krungsri
กรุงศรี

A member of MUFG
a global financial group

# Analyst Briefing

## 2018 Business Direction

## Medium-Term Business Plan 2018-2020

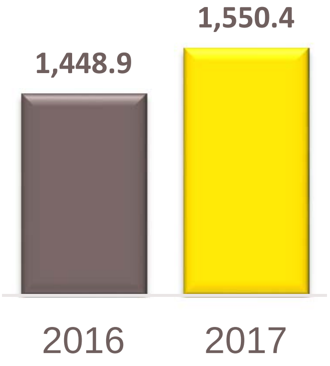
"Make Life Simple เรื่องเงิน เรื่องง่าย"

# Highlights

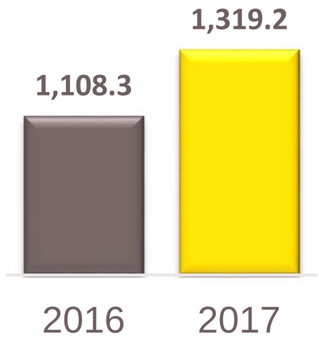
# 2017 Key Financial Highlights

## Loan Growth
**+7.0% YoY**

**Consolidated**
(Baht Billion)



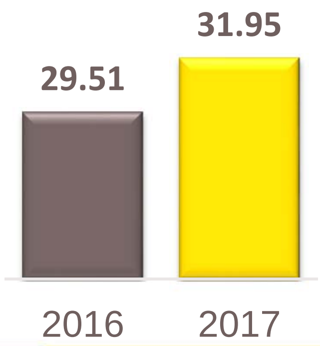

## Deposit Growth
**+19.0% YoY**



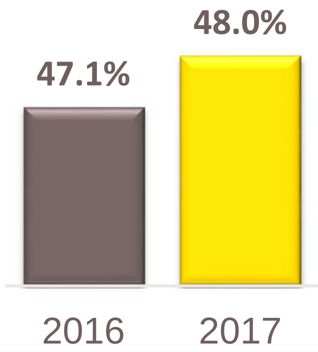

## CASA
**44.6%**

## NIM
**3.74%**

## Non-interest Income Growth
**+8.3% YoY**




## Cost-to-Income Ratio




## NPL
**2.05%**

## Coverage
**148%**

# 2017 Achievements vs Targets

## Strong performance despite the challenging business environment

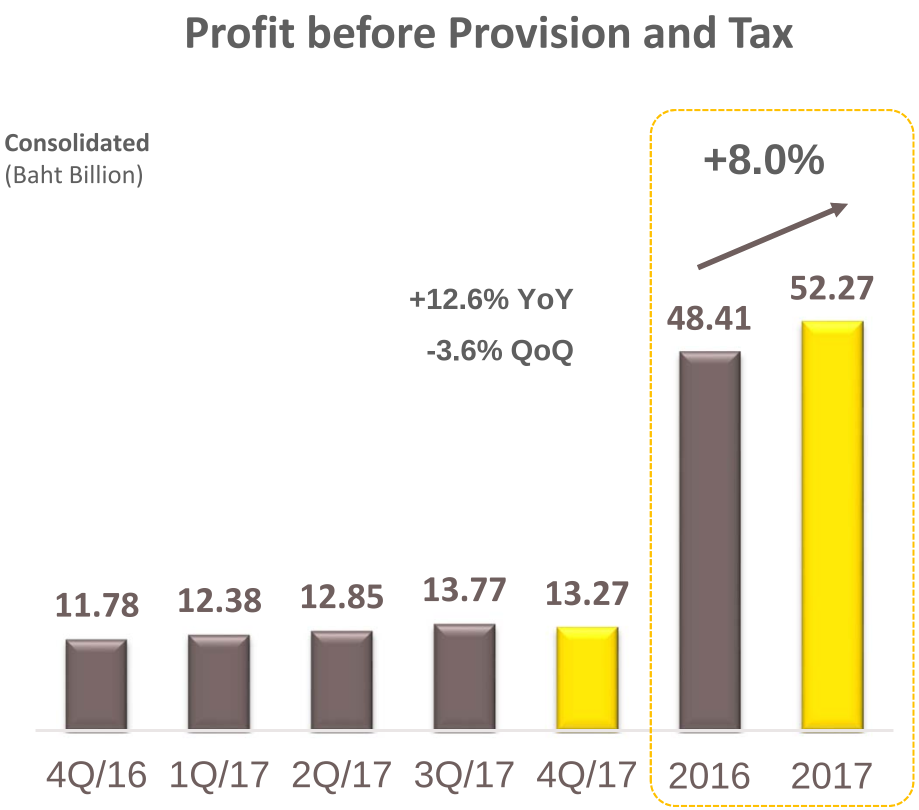
| | 2017 | 2017 Targets | |
|---|---|---|---|
| Loan Growth (Net) | +101.5 bn<br>+7.0% | 6-8% | ✓ |
| NPLs Ratio | 2.05% | < 2.5% | ✓ |
| Deposit Mix: Savings and Current | 45% | > 50% | ~ |
| Loan Mix : Retail | 47% | ~ 40% | ✓ |
| L/Deposit+Debentures+B/E | 110% | n.d. | n.d. |
| NIM | 3.74% | ~ 3.7% | ✓ |
| Non-interest income growth (YoY) * | 8.3% | 5.0%+ | ✓ |
| Cost to Income Ratio | 48.0% | < 50% | ✓ |
| Provisions | 149 bps | ~ 140 bps | ~ |
| Loan Loss Coverage | 148% | 140%+ | ✓ |
| CAR *(Bank Only)* | 15.65% | n.d. | n.d. |

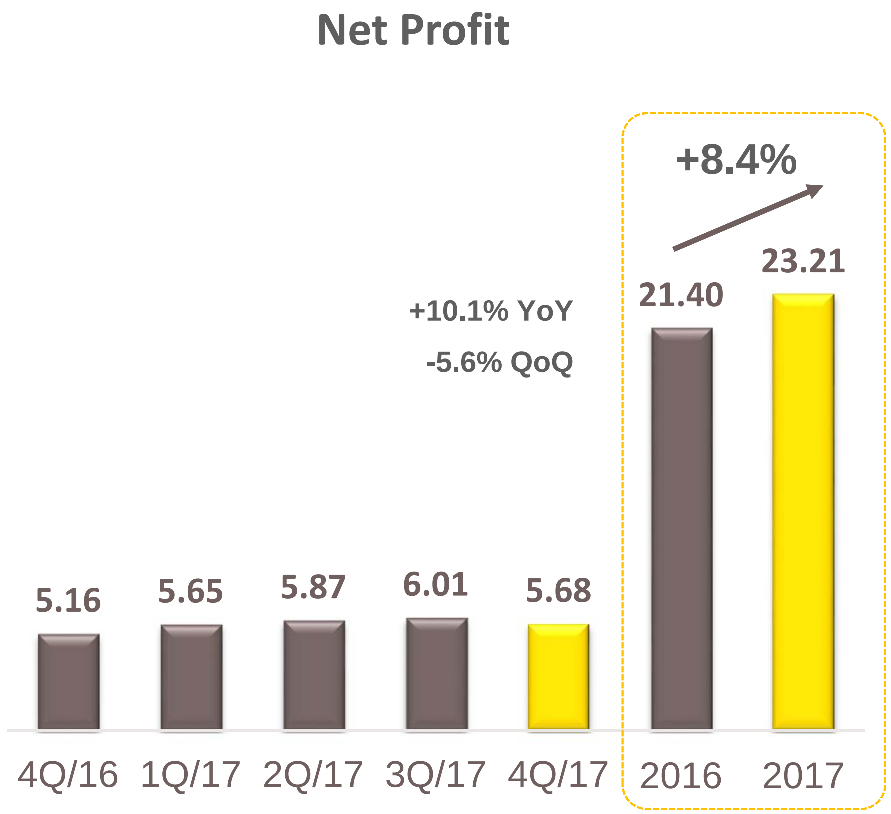
* *Net Fee Income + Non-Interest and Non-Fee Income*

# 2017 Financial Performance

# Profitability

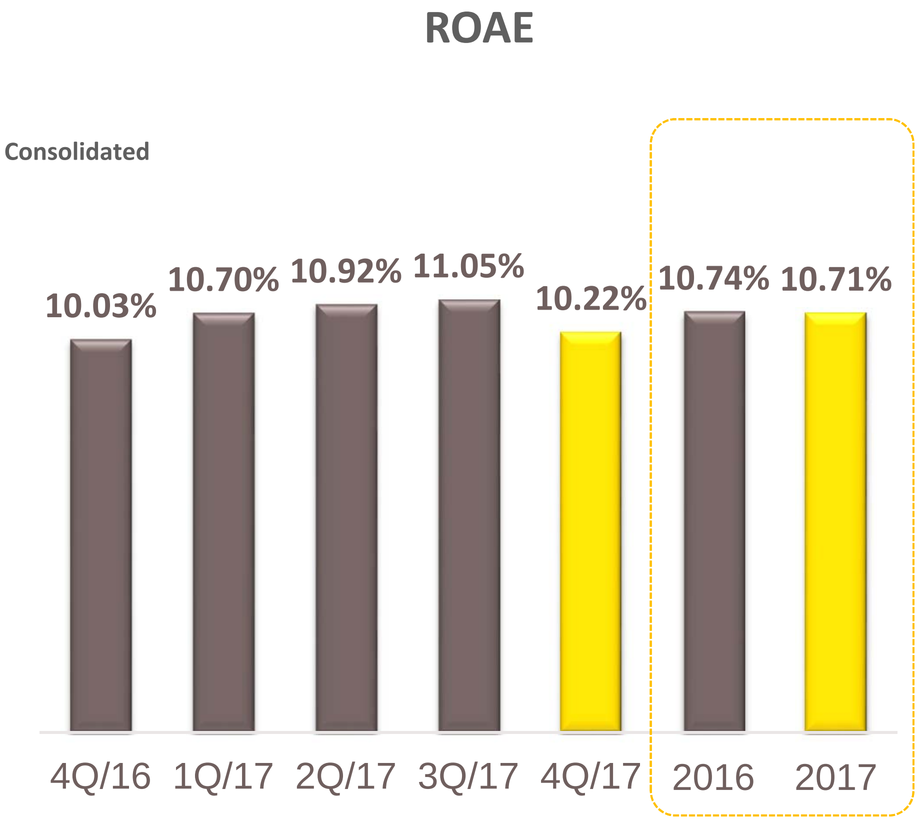
## A record net profit of 23.2 billion baht

