2019 Financial Performance

Financial Performance

20 January 2020

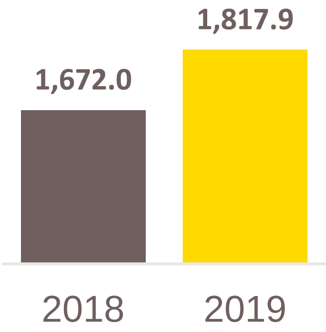
"Make Life Simple เรื่องเงิน เรื่องง่าย"

Highlights

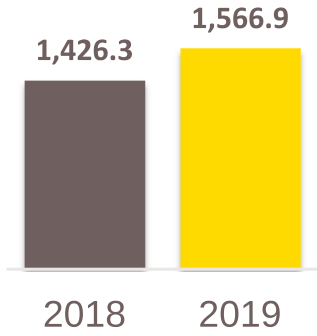
2019 Key Financial Highlights

Loan Growth
+8.7% YoY

Consolidated
(Baht Billion)



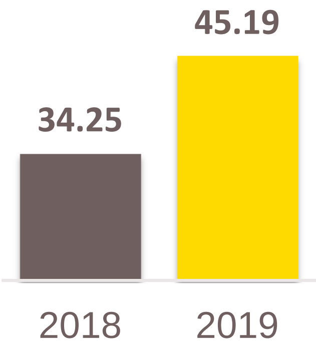
Deposit Growth
+9.9% YoY



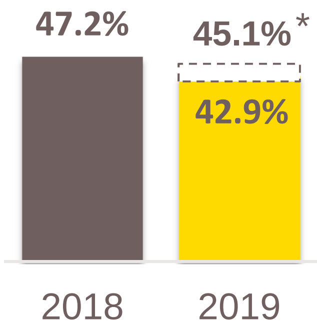
CASA
40.7%

NIM
3.60%

Non-interest Income Growth
+31.9 YoY



Cost-to-Income Ratio



NPL Ratio
1.98%

Coverage Ratio
163.8%

** Adjusting the one-off items in 2019,*
the cost to income ratio was recorded at 42.9%

Thailand Economic Outlook

2020 Outlook: Growth momentum sustained at around 2.5%

2020 Key Economic Forecasts

% YoY growth unless otherwise stated	2018A	2019F	2020F
GDP	**4.1**	**2.4**	**2.5**
Private Consumption	4.6	4.0	3.5
Private Investment	3.9	2.3	3.3
Exports (in USD term)	7.5	-2.5	1.5
Headline Inflation	1.1	0.7	0.9
Policy Interest Rate (%, end of period)	1.75	1.25	1.00

Note: 2019-20 forecast by Krungsri Research

Krungsri Research's view:

- **Limited gains from recovering global growth** amid high uncertainty in trade tensions, and US plan to end GSP on Thai goods. However, tourism will recover further.
- **Precarious recovery of private investment** with high excess capacity. Relocation of investment seems to be front loaded. Progress in infrastructure projects will be seen after 2H20.
- **Consumption outlook will be a tale of two stories**. Middle-income spending remains firm but low farm income, stalling wage growth and dim job outlook will limit consumption.
- **Policy easing is underway** to help break a vicious cycle of weaker confidence and lower growth. We expect one more rate cut and implementation of targeted monetary easing.

Tailwinds

- Fiscal stimulus and investment in infrastructure and EEC projects
- Resilient in tourism sector
- Relocation of production bases would limit spillover effect of weak exports
- Policy easing worldwide would limit downside risk to global economy
- Thailand's sound economic fundamentals

Headwinds

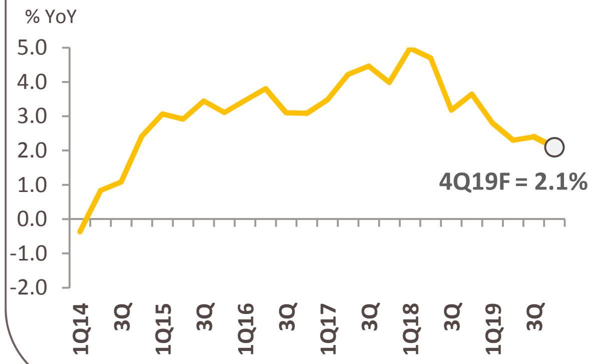
- Risk of downward spiral of confidence and growth
- Concerns over political stability
- Uncertainty in trade policies despite progress in trade talks
- High household debt
- Others: policy risks, drought
- Structural problems e.g. labor shortage and lack of competitiveness in some sectors

Source: Krungsri Research

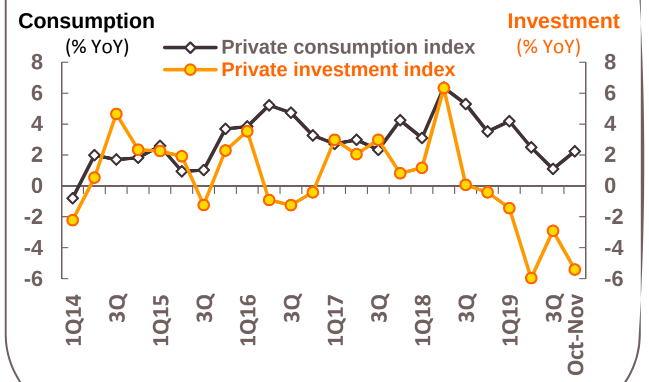
Recent Economic Development

- External demand and domestic spending remained weak in 4Q19 despite more fiscal stimulus and monetary easing.
  - Weak external demand has been spreading to domestic economy.
  - Consumer and business confidence indices plunged to multi-year lows. Private consumption growth continued to slow down. Non-farm wage growth eased, while farm income remained low.
  - Private investment plunged due to weakening exports and domestic demand as well as a delay in mega-infrastructure projects.
  - However, tourism sector saw a recovery, led by tourists from China and India.

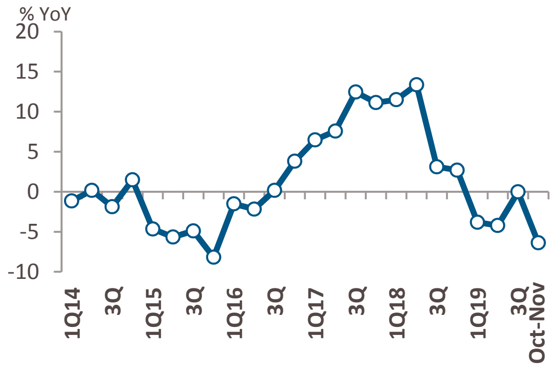
GDP: weaker momentum amid deteriorating confidence



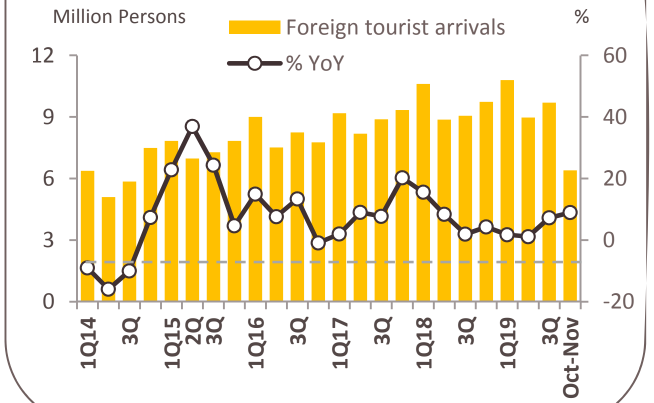
Domestic demand: slower consumption and shrinking investment



