krungsri
กรุงศรี
A member of MUFG
a global financial group

Analyst Briefing
2019 Business Direction

5 February 2019

"Make Life Simple เรื่องเงิน เรื่องง่าย"

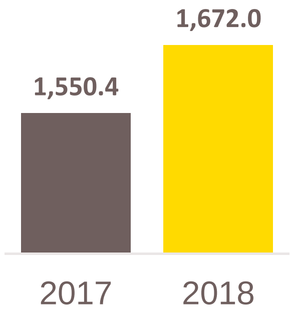
Highlights

2018 Key Financial Highlights

Loan Growth

+7.8% YoY *

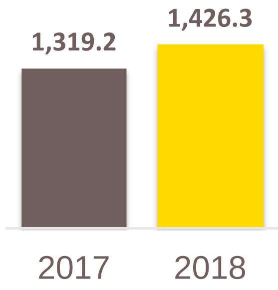
Consolidated
(Baht Billion)



** Excluding the Baht 39.6 billion NTL loan reclassification impact, loan growth would have been 10.4%*

Deposit Growth

+8.1% YoY



CASA

43.9%

NIM

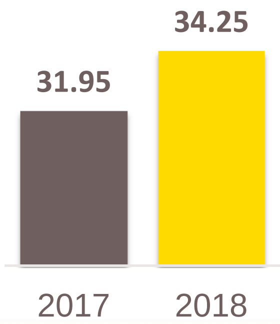
3.81%

NPL Ratio

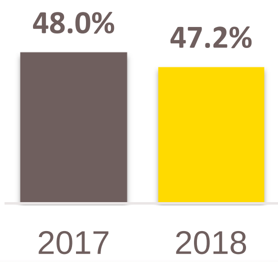
2.08%

Non-interest Income Growth

+7.2% YoY



Cost-to-Income Ratio



Coverage Ratio **

161%

*** Excluding the impact from NTL reclassification, coverage ratio stood at 165.8%*

2018 Achievements vs Targets

Strong performance despite the challenging business environment

	2018 Actual	2018 Targets
Loan Growth (Net)	7.8% *	6-8%
Loan Mix : Retail	48%	50%
NIM	3.81%	3.5-3.7%
Non-interest income growth (YoY)	7.2%	~ 5%
Cost to Income Ratio	47.2%	< 50%
Provisions	156 bps	130-140 bps
NPLs Ratio	2.08%	< 2.5%
Loan Loss Coverage Ratio	161% **	~ 140%

* *Excluding the Baht 39.6 billion NTL loan reclassification impact, loan growth would have been 10.4%*

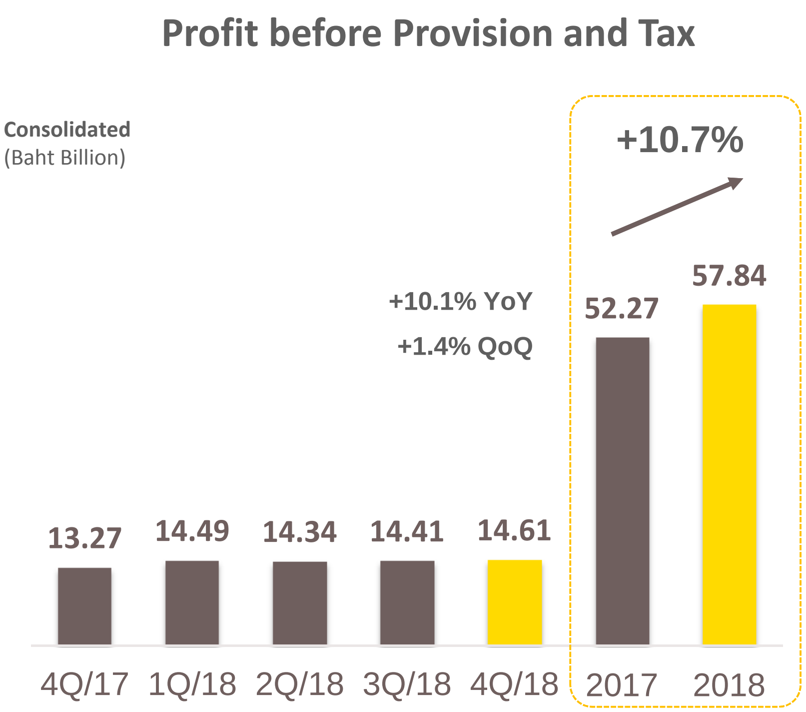
** *Excluding the impact from NTL reclassification, coverage ratio stood at 165.8%*