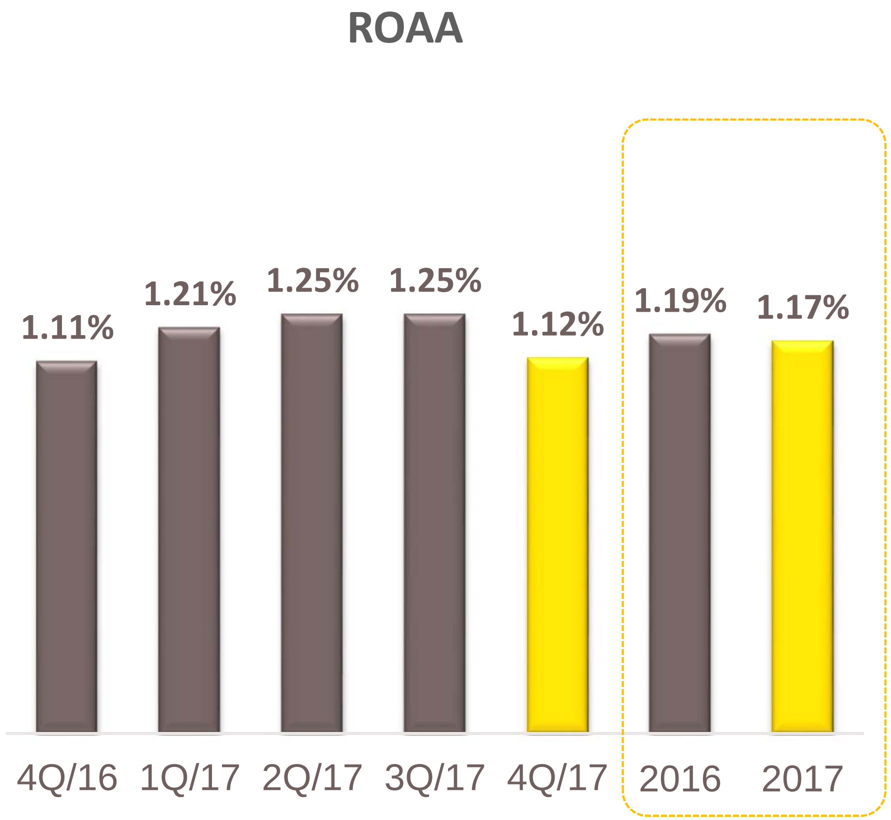


# ROAE & ROAA

## Reported 2017 ROAE at 10.71% and ROAA at 1.17%

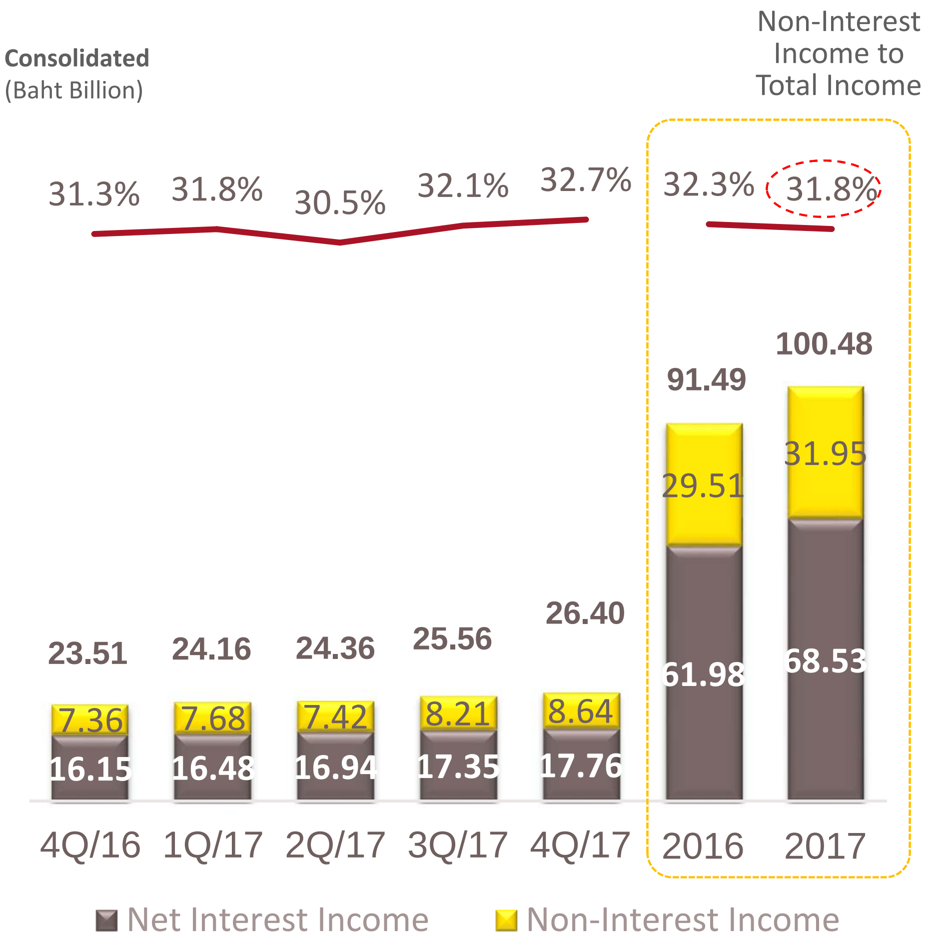


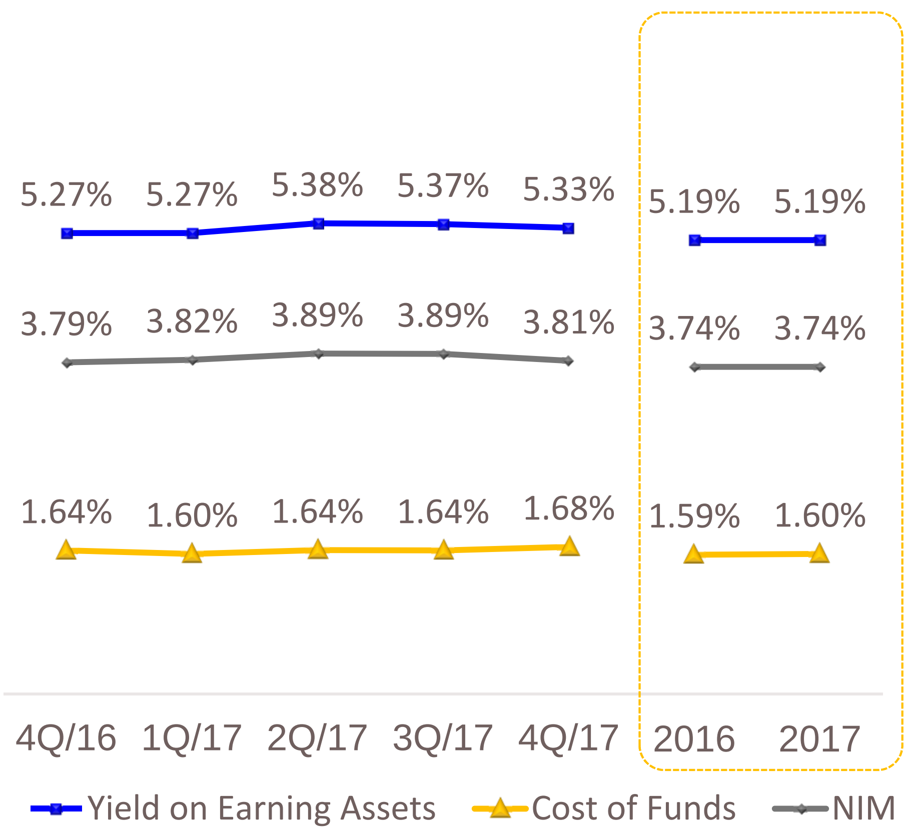
# Profitability Measurement

## 2017 NIM was