Exports: remain weak following sluggish global demand



Tourism: continue to recover



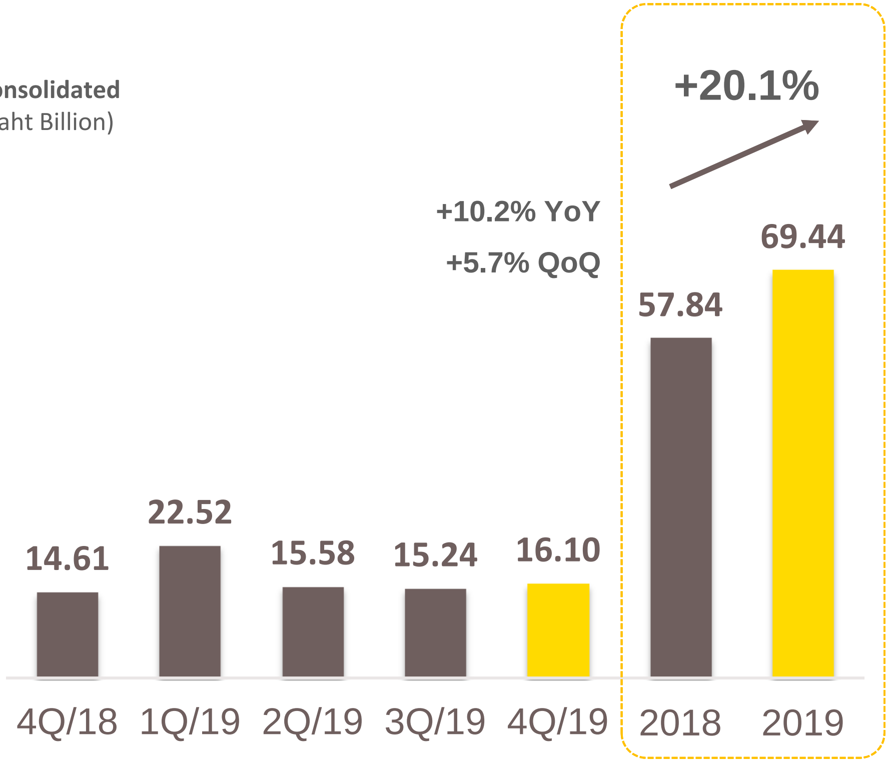
Source: NESDC, BOT, MOTS, Krungsri Research

Financial Performance

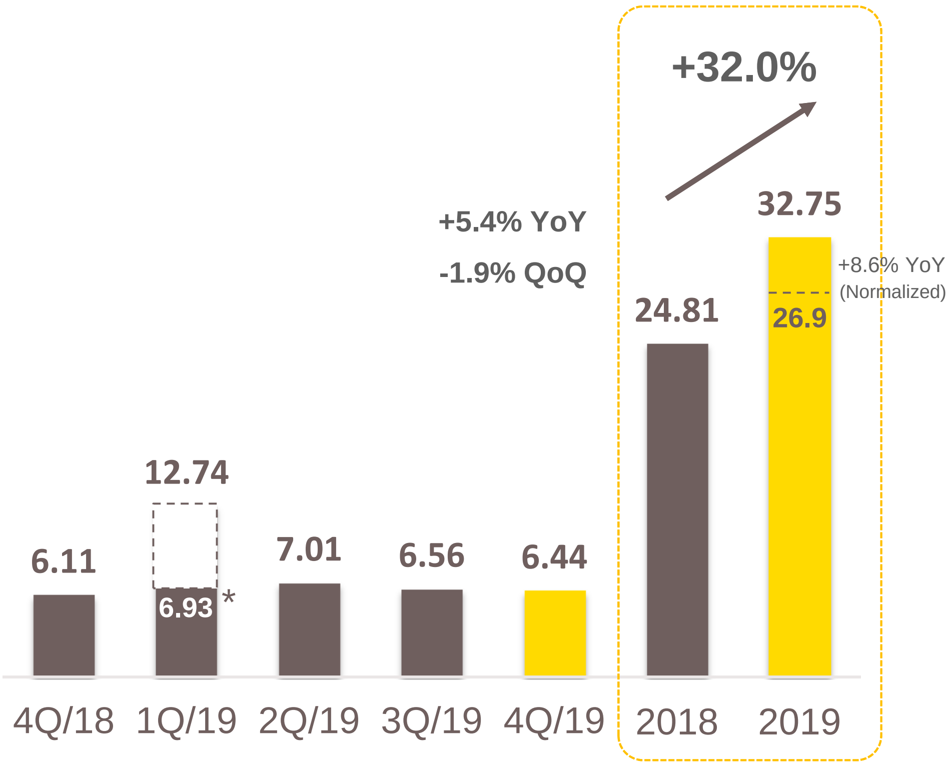
Profitability

Consolidated
(Baht Billion)