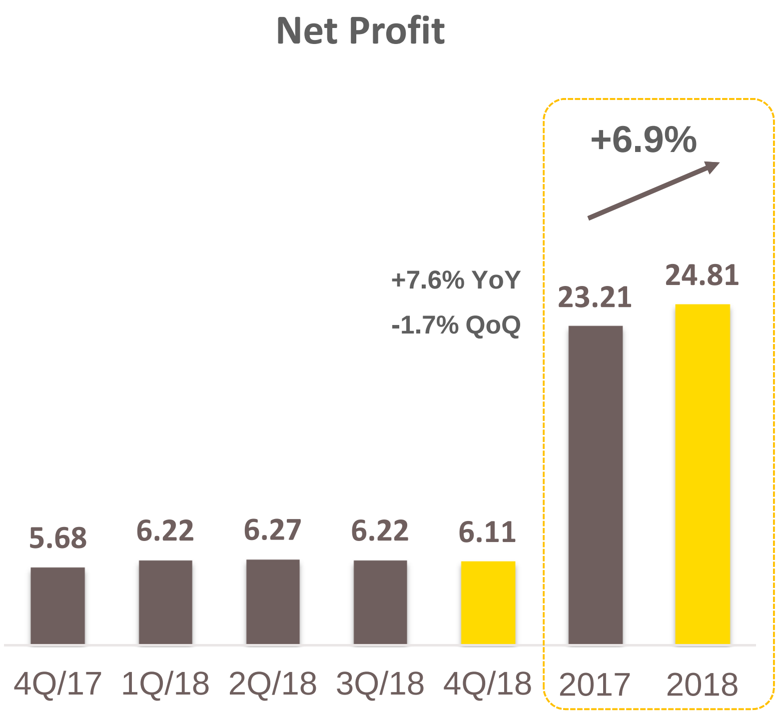
2018 Financial Performance

Profitability

A record net profit of 24.8 billion baht

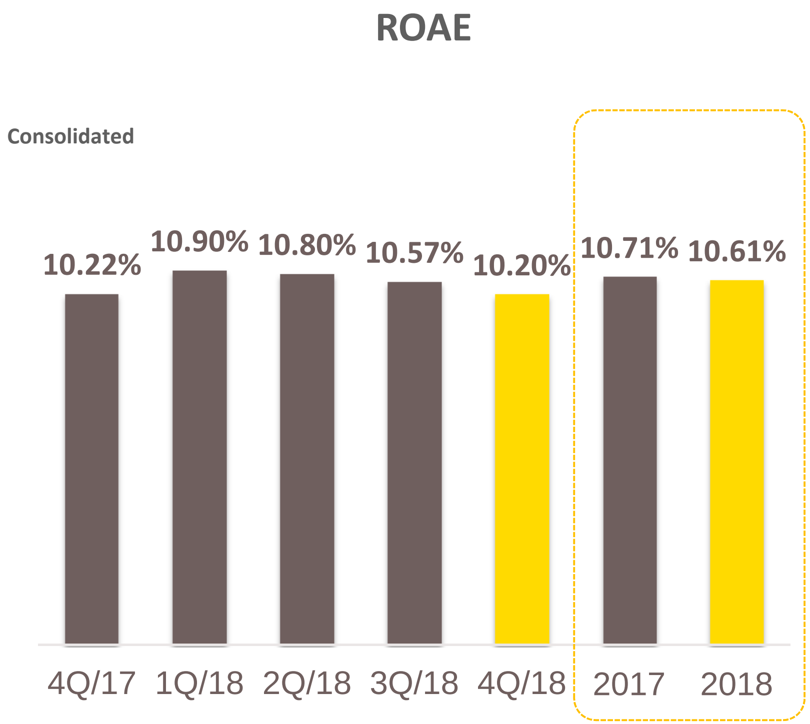
Consolidated
(Baht Billion)

