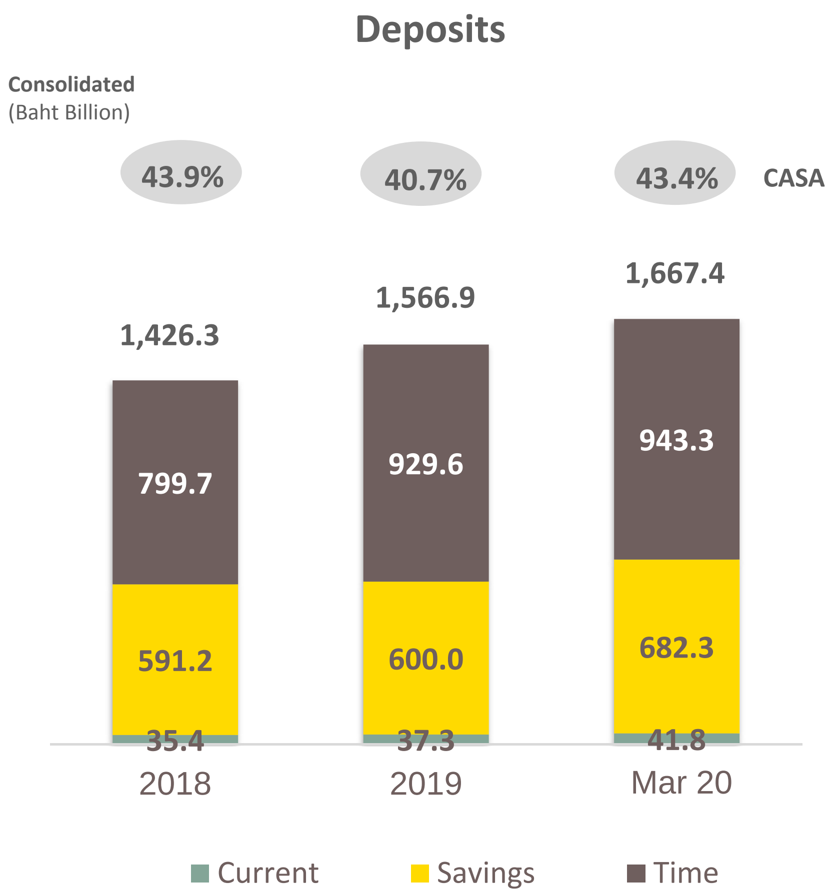
Asset Quality

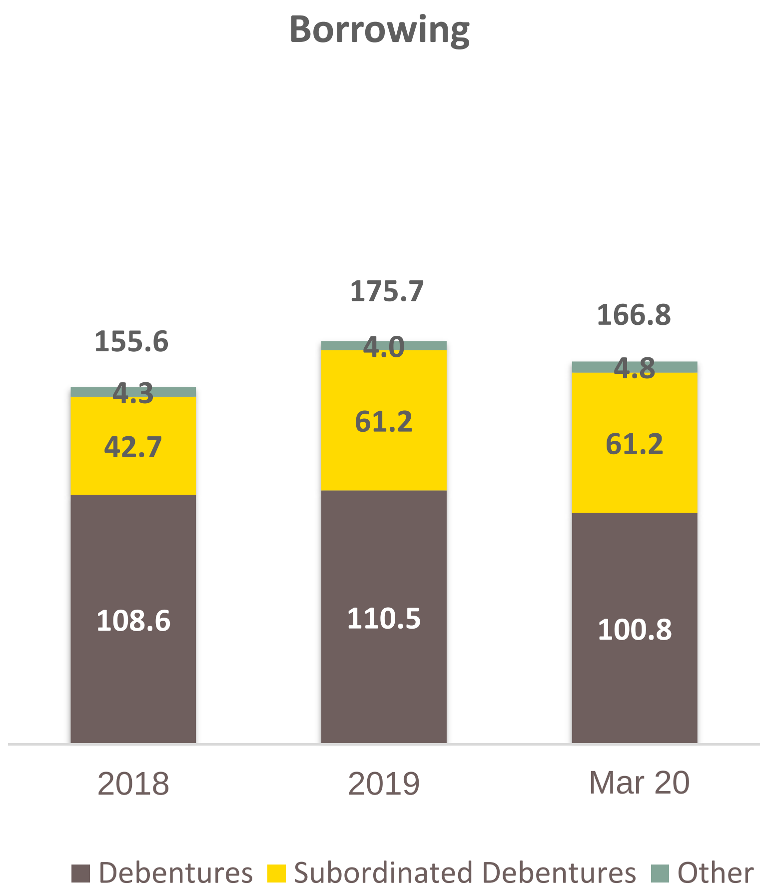
The expected credit loss (ECL) framework, based on TFRS9, became effective from January 1, 2020