maintained at 3.74%

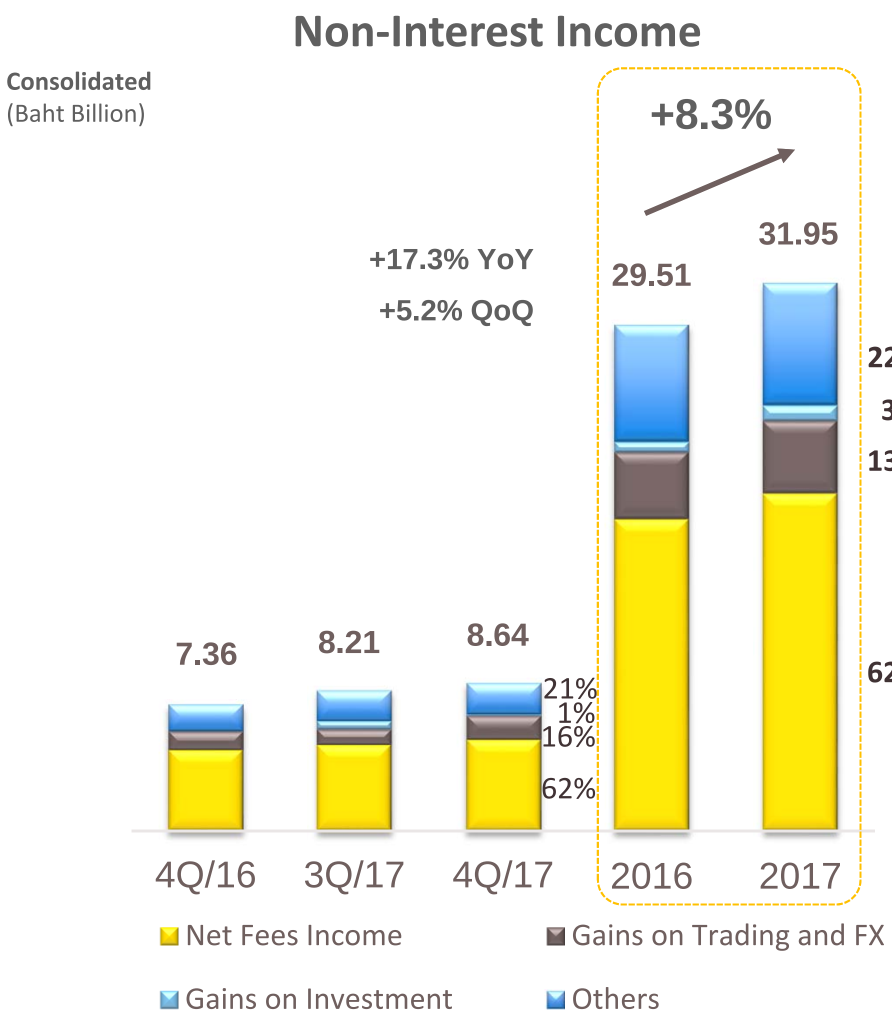
### Total Income

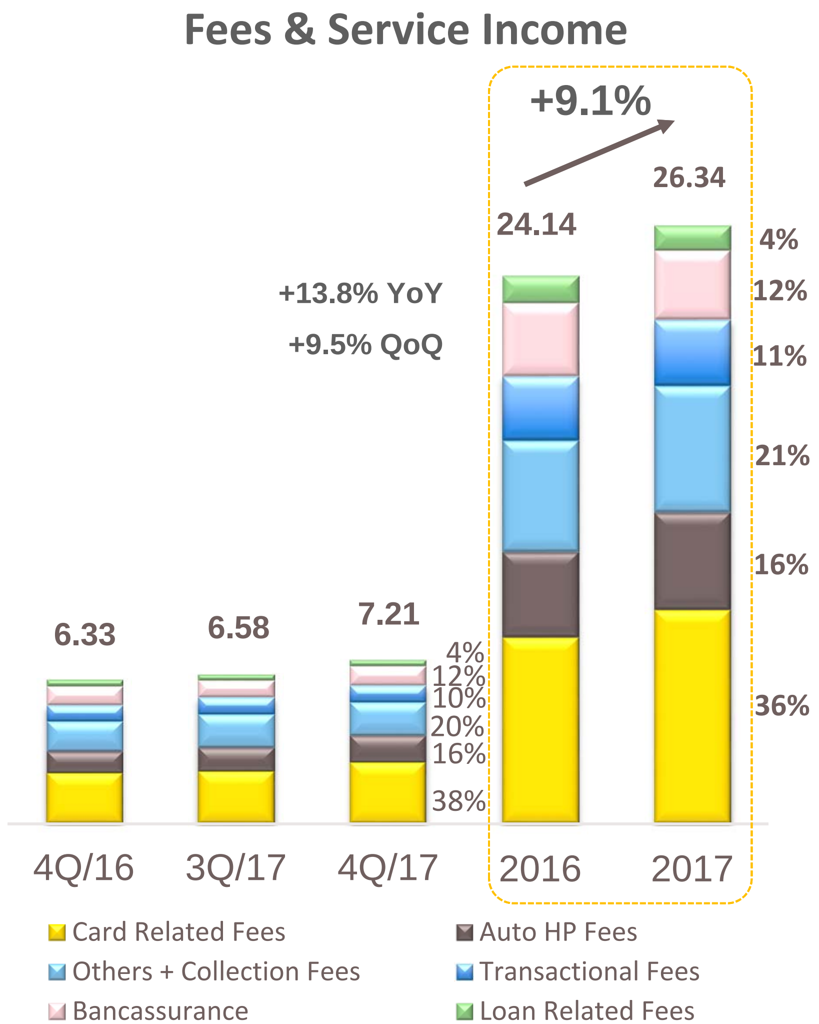



### Yield & Cost of Funds



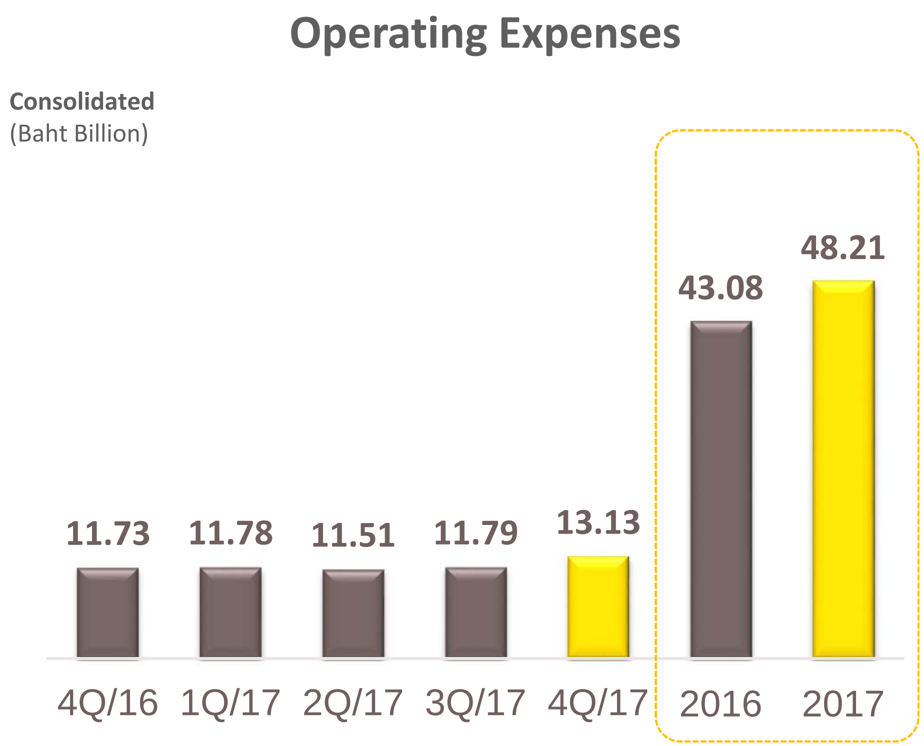
# Non-Interest Income & Fees and Service Income