Profit before Provision and Tax



Net Profit

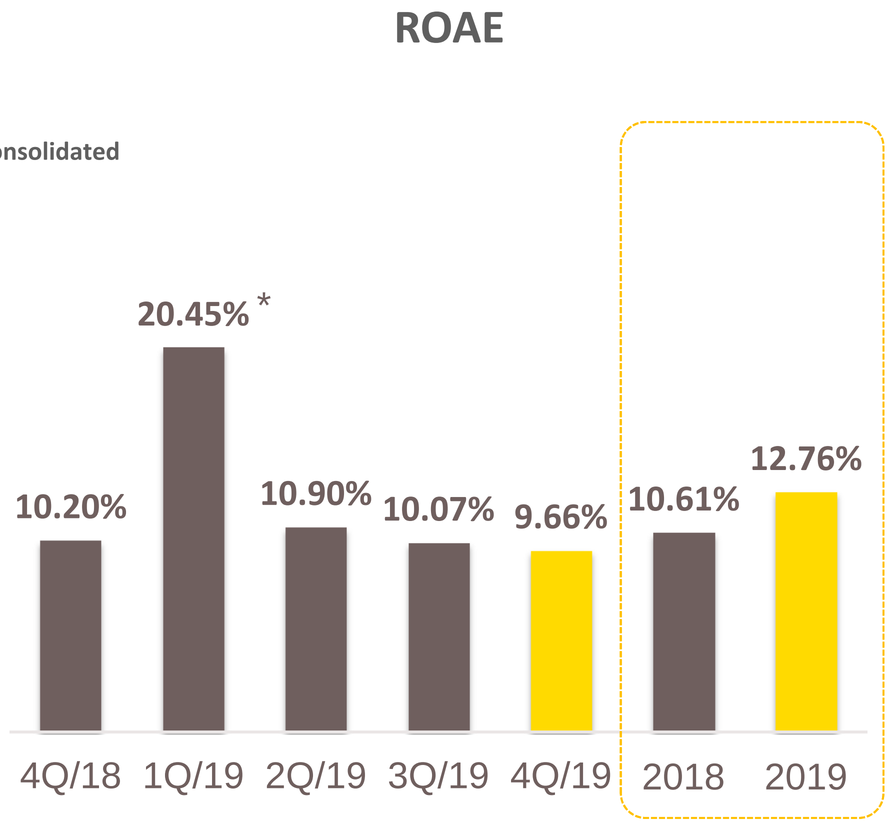


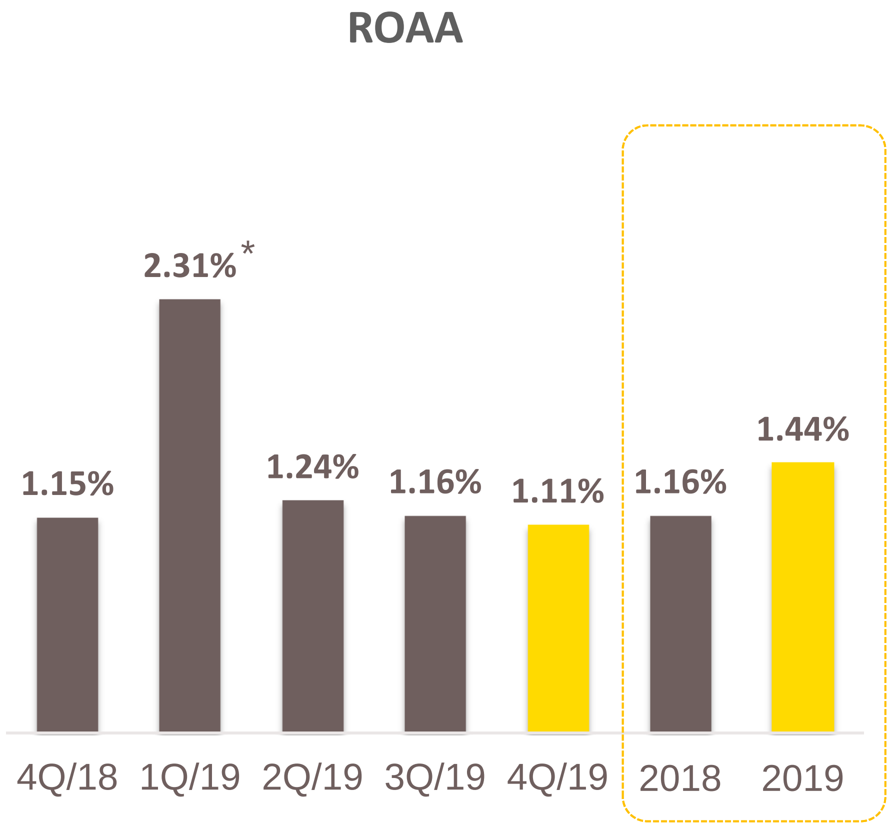
** Normalized Net Profit (excluding one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act)*