Funding Base

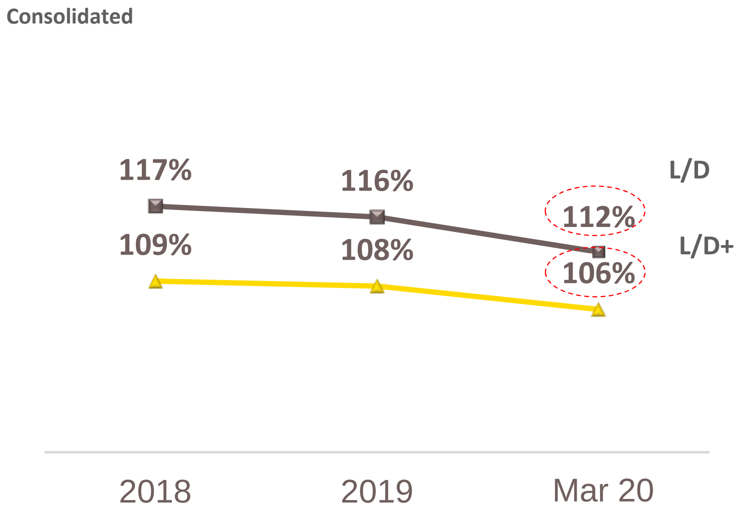




Capital and Liquidity

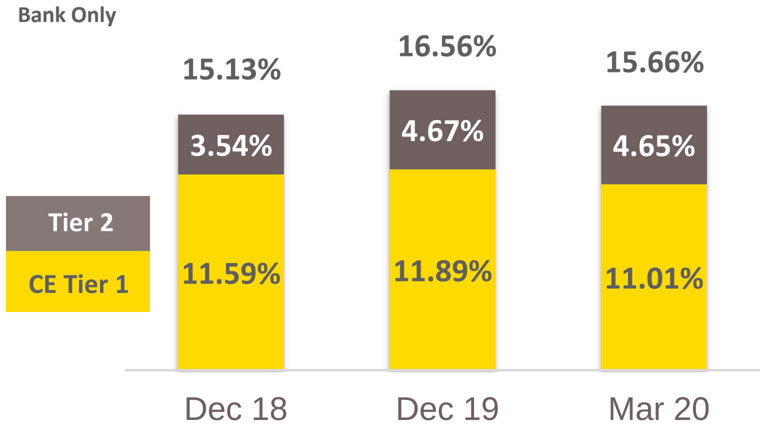
Strong capital position, CAR equivalent to 15.66%

Loan to Deposit Ratio



L/D+ : Loan to Deposit Ratio + Debentures

Capital Adequacy Ratio



Baht Billion	Dec 18	Dec 19	Mar 20
CE Tier 1	175.38	191.67	190.13
Tier 2	53.60	75.34	80.35
Total Capital	228.98	267.01	270.48

Remark:
Under the principles of Basel III, the Bank of Thailand requires all Thai commercial banks to maintain a minimum total capital ratio at 8.5% and gradually increase the conservation buffer by 0.625% per year from January 1, 2016 until reaching 2.50% by January 1, 2019.

The Bank of Thailand has adopted a supervisory framework for Domestic Systemically Important Banks (D-SIBs) by requiring qualified banks to maintain an additional 1.00% of Common Equity Tier 1 from the current minimum requirement, starting with 0.50% on January 1, 2019 and 1.00% on January 1, 2020 onwards.

Stating January 1, 2020, the minimum regulatory capital requirements comprise the Common Equity Tier 1 ratio at 8.00%, the Tier 1 ratio at 9.50%, and the total capital ratio at 12.00%.

Appendix

The Adoption of Thai Financial Reporting Standard (TFRS 9)

Effective January 1, 2020, the Bank adopted the Thai Financial Reporting Standards No. 9 Financial Instruments (TFRS 9) on a retrospective basis without restatement of prior periods.