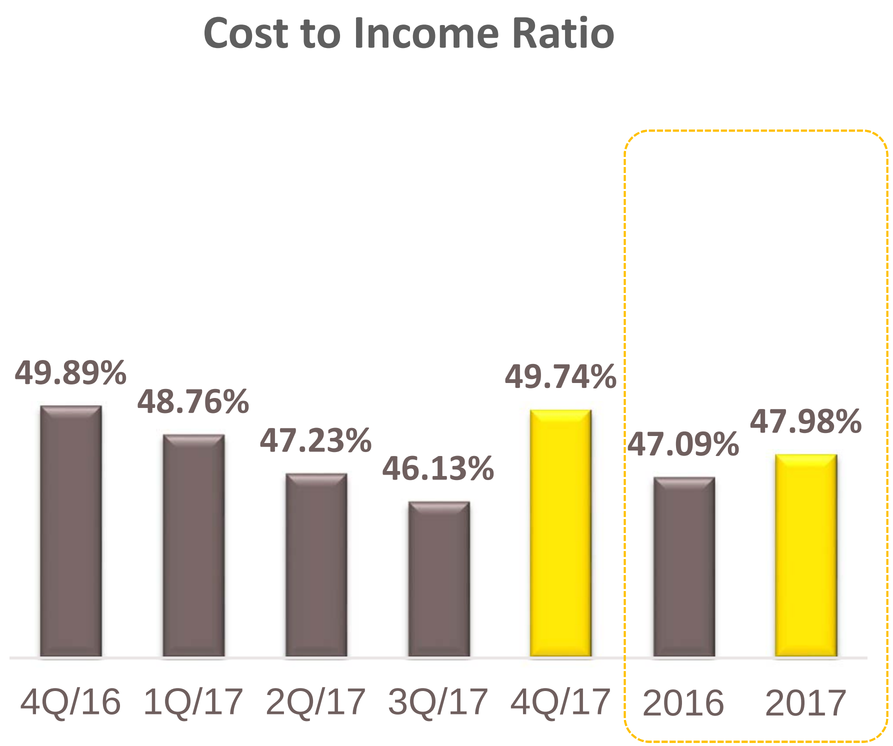


# Productivity

## 2017 Cost to income recorded at 47.98%

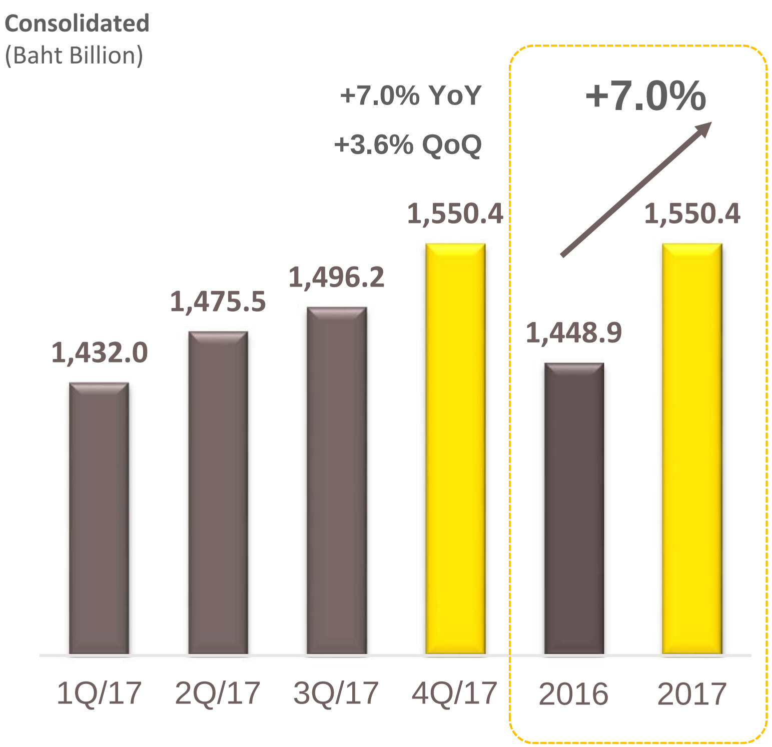


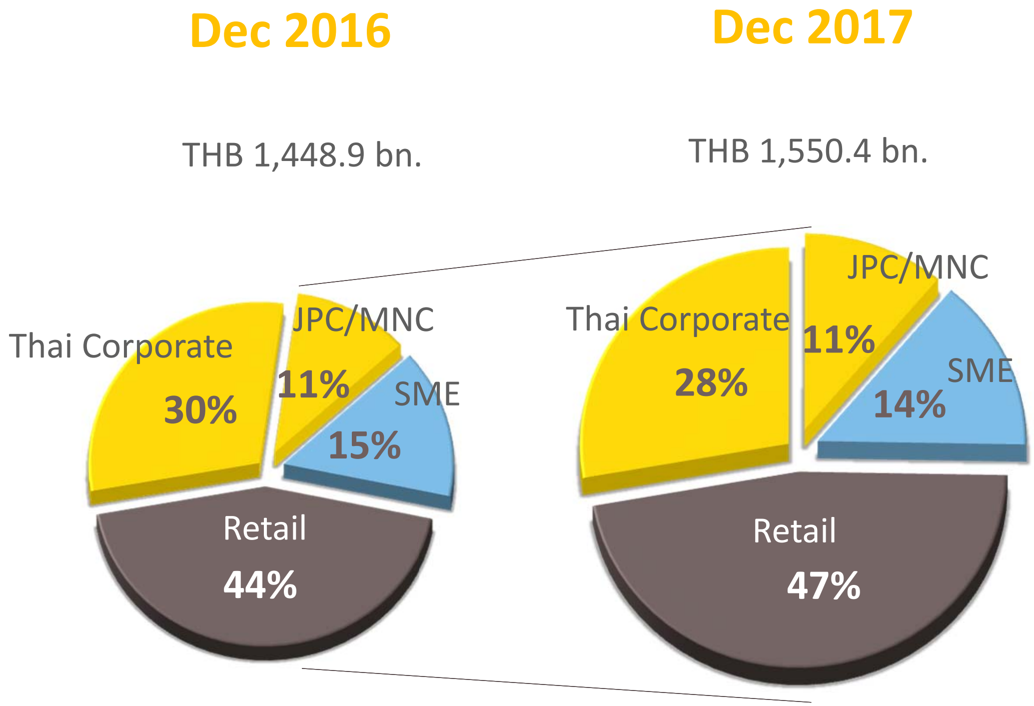



# Loan Portfolio

Key growth driver was a broad-based expansion in the retail segment

## Loans



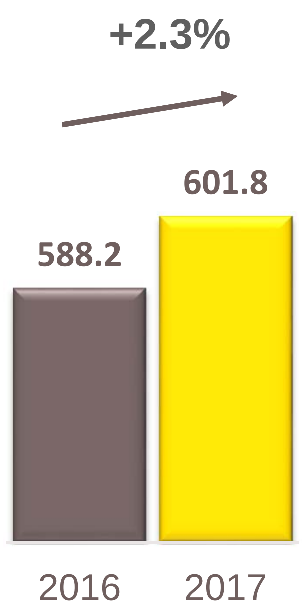

Retail

- Auto HP 22%
- Mortgage 14%
- Credit Card & Personal Loans 11%

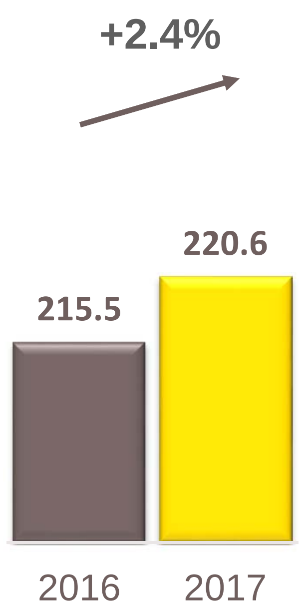
# Loans by Segments

## Corporate Loan

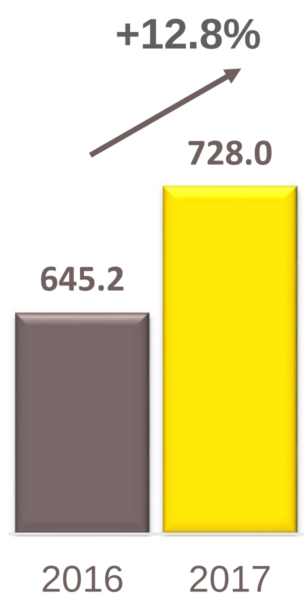
Consolidated
(Baht Billion)




## SME Loan




## Retail Loan

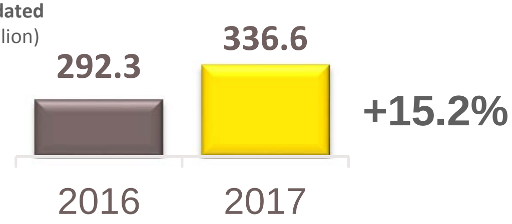



## Under Retail Segment

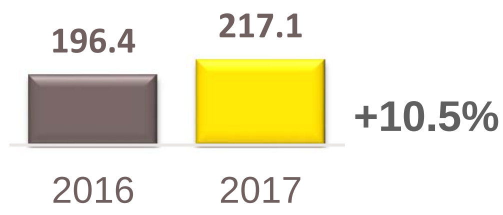
**Hire Purchase**

(Including Ngern Tid Lor)

Consolidated
(Baht Billion)