ROAE & ROAA

Reported ROAE at 12.76% and ROAA at 1.44%

Consolidated



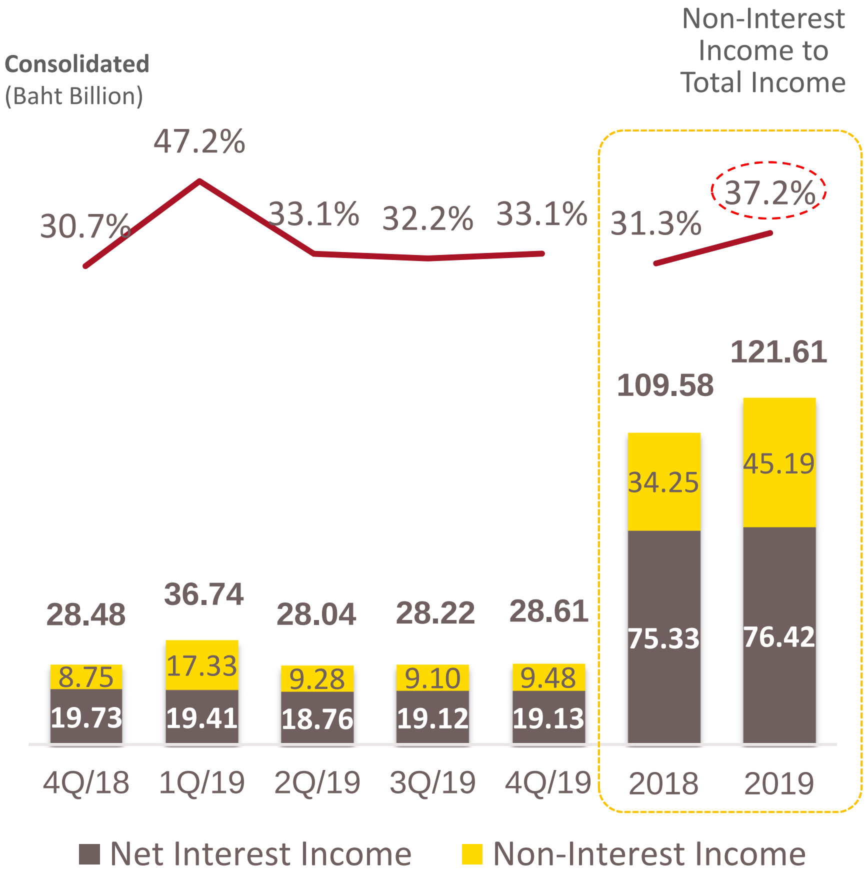


** Including the one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act*

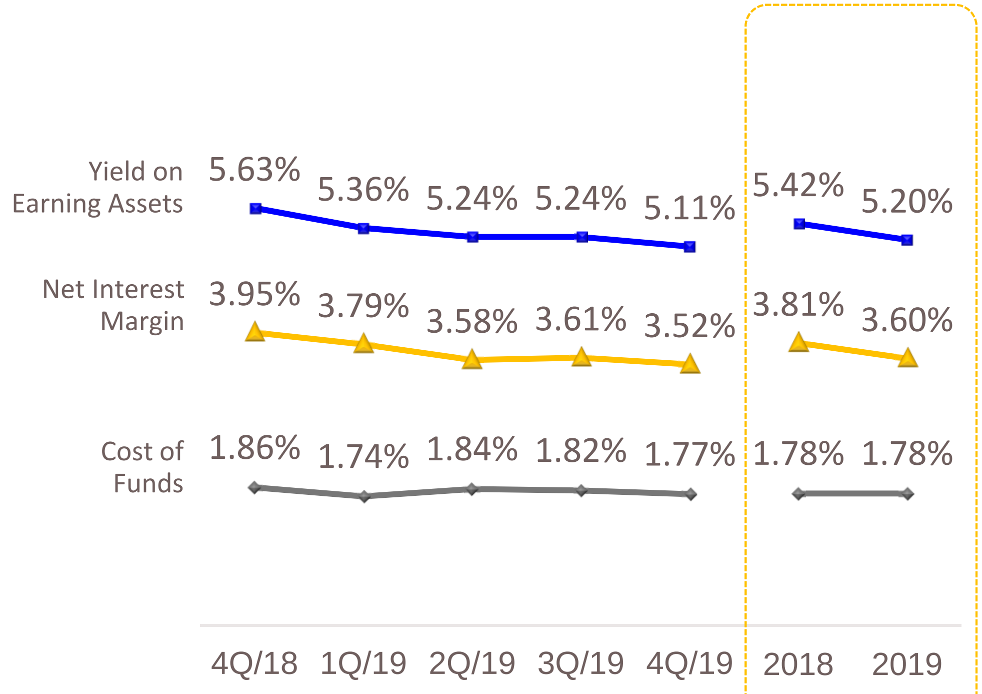
Profitability Measurement

2019 NIM moderated to 3.60% YoY, mainly due to the sales of 50% shares in NTL and the impact of lending rate cuts

Total Income



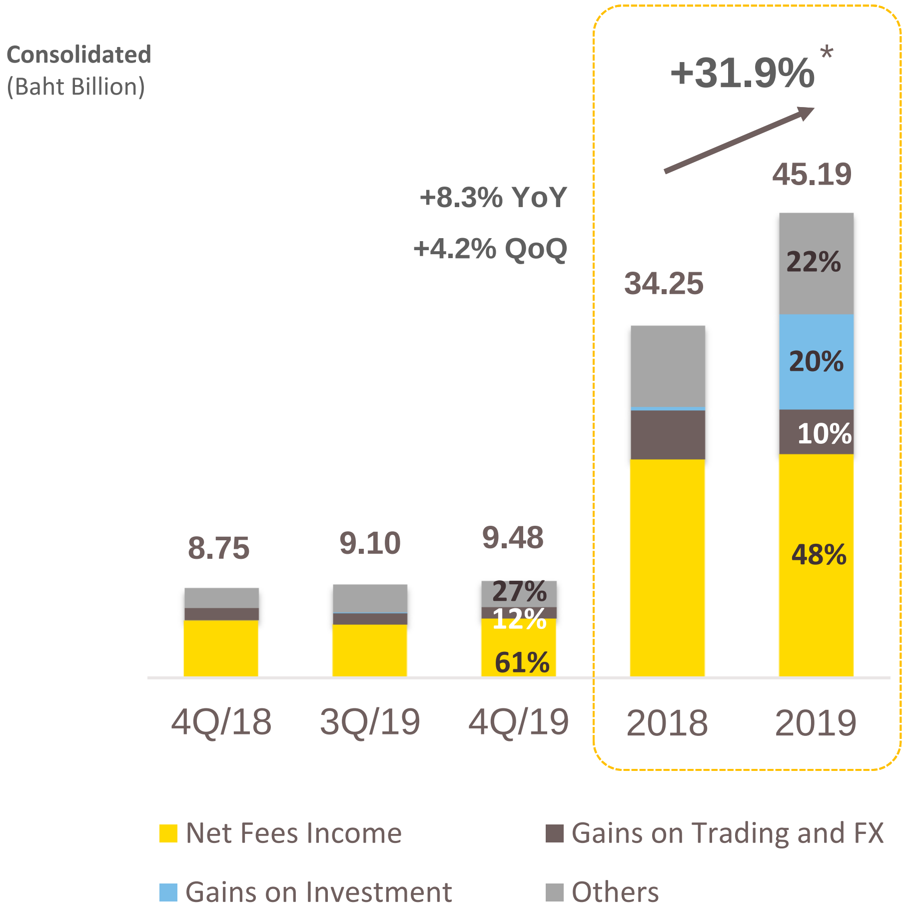
Net Interest Margin (NIM)



	4Q/18	1Q/19	2Q/19	3Q/19	4Q/19	2018	2019
Yield on Loans	6.17%	6.04%	5.86%	5.87%	5.81%	6.07%	5.85%
Cost of Deposits	1.62%	1.62%	1.73%	1.72%	1.65%	1.56%	1.67%

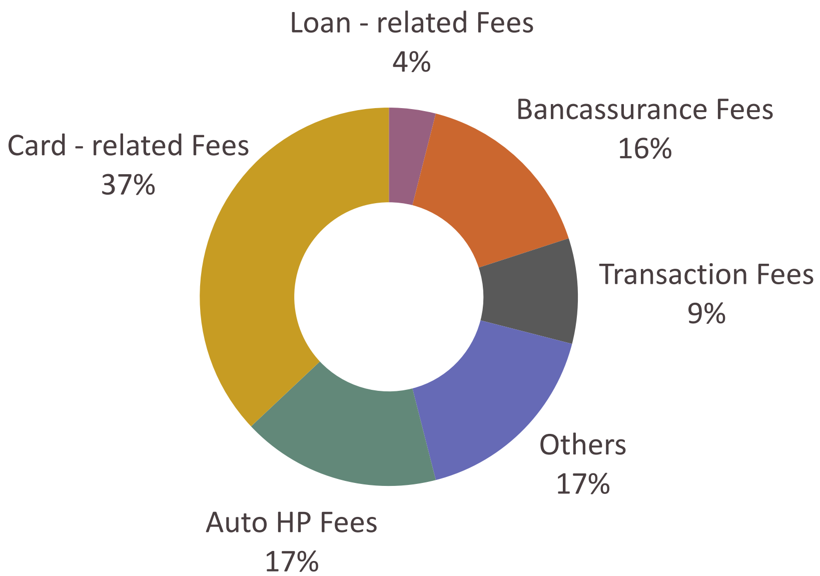
Non-Interest Income & Fees and Service Income