The key changes of financial performance according to the TFRS 9 standard in 1Q/20 are in the following areas:

- A higher provision from the expected credit loss (ECL) framework which is an expected credit loss model for impairment of all financial instruments.
- Non-performing loans increased from the expected credit losses based on a forward-looking model.
- The net interest margin widened in accordance with changes in interest income from the recognition of income previously recognized under fee income and expected return of NPL receivables.

The expected credit loss (ECL) framework is based on the requirements of the Thai Financial Reporting Standard No. 9 Financial Instruments (TFRS 9) which became effective from January 1, 2020 onwards.

In terms of impairment of financial instruments, TFRS 9 concerns holding reserves for possible losses of assets and contingencies, for instance, loans, investments in debt securities, financial guarantee contracts, and unused credit lines, in a forward looking manner.

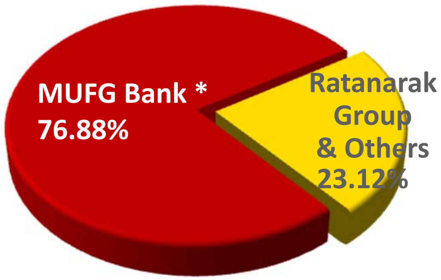
The ECL framework contains a threestage model based on changes in credit quality since initial recognition. Impairment is reported based on the stage allocation of financial instruments: those based on 12 months are allocated to Stage 1, and lifetime expected credit losses are allocated to Stage 2 and Stage 3. The stage allocation also determines if interest income for the financial instruments is reported on gross carrying amount in Stage 1 and Stage 2 and net carrying amount in Stage 3.

Krungsri Profile

Our History

- Officially established in 1945
- 2007: BAY and GE became strategic partners
- 2008: Acquisition of GE Capital Auto Lease, subsequently renamed to Krungsri Auto
- 2009: Acquisition of AIG Retail Bank Pcl. and AIG Card (Thailand) Co., Ltd.
- 2009: Acquisition of Ngern Tid Lor Co., Ltd., a micro finance business from AIG
- 2009: Acquisition of GE Money Thailand, a consumer finance company
- 2012: Acquisition of HSBC Thailand's retail banking businesses
- Dec 2013: MUFG Bank replaced GE as the strategic shareholder of Krungsri
- Jan 2015: Integration of MUFG Bank Bangkok Branch into Krungsri
- Sep 2016: Acquisition of Hattha Kaksekar Limited (HKL)
- Mar 2017: Established Krungsri Finnovate Company Limited
- Sep 2017: Recognized as "A Domestic Systemically Important Bank (D-SIB)" by the Bank of Thailand
- Aug 2019: Announced a plan to acquire 50% of shares of SB Finance Company Inc. (SBF)

Shareholding Structure
(as of 9 April 2020)



(*On 1 April 2018, BTMU was renamed MUFG Bank)

Krungsri Group Profile

International Ratings (as of March 2020)

Fitch Ratings	Standard & Poor's	Moody's
A-	BBB+	Baa1

National Ratings

Fitch Ratings	TRIS Rating
AAA (tha)	AAA

Leadership Position

#1 In consumer finance

As of February 2020	Market Position	% Share
Consumer		
Personal Loan	1	31%
Credit Card	1	16%
Auto (HP)	1	29%
SME	5	5%
Corporate	5	12%

Workforce: Krungsri Group 33,621 / BAY 15,261

Extensive Franchise: 33,255 Service Outlets

As of March 2020	Number
Domestic Branches	688 *
Overseas Branches	2
Representative Office	1
ATMs	6,747
Exchange Booths	83
Krungsri Exclusive / Krungsri The Advisory	43 / 5
Krungsri Business Centers	62

As of March 2020	Number
First Choice Branches	148 Branches
+ Dealers	+ 22,365 Dealers
Krungsri Auto Dealers	> 8,639 Dealers
Microfinance Branches	1,042
Microfinance Overseas Branches (HKL)	177
EDC Machines	87,672
Banking Agents Touch Points **	> 136,112

** Krungsri domestic branches = 688 branches, of which 648 are Banking Branches and 40 are Auto Business Branches*

*** Banking agents' touch points: Thai Post Offices, Boonterm Kiosks, Counter Service 7-11, Max Mart in PT gas stations, Bank of Agriculture and Agricultural Cooperatives, and Big C*

"This issuance reaffirms our commitment to corporate citizenship practices and our broader ambition to meet the UN Sustainable Development Goals."

Mr. Seiichiro Akita,
President and Chief Executive Officer
Bank of Ayudhya Public Company Limited

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