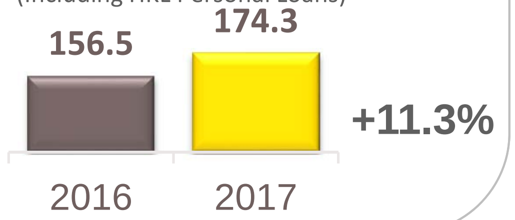



**Mortgage**



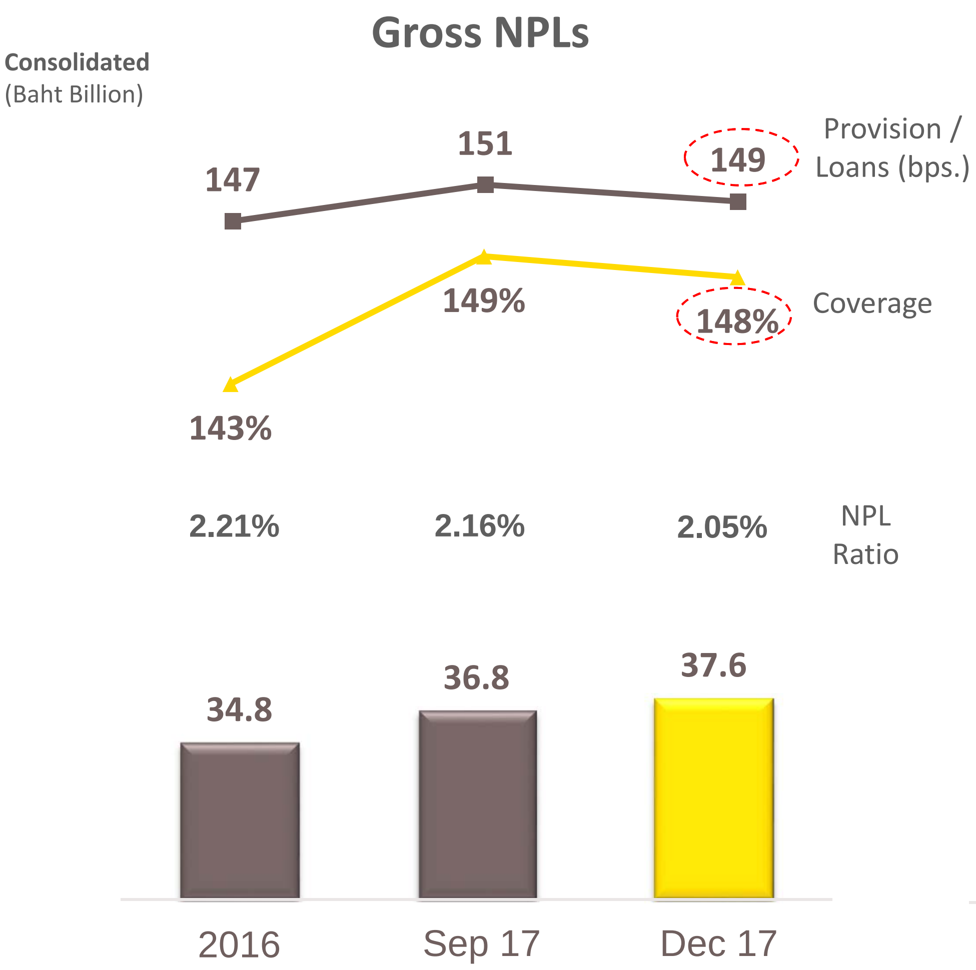

**Credit Cards and Personal Loans**

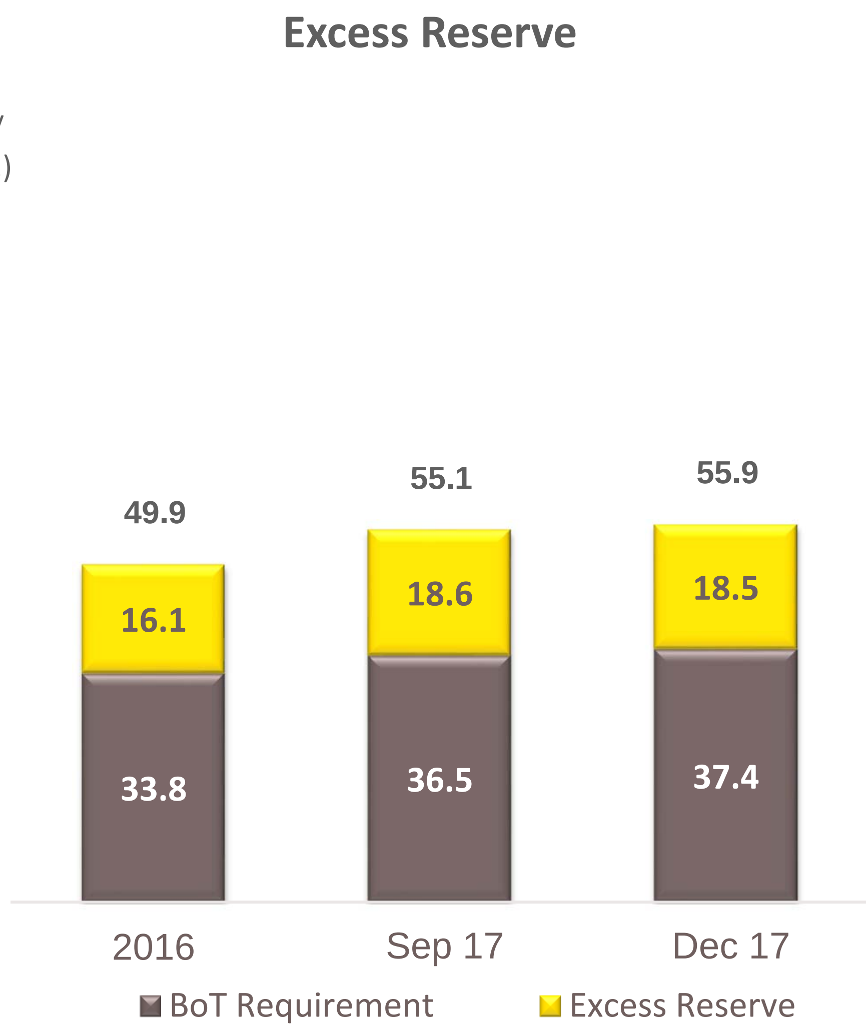
(Including HKL Personal Loans)



# Asset Quality

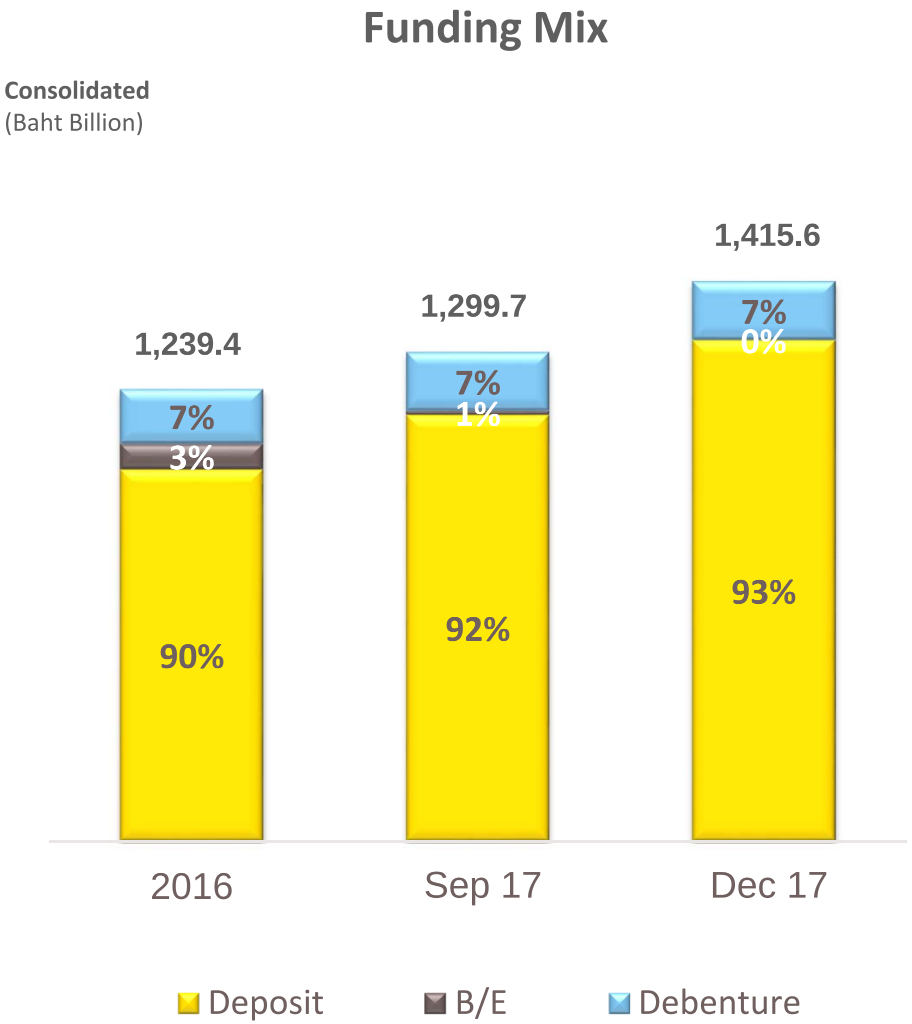
## NPL ratio improved to 2.05%, the lowest level since the Asian Financial Crisis