Non-Interest Income



Fees & Service Income

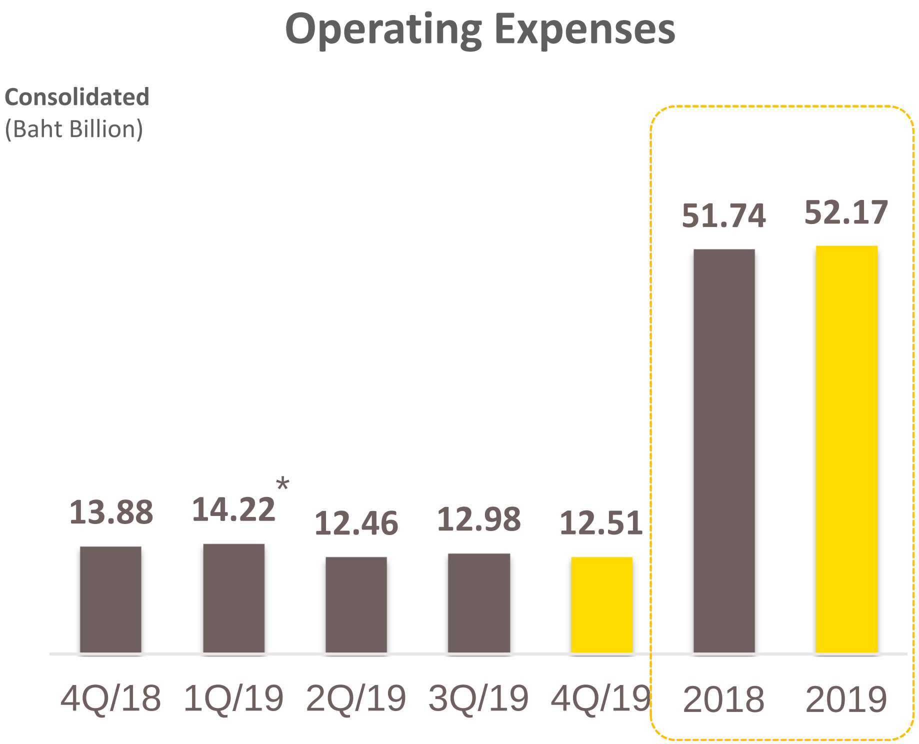
4Q/2019

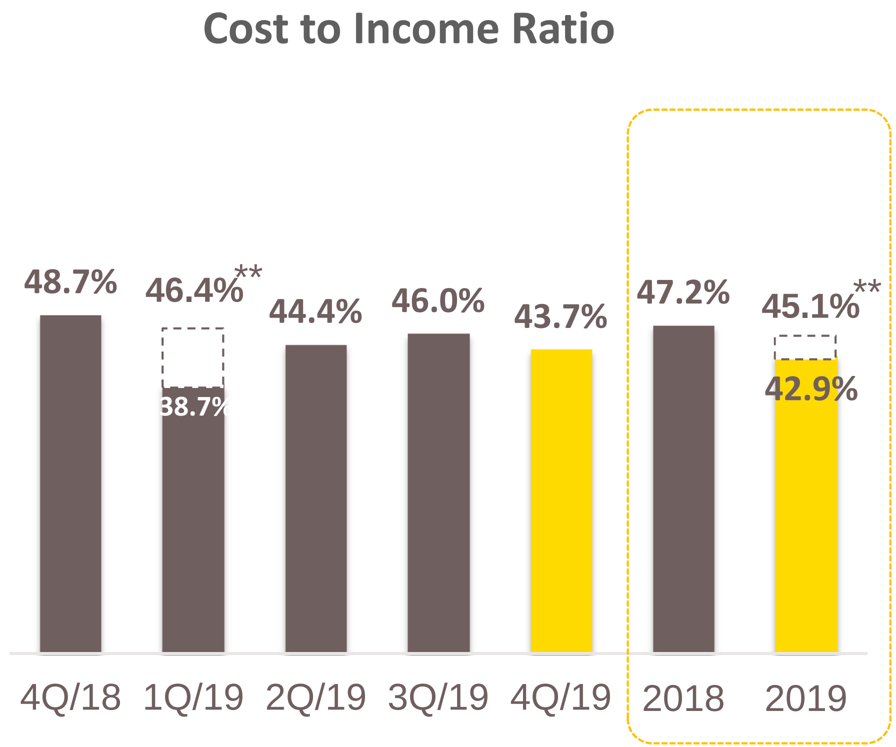


** Adjusting the aforementioned one-time gains on investments, normalized non-interest income still record a strong increased of Baht 2,309 million, or 6.7%, from 2018*

Productivity

2019 Cost to income recorded at 45.1%, improving from 47.2% in 2018





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

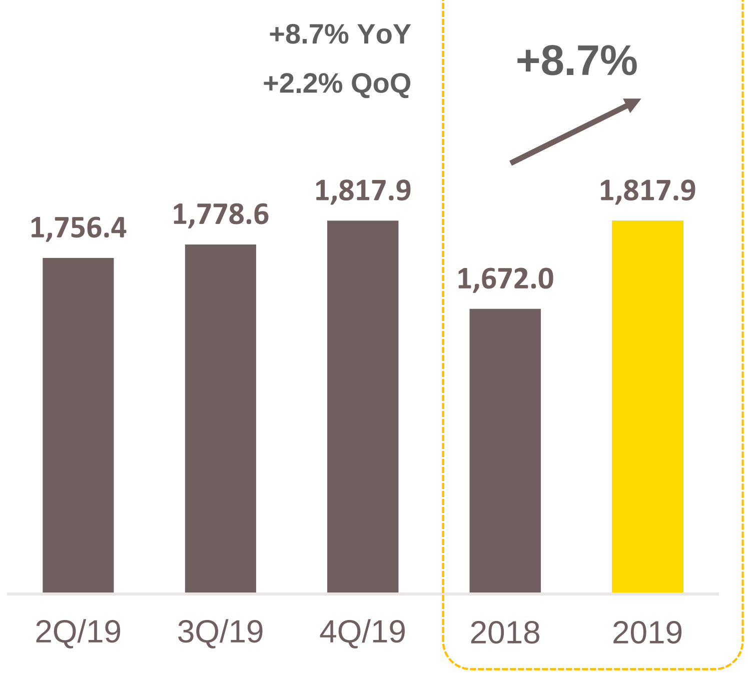
*** Normalized cost-to-income, (excluding one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act)*

Loan Portfolio

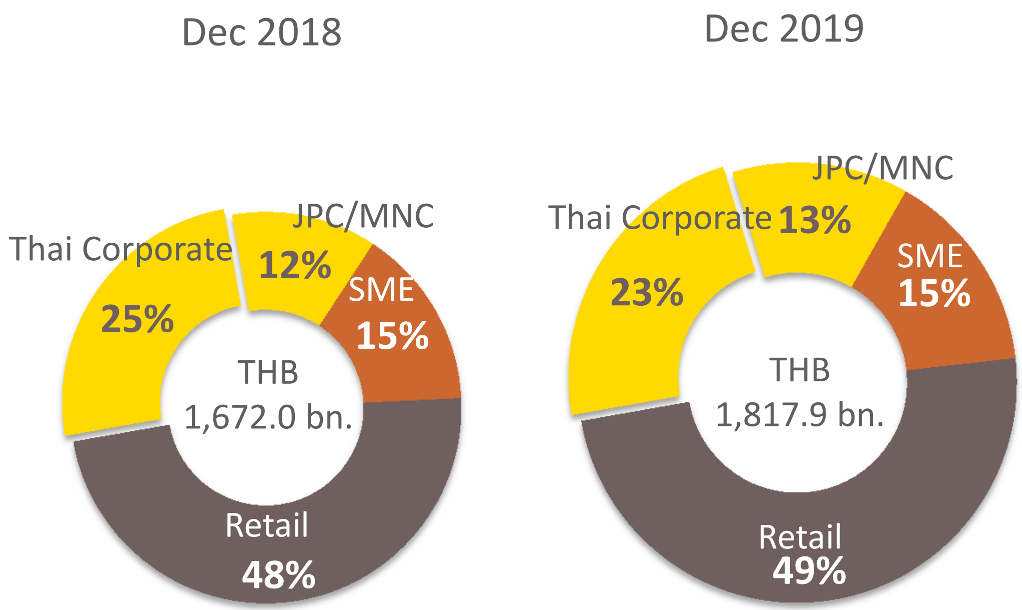
A broad-based expansion with auto hire-purchase, credit cards and personal loans, SME, and JPC/MNC loans as leading drivers

Loans

Consolidated
(Baht Billion)