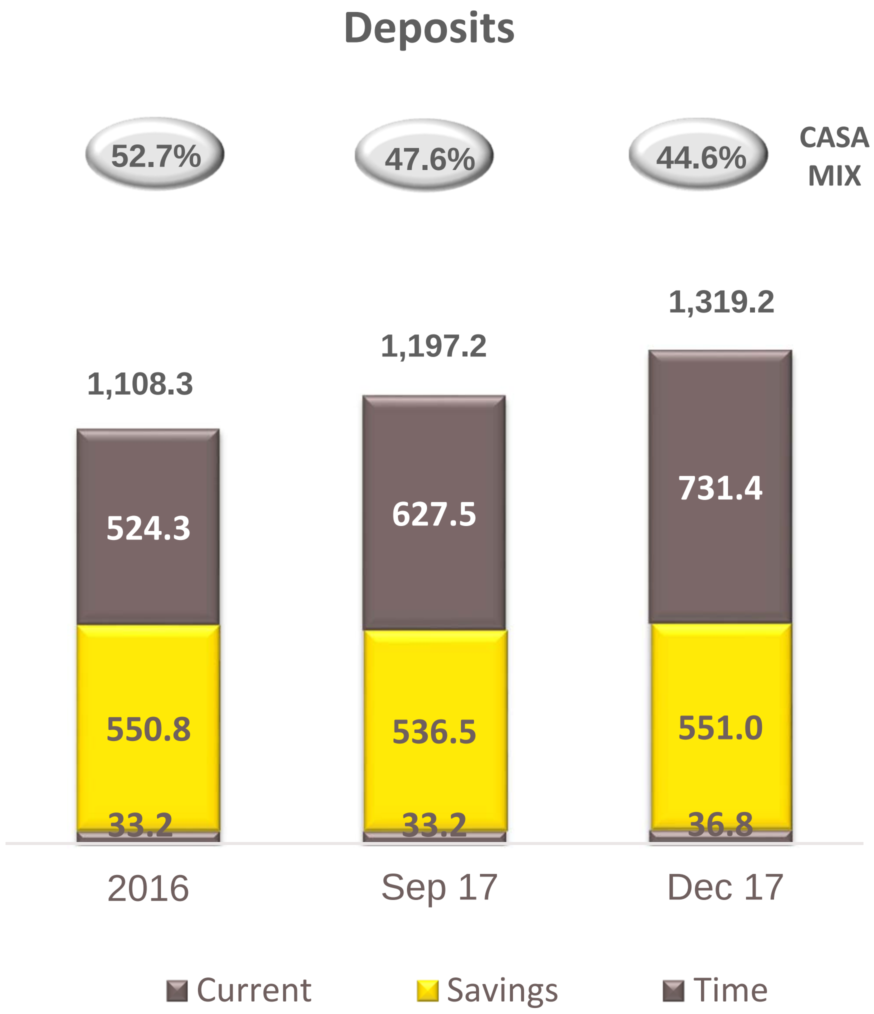


# Funding Base

## Deposit grew robustly

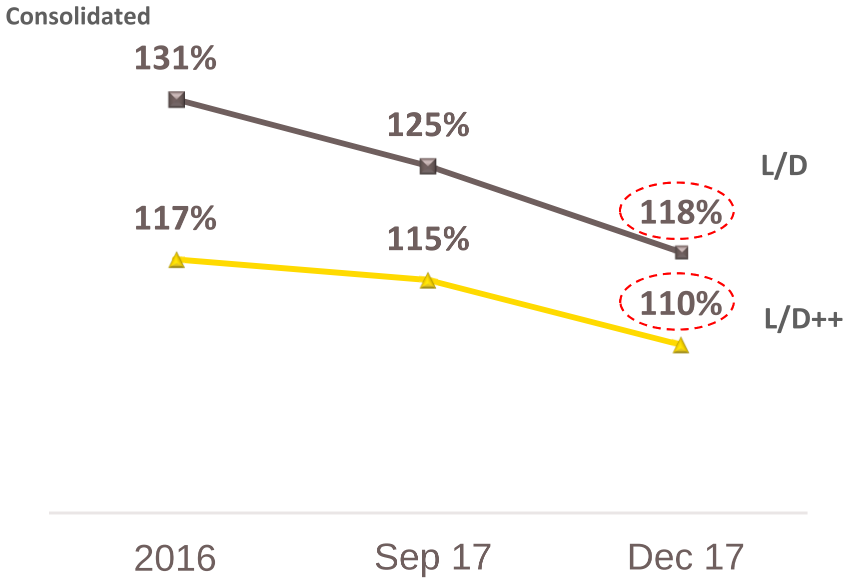


# Capital and Liquidity

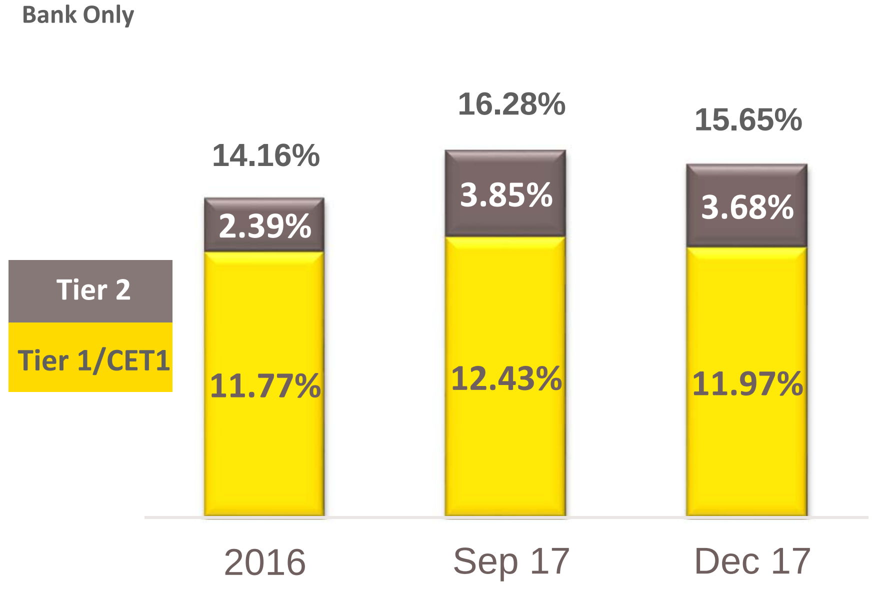
## Solid capital position, CAR equivalent to 15.65%

### Loan to Deposit




*L/D++ : Loans to Deposit + B/E + Debenture*

### Capital Adequacy Ratio *




**** 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***

| Baht Billion | 2016 | Sep-17 | Dec-17 |
|---|---|---|---|
| Tier 1/CET 1 | 158.83 | 167.69 | 167.53 |
| Tier 2 | 32.26 | 51.89 | 51.50 |
| Total Capital | 191.09 | 219.58 | 219.03 |

*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.*

# The Summary of Key Financial Performance

| Consolidated | 4Q/16 | 4Q/17 | 2016 | 2017 | 2017 Targets | |
|---|---|---|---|---|---|---|
| Loan Growth (Net) | +44.9 bn<br>+3.2% | +54.2 bn<br>+3.6% | +145.4 bn<br>+11.2% | +101.5 bn<br>+7.0% | 6-8% | ✓ |
| NPLs Ratio | 2.21% | 2.05% | 2.21% | 2.05% | < 2.5% | ✓ |
| Deposit Mix: Savings and Current | 53% | 45% | 53% | 45% | > 50% | ~ |
| Loan Mix : Retail | 44% | 47% | 44% | 47% | ~ 40% | ✓ |
| L/Deposit+Debenture+B/E | 117% | 110% | 117% | 110% | n.d. | n.d. |
| NIM | 3.79% | 3.81% | 3.74% | 3.74% | ~ 3.7% | ✓ |
| Non-interest income growth* (YoY) | 5.9% | 17.3% | 11.7% | 8.3% | 5.0%+ | ✓ |
| Cost to Income Ratio | 49.9% | 49.7% | 47.1% | 48.0% | < 50% | ✓ |
| Provisions | 145 bps | 157 bps | 147 bps | 149 bps | ~ 140 bps | ~ |
| Loan Loss Coverage | 143% | 148% | 143% | 148% | 140%+ | ✓ |
| CAR *(Bank Only)* | 14.16% | 15.65% | 14.16% | 15.65% | n.d. | n.d. |

* *Net Fees Income + Non-Interest and Non-Fees Income*

# Medium-Term Business Plan 2015-2017 Achievement

# Key Milestones and Achievements

## Financial achievements & significant progress on key strategies/initiatives amid uncertain economic and operating environments

| 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|

MTBP #1 2015 - 2017

**GDP Growth**

| 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|
| 0.9% | 2.8% | 3.2% | 4.0% (Forecast)* |

**Key Milestones / Achievements**

*Strategic Partnership with MUFG*

Creation of MTBP 2015 – 2017

**2014**
- Auto Integration
- Established Krungsri Leasing Services Co., Ltd. (KLS)


**2015**
- Integration of BTMU Bangkok Branch
- Opening of Myanmar Representative Office

**2016**
- Acquisition of Hattha Kaksekar Limited (HKL)
- Digital & Innovation 7 Pillars

**2017**
- Establishment of Krungsri Finnovate (KFin)
- Identified as one of Domestic Systemically Important Banks (D-SIBs)

**Financials (Net Profit)**

| 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| 11.9 Bn | 17.1 Bn (incl. BTMU BKK Br. 2.9 Bn) | 18.6 Bn | 21.4 Bn | 23.2 Bn |

Growth: 8.8% (2014 to 2015), 15.1% (2015 to 2016), 8.4% (2016 to 2017)

* Krungsri Research

# Recap: MTBP 2015 – 2017 Core Strategies

9 Business Core Strategies + 5 Management Platform Strategies to achieve strategic theme

## 9 Core Business Strategies

Grow Assets | Increase Non-Interest Income | Reduce Cost Of Funds

1. Keep Leading Position in Consumer/Auto
2. To be a Tier 1 Mortgage Player
3. Core Banking Strategy
4. Enhance Trade Finance & Transaction Banking
5. Strengthen FX Business
6. Enhance Funding Capabilities
7. Expand Customer Base through Customer Centric Approach
8. MUFG/BTMU Synergy Strategy
9. Corporate/Retail Collaboration

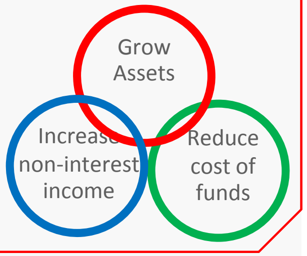
## 5 Management Platform Strategies

Operate Productively & Efficiently | Strengthen Internal Control | Align Robust Process | Talent Mgmt & Working Environment

1. Enhance Financial Management (Segment P/L)
2. Enhance Risk Management (Enterprise, Credit, Market and Operational Risk Management)
3. Best in Class in Legal & Compliance and Fraud Management among Thai Commercial Banks
4. Enhance Operational Excellence / Best in Class IT Platform
5. One Krungsri HR Platform

# Achievement on MTBP 2015-2017

## Grow Assets




- Asset exceed 2 trillion baht
- Keep leading position in consumer and auto

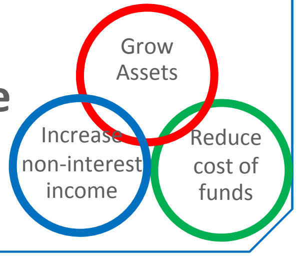
Rank #1

| 22% | 24% | 26% |
| --- | --- | --- |
| 2015 | 2016 | 2017 |

(Market Share)

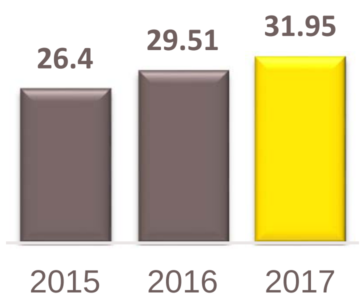
- Become a Tier 1 mortgage player in 2016

## Increase non-interest income



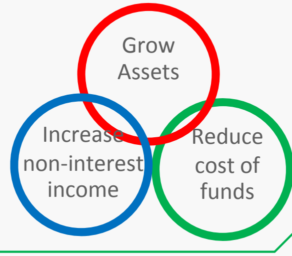

### Non-interest Income

(Baht Billion)