Loans by Segment



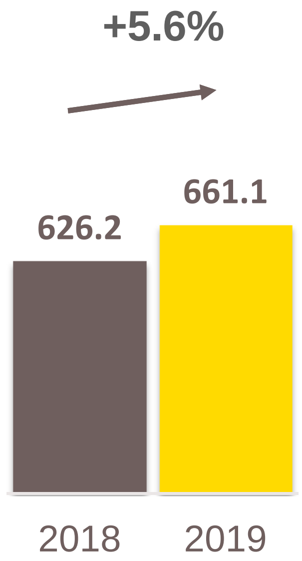
Retail

- Auto HP 23%
- Mortgage 15%
- Credit Card & Personal Loans 11%

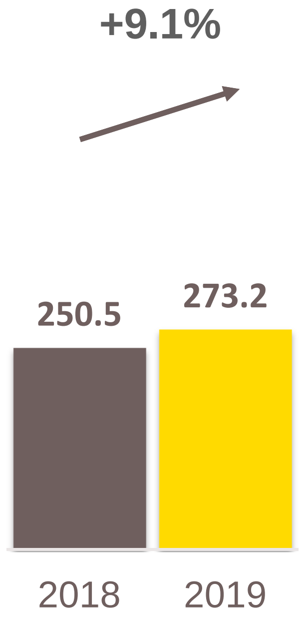
Loans by Segments

Consolidated
(Baht Billion)

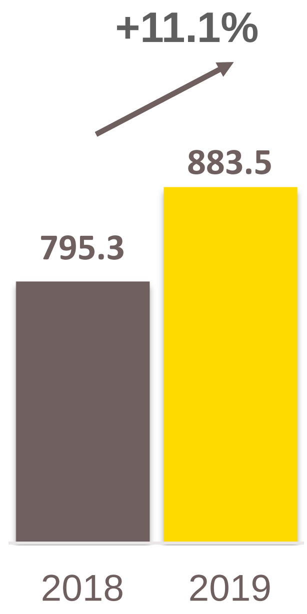
Corporate Loan



SME Loan



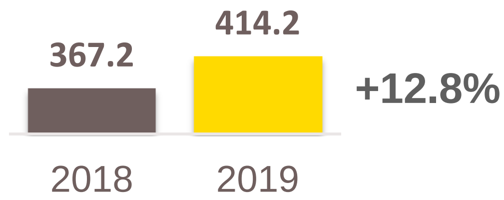
Retail Loan



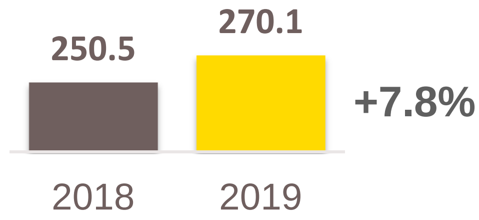
Under Retail Segment

Hire Purchase

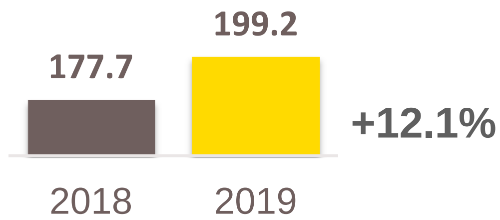
Consolidated
(Baht Billion)