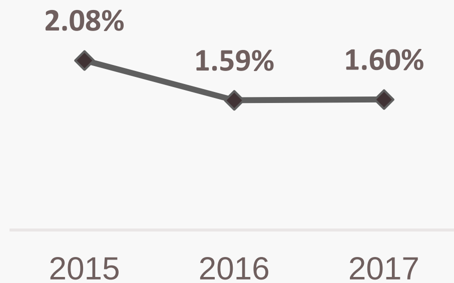



- Volume increased significantly
- Increased number of FX customers from JPC

## Reduce Cost of Funds




### Cost of Funds



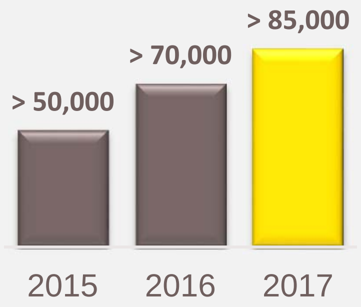

- Deposit exceed 1 trillion baht in 2015

# MUFG Synergies and Retail & Commercial Collaboration

## Ability to provide financial support to clients to realize new business prospects

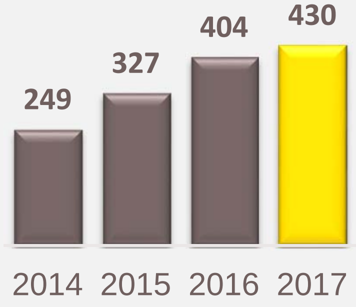
### Secured Payroll account with major JPC/MNC

No of total accounts acquired




### Successful Business Matching

No of Business Matches




### Investment Banking

- Obtained the status of Joint-Mandated Lead Arranger for financing power plant project

### Supply Chain Financing


- Promote end-to-end solutions from supplier financing to dealer financing, leveraging Japanese manufacturers and their supply chains

### Cross Border Business

- Provide financial support to customers in expanding business
  - Cement (Sri Lanka)
  - Beverage (Vietnam)
  - Department store (Vietnam)
  - Food products (USA)

# 2018 Business Direction
# Medium-Term Business Plan 2018-2020

# Thailand’s Economic Outlook

- Cyclical recovery for the Global Economy
- Thai economy will grow above its 10-year average level
- Normalizing interest rate policy

## Key Indicators of Thai Economy (by Krungsri Research)

| (YoY Growth %) | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| **GDP** | 4.0 | 4.0 | 4.2 | 4.2 |
| **Policy Rate** (%, year-end) | 1.50 | 1.75 | 2.00 | 2.25 |
| **Inflation** | 0.7 | 1.7 | 2.0 | 2.2 |

**2017: A more balanced, broader-based economic recovery**
**2018: Accelerating infrastructure investment and more spending ahead of election**
**2019: Clearer economic policy amid peaceful political transition to raise confidence**
**2020: Completion of several infrastructure projects and EEC development to help enhance growth potential**

# MTBP 2018-2020 Core Strategies

**Our ASPIRATION:** ***To be a Top Tier Financial Group in Thailand***

## - Key Theme -

- *Lead by Innovation. Think "Digital First"*
- *Enhance Customer Experience to become a Main Bank*
- *Enhance Retail & Commercial Banking Platform, and achieve Sustainable Growth*

**Key Measures**

| Size: Selectively Grow | Profitability: Improve Productivity & Efficiency | Recognition: Top Tier Financial Group by Stakeholders |
|---|---|---|

**Core Strategies**

| | Strategy | Area |
|---|---|---|
| 1 | Enhance Customer Experience towards Customer Engagement | All |
| 2 | Upgrade Advisory Capabilities & Service Quality of Retail Banking | Retail & Consumer Banking |
| 3 | Grow SME Banking through Digital & Innovation Capabilities | SME Banking |
| 4 | Execute Commercial Banking Transformation | Corporate Banking |
| 5 | Strengthen Product Capabilities to offer Financial Solutions | Products & Services Strategy |
| 6 | Expand Collaboration within Krungsri and Synergy with MUFG & Strategic Partners | Products & Services Strategy |
| 1 | Enhance Business Competitiveness through HR Platform | Management Platform Strategy |
| 2 | Build Robust and Smart Technology to Digitize Business & Operations | Management Platform Strategy |
| 3 | Ensure Safety and Soundness | Management Platform Strategy |

4 Improve Productivity and Efficiency

5 Accelerate Digital and Innovation Execution

# Think “Digital First” : Digital Transformation

**INNOVATION CULTURE**



**FINTECH COLLABORATION**

FINNOMENA

ripple

Krungsri
**DIGITAL**
Transformation

SERVICE

pearn wāu by krungsri GURU

MARKETING

ACQUISITION


Increase Productivity & Efficiency

Improve Customer Experience

# Think "Digital First" : Execution Roadmap

| | Stage 1: Improve<br>" Improvements based on existing business models and processes" | Stage 2: Reform<br>" Reforms via changes in business models and processes" | Stage 3: Disrupt<br>Disruptive innovation employing unconventional thinking |
|---|---|---|---|
| Channels | Branch Automation<br>Krungsri Mobile App<br>Social Media [FB/ LINE] | Future Digital Branch<br>Mobile First (APIs)<br>Social Media 4.0<br>Chatbot Virtual Assistant | ***Creating seeds of new businesses for the next generation...***<br><br>**Digital Banking Platform**<br><br>**Krungsri Data Company**<br>*(Fully Leverage AI)*<br><br>**Krungsri FinTech Platform**<br>*(Connect FinTech to Krungsri)*<br><br>**Block Chain Banking**<br>*(Future IT Architecture)* |
| Value | Big Data, AI, Machine Learning Capability<br>Digital Marketing Platform | Design Thinking & UX / UI<br>Robo Advisor Wealth Management Platform | |
| Processes | Robotic Process Automation (RPA)<br>Digital Lending Platform<br>QR Payment<br>Service Automation by AI | Digital Lending with Digital ID<br>Ripple | |
| Infrastructure/ Culture | Big Data & Machine Learning<br>Cloud<br>Big Data & Machine Learning<br>Krungsri Ignite<br>Krungsri Finnovate | Data Scientist Capability<br>Supply-chain Financing Platform<br>Smart APIs<br>Reform Corporate Culture | |

# Think " Digital First" : How to Accelerate the Change

**Digital & Innovation Culture**

**Management Lead the Way**

**Expand Digital Resources**

**Data Capability**
***(Big Data, Data Scientist)***

**Introduce Digital Knowledge**
***(Agile, Scrum, UX/UI)***

**Build Digital Platform**
***(Smart APIs)***


Krungsri
space

# Enhance Customer Experience to Become a Main Bank

## Customer Centricity Transformation Journey


### Cultivate Customer Centric Organization

- Customer Journey Design
- Customer Experience Governance
- Omni Channel Experience Platform
- Customer Centric Culture

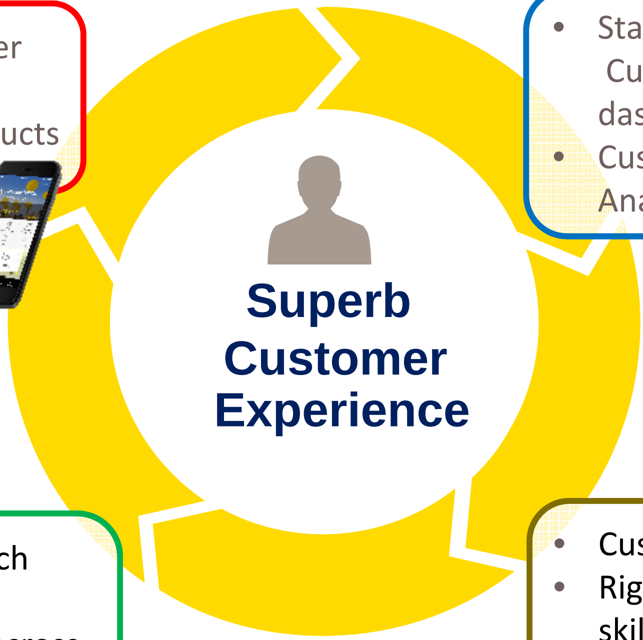
2015 2016 2017 2018 2019 2020

CUSTOMER CENTRICITY TRANSFORMATION JOURNEY

### Become Customer Centric Organization

- Customer Segmentation
- Collaboration in Front Line
- KPI Alignment
- Customer Experience Establishment
- Customer Centric Culture Building

# Enhance Customer Experience to Become a Main Bank




**1. Design Customer Journey**

- Design and delivery customer journey experience.
- Agile delivery of digital products

**2. Customer Experience Governance**

- Standard operating model. Customer experience dashboard and governance
- Customer Behavior, trend Analysis

**3. Omni Channel Experience Platform**

- Digital Branch – New branch model
- Bank wide CRM platform across all customer touch point – online and offline

**4. Cultivate Customer Centric Culture**

- Customer centric culture
- Right mindsets and skillsets to deliver superb customer experience

# Enhance Commercial & Retail Banking Platform

## Commercial Banking : Productivity & Efficiency

1. Optimal Structure Realignment
   - KPI realignment
   - Reorganize structure of Investment Banking (IB) and Transaction Banking (TB) to better service wholesale banking

2. Enhance Process to improve customer experience
   - Redesign and implement End-to-End process (both pre-and post-approval) to improve turn-around-time
   - Redesign work process with dedicated legal team to support Corporate Investment Banking customers

## Retail Banking : Improve Service, Productivity, and Customer Experience Through:

1. Future banking model
2. Staff capability enhancement & hospitality service
3. Improve products/service, productivity and customer experience

# 2018 - 2020 Strategic Direction

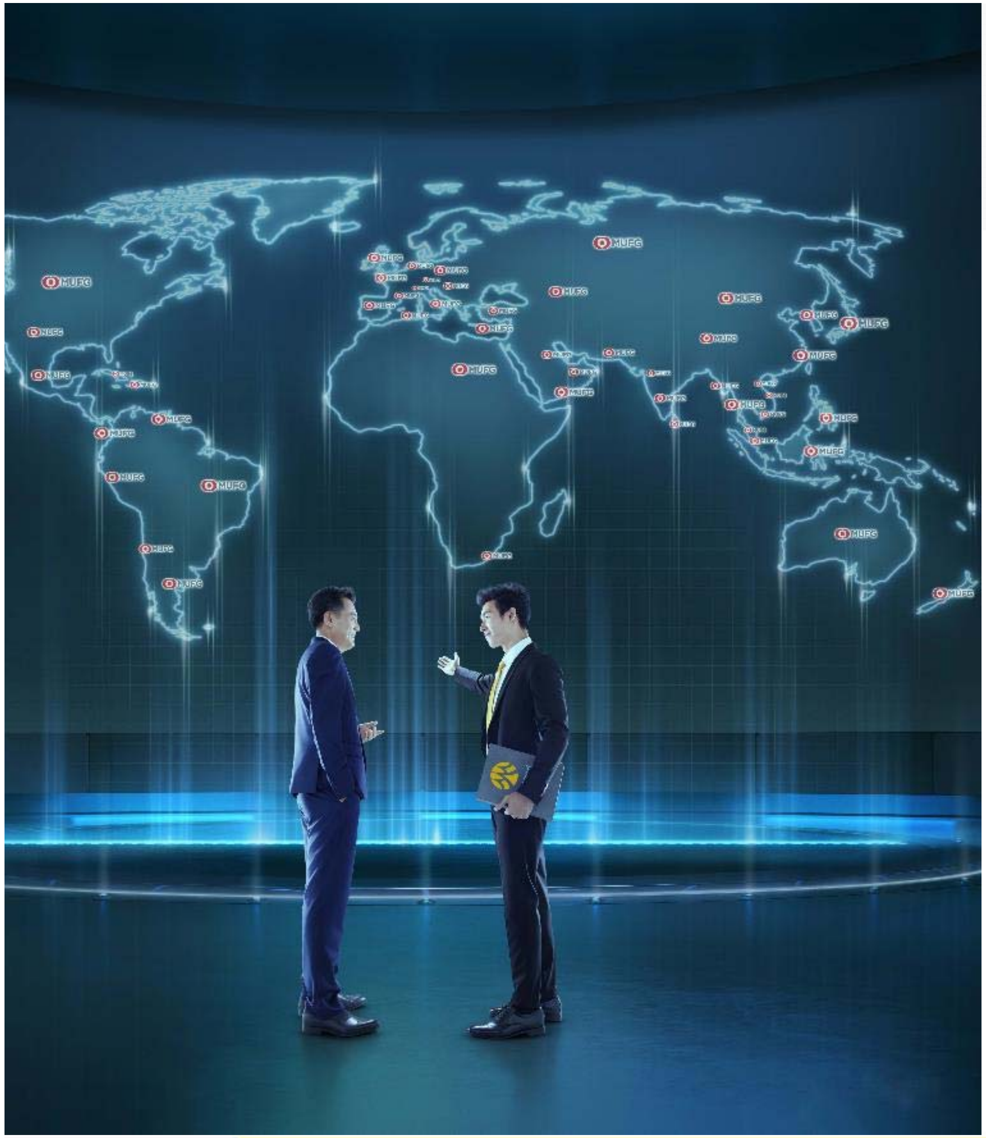
## JPC/MNC Banking

[#1 Market position]

**Enhance No. 1 position** in **Japanese corporate market and be the most preferred bank for MNC's customers**

- Continue to promote shifts from traditional loan-based businesses to **transactional banking with deposit/FX focus and investment banking**
- Increase focus on **leveraging JPC's strong customer base** to bring in business to other segments

# 2018 - 2020 Strategic Direction



## Corporate & Investment Banking

[#5 Market position]

**A total solution provider and main operating bank of our key clients & a trusted banking partner for Corporate & Investment Banking (CIB) clients.**

**Shift from Asset Driven Strategy to Solution and Fee based business.** Rebalance Portfolio focusing on Sustainability and Profitability.

# 2018 - 2020 Strategic Direction

## SME Banking

[#5 Market position]

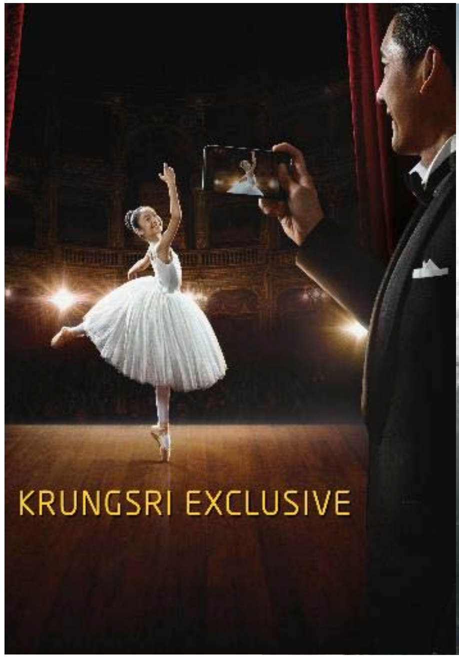
### Main Operating Bank for SME

**Continue growing assets with focus on working capital solutions** through digital and innovation capabilities. Assure upgrading relationship to **win Non-interest income and low cost deposit**

## Corporate & Investment Banking / SME Banking

Enhance products and operations to arm the RMs with competitive weapons, and **Improve Customer Facing Time. Train RMs to be a solution provider**

# 2018 - 2020 Strategic Direction







## Retail Banking

[#5 Market position]

**To be a customer's top of mind in HNW, Mass, and Business Banking**

**Retail Banking - Build Value Proposition with focus on Service Quality and Speed,** to attract, retain, and upgrade customers

# 2018 - 2020 Strategic Direction



## Consumer Finance

[#1 Market position]

- **To Maintain Leading Position in Auto & Consumer Finance for Customer, Employee, and Society**

**Lead the market and enhance #1 Position**

## Retail Banking / Consumer Finance

**Enhancing Customer Experiences** through Digital Process/Platform and Innovative Products

# Krungsri's Future

- **Leader in Digital & Innovation**
- **No.1 in Consumer Finance**
- **Total Financial Solutions to Customers**
- **Leading Regional Bank with Global Reach**
- **Corporate Governance & Internal Control Excellence**

**Top-Tier Financial Group in Thailand**

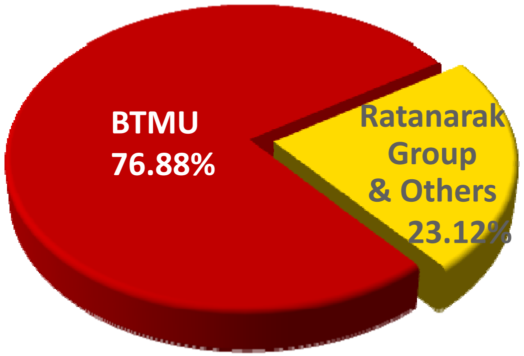
# 2018 Key Financial Targets


| Consolidated | 2018 Targets |
|---|---|
| Loan Growth | 6-8% |
| Loan Mix: Retail | 50% |
| NPLs Ratio | < 2.5% |
| NIM | 3.5-3.7% |
| Non-interest income growth (YoY) | ~ 5% |
| Cost to Income Ratio | < 50% |
| Provisions | 130-140 bps |
| Loan Loss Coverage | ~ 140% |

# Krungsri Profile

# Our History


**Shareholding Structure**
(as of 8 Sep 2017)




- 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: BTMU replaced GE as the strategic shareholder of Krungsri
- Jan 2015: Integration of BTMU Bangkok Branch into Krungsri
- Sep 2016: Acquisition of Hattha Kaksekar Limited (HKL)
- Mar 2017: Established Krungsri Finnovate Company Limited

# Krungsri Group Profile

## International Ratings

| 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 November 2017 | Market Position | % Share |
|---|---|---|
| **Consumer** | | |
| Personal Loan | 1 | 29% |
| Credit Card | 1 | 16% |
| Auto (HP) | 2 | 26% |
| **SME** | 5 | 5% |
| **Corporate** | 5 | 12% |

## Extensive Franchise: 34,626 Service Outlets

| As of December 2017 | Number |
|---|---|
| Domestic Branches | 700 * |
| Overseas Branches | 2 |
| Representative Office | 1 |
| ATMs | 6,552 |
| Exchange Booths | 92 |
| Krungsri Exclusive | 39 |
| Krungsri Business Centers | 63 |

| As of December 2017 | Number |
|---|---|
| First Choice Branches | 153 Branches |
| + Dealers | + 21,415 Dealers |
| Krungsri Auto Dealers | > + 10,400 Dealers |
| Microfinance Branches | 593 |
| Microfinance Overseas Branches (HKL) | 168 |
| Thai Post Offices | > + 1,000 |
| EDC Machines | 87,724 |

** Krungsri Domestic Branches = 700 Branch, of which 663 are Banking Branches and 37 are Auto Business Branches*




**Contact**

**Investor Relations Department :** Telephone : (662) 296 2977

Fax : (662) 683 1341

E-mail : irgroup@krungsri.com

**Krungsri Website :** www.krungsri.com

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