Mortgage

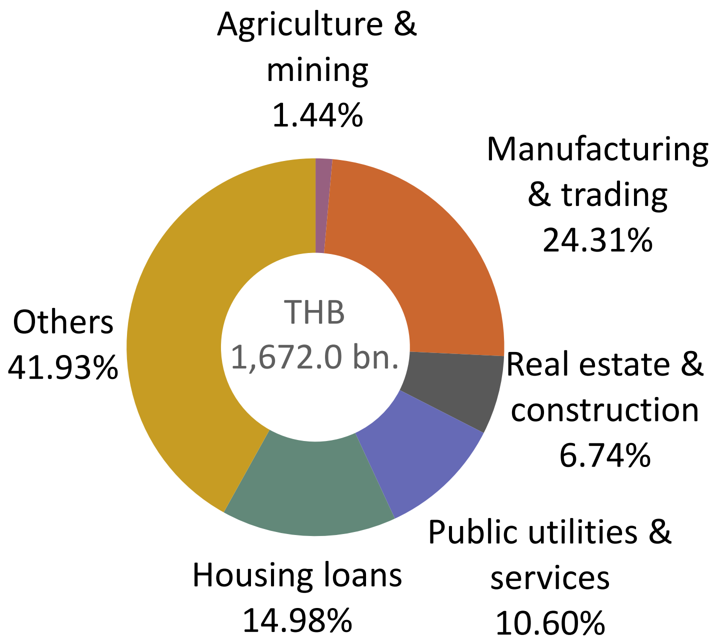


Credit Cards and Personal Loans

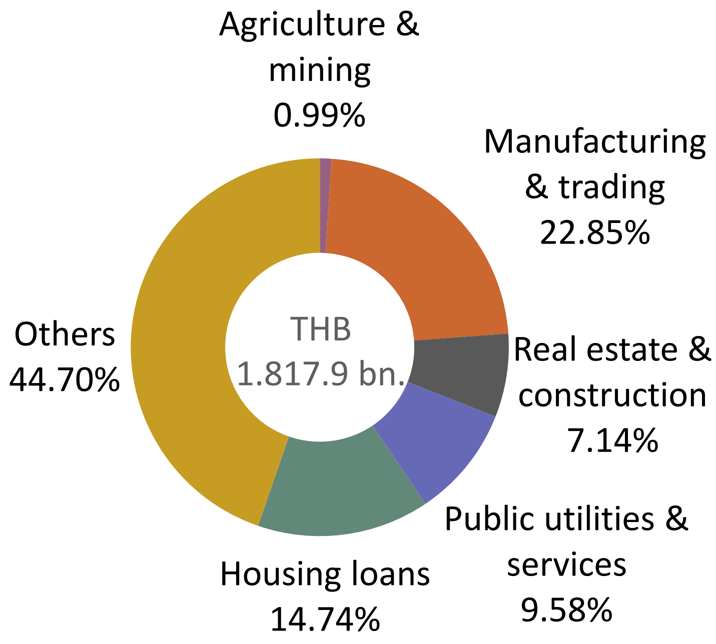


Loan by Industry

2018

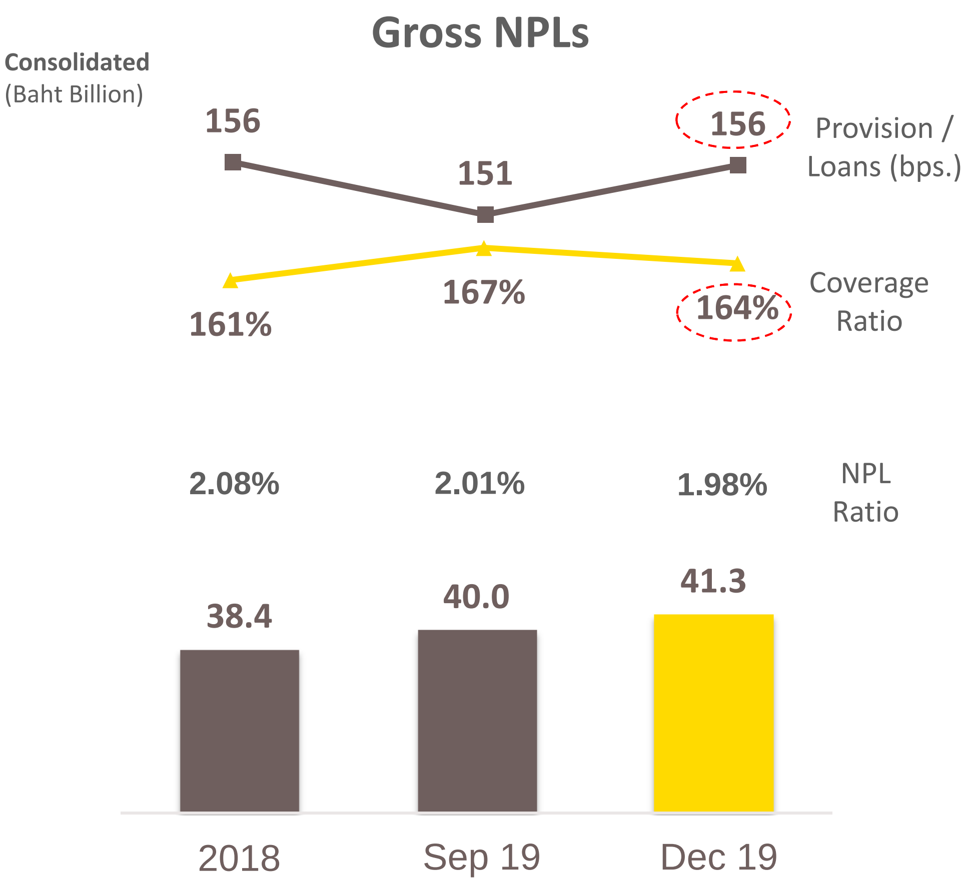


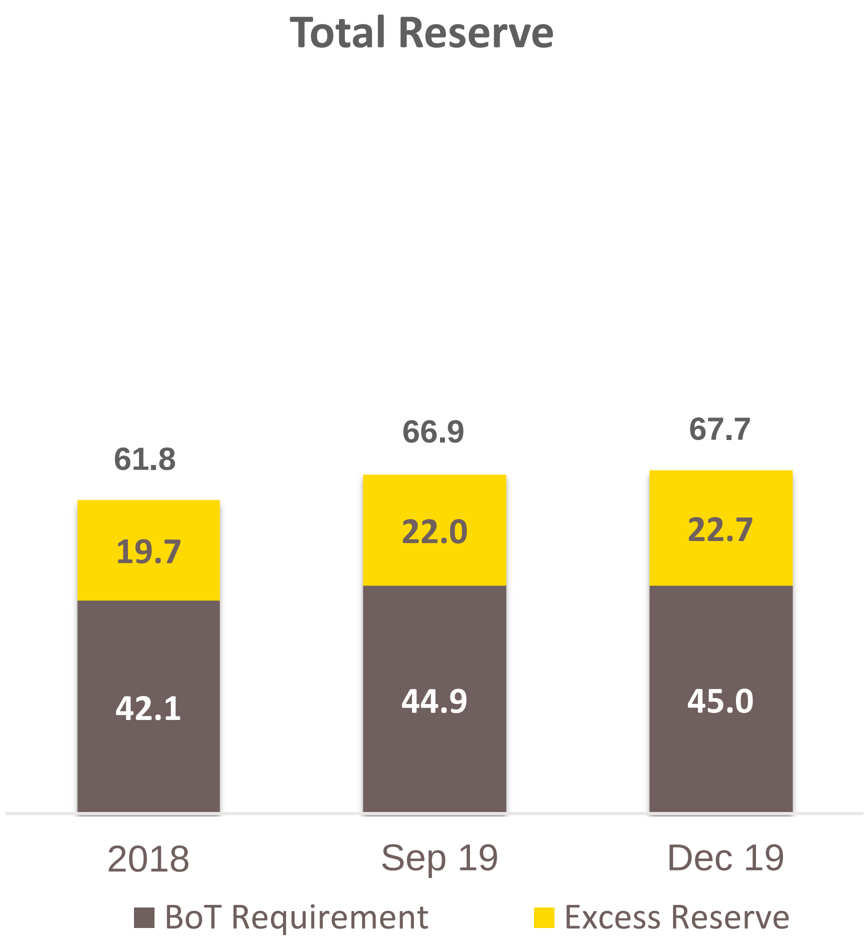
2019



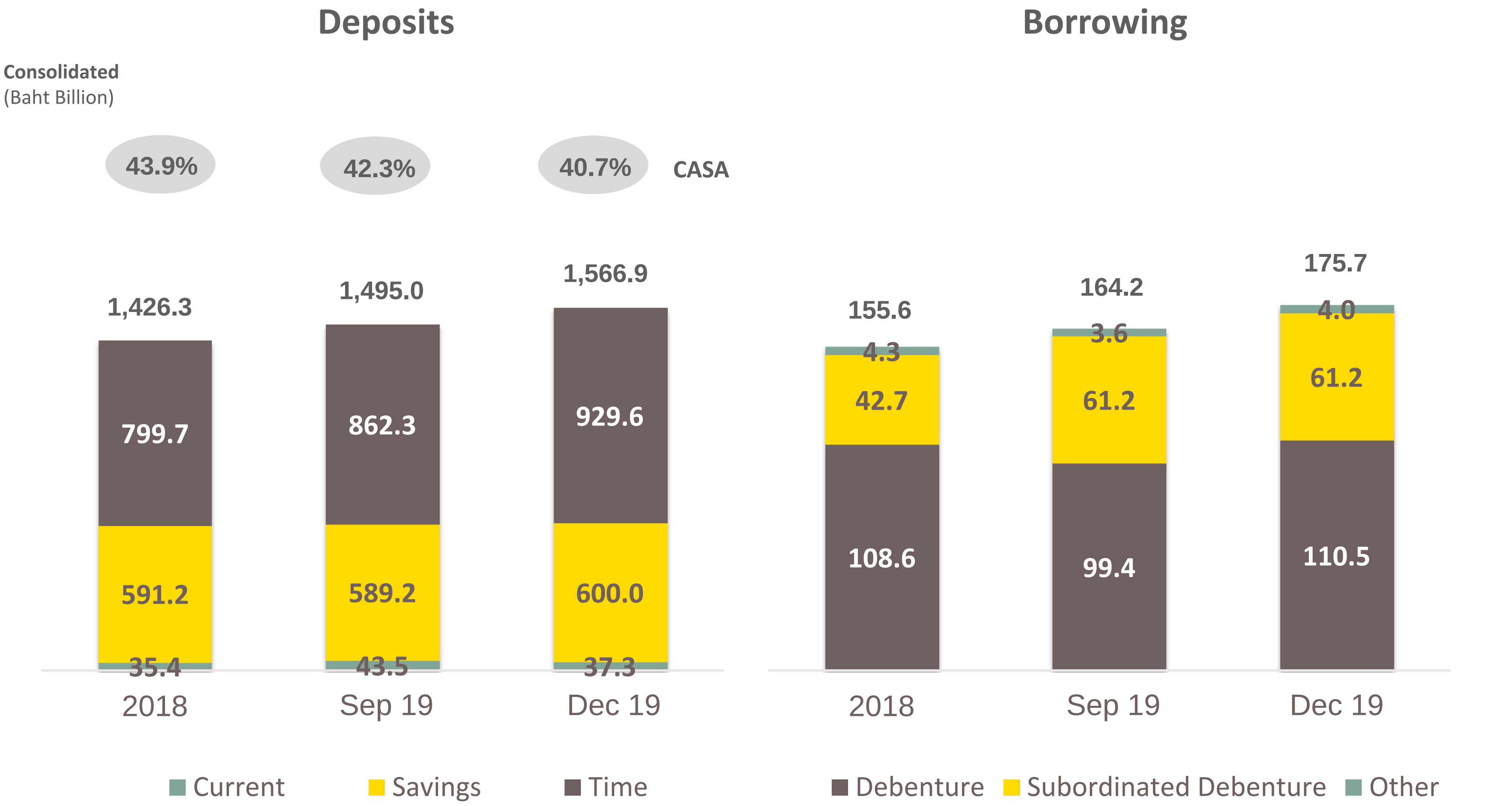
Asset Quality

NPL ratio improved to 1.98% from 2.08% in December 2018





Funding Base

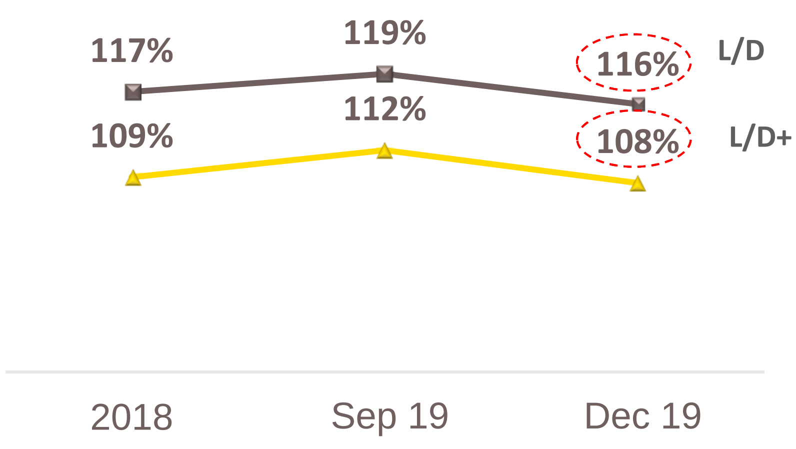


Capital and Liquidity

Strong capital position, CAR equivalent to 16.56%

Loan to Deposit

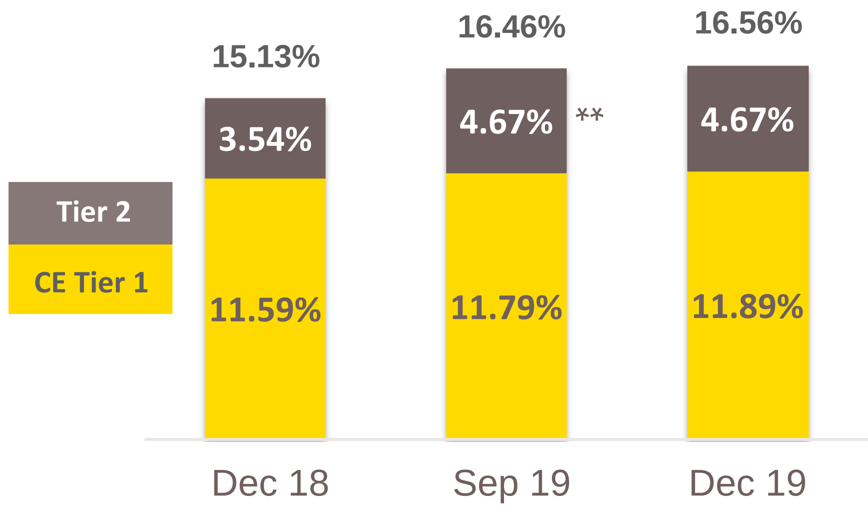
Consolidated



L/D+ : Loans to Deposit + Debenture

Capital Adequacy Ratio *

Bank Only



** BOT requires to maintain minimum CAR at 8.5% and gradually increases the conservation buffer at 0.625% per year since January 1, 2016 until reaching 2.5% by January 1, 2019*

*** The Bank issued subordinated debentures, which will be qualified as the Tier 2 capital, amounting to Baht 18.83 billion in June 2019*

Baht Billion	Dec 18	Sep 19	Dec 19
CE Tier 1	175.38	189.12	191.67
Tier 2	53.60	74.80	75.34
Total Capital	228.98	263.92	267.01

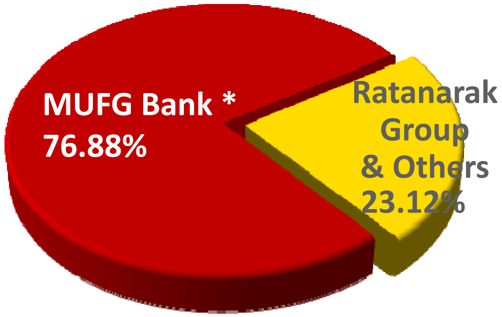
BOT has adopted supervisory framework for Domestic Systemically Important Banks (D-SIBs) by requiring qualified banks to maintain additional 1% of common equity tier 1 from the current minimum requirement, starting 0.5% on Jan 1, 2019 and 1% on Jan 1, 2020.

Krungsri Profile

Our History

Shareholding Structure

(as of 12 September 2019)



- Officially established in 1945
- 2007: BAY and GE become 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)

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

Krungsri Group Profile

International Ratings

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

National Ratings

Fitch Ratings	TRIS Rating
AAA (tha)	AAA

Workforce: Krungsri group 33,085 / BAY 15,280

Leadership Position

In consumer finance

As of November 2019	Market Position	% Share
Consumer		
Personal Loan	1	30%
Credit Card	1	16%
Auto (HP)	2	28%
SME	5	5%
Corporate	5	12%

Extensive Franchise: 34,920 Service Outlets

As of December 2019	Number
Domestic Branches	690 *
Overseas Branches	2
Representative Office	1
ATMs	6,750
Exchange Booths	83
Krungsri Exclusive / Krungsri The Advisory	43 / 5
Krungsri Business Centers	62

As of December 2019	Number
First Choice Branches	150 Branches
+ Dealers	+ 22,770 Dealers
Krungsri Auto Dealers	> 9,919 Dealers
Microfinance Branches	1,000
Microfinance Overseas Branches (HKL)	177
EDC Machines	94,560
Banking Agents Touch Points **	> 133,242

** Krungsri Domestic Branches = 690 Branch, of which 650 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 Station, Bank of Agriculture and Agricultural Cooperatives*

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Contact

Investor Relations Section : Telephone : (662) 296 2977

Fax : (662) 683 1341

E-mail : irgroup@krungsri.com

Krungsri Website : www.krungsri.com