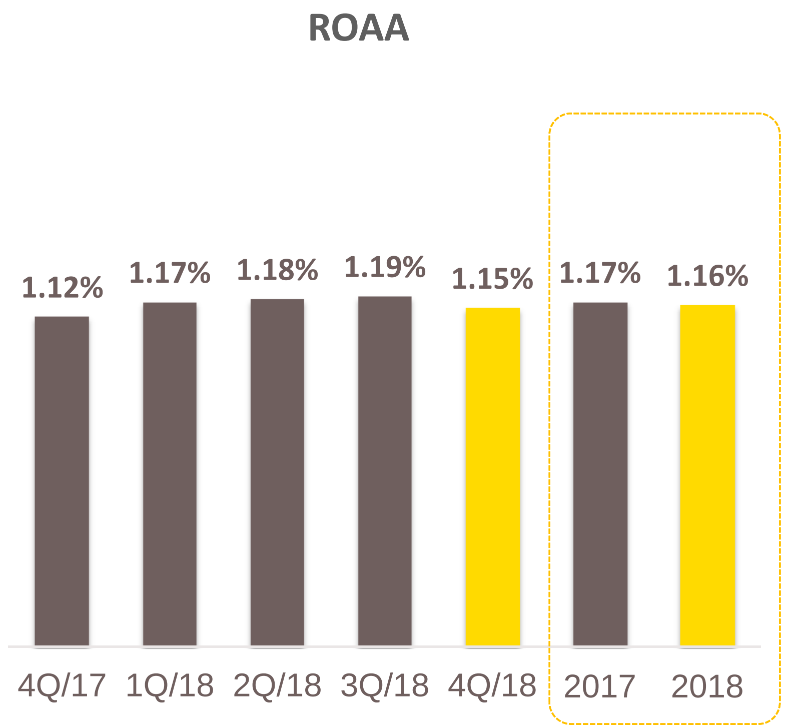




ROAE & ROAA

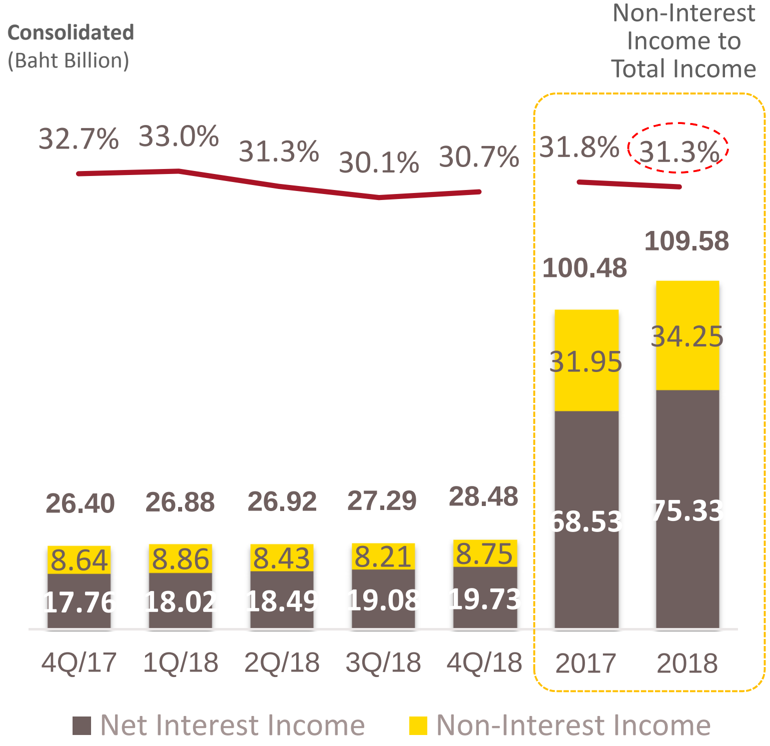
Reported 2018 ROAE at 10.61% and ROAA at 1.16%

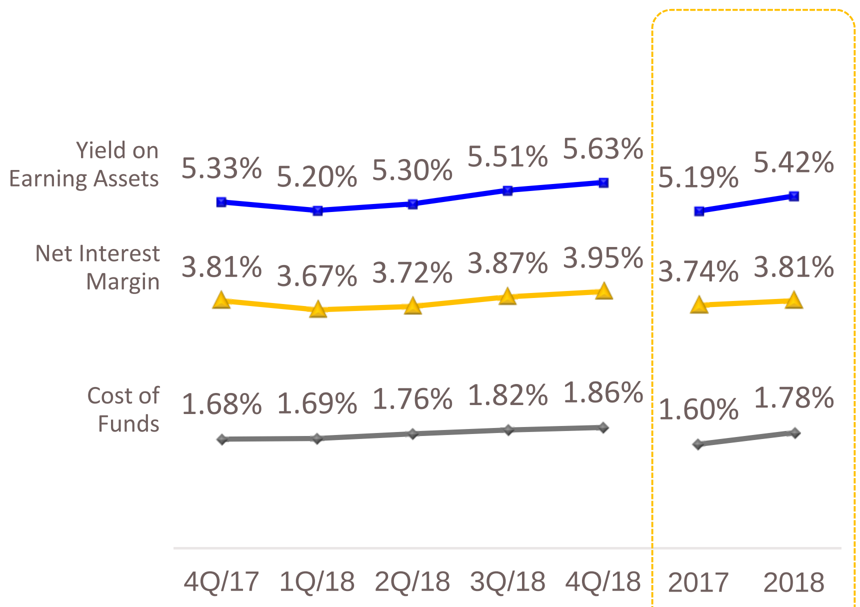




Profitability Measurement

2018 NIM improved to 3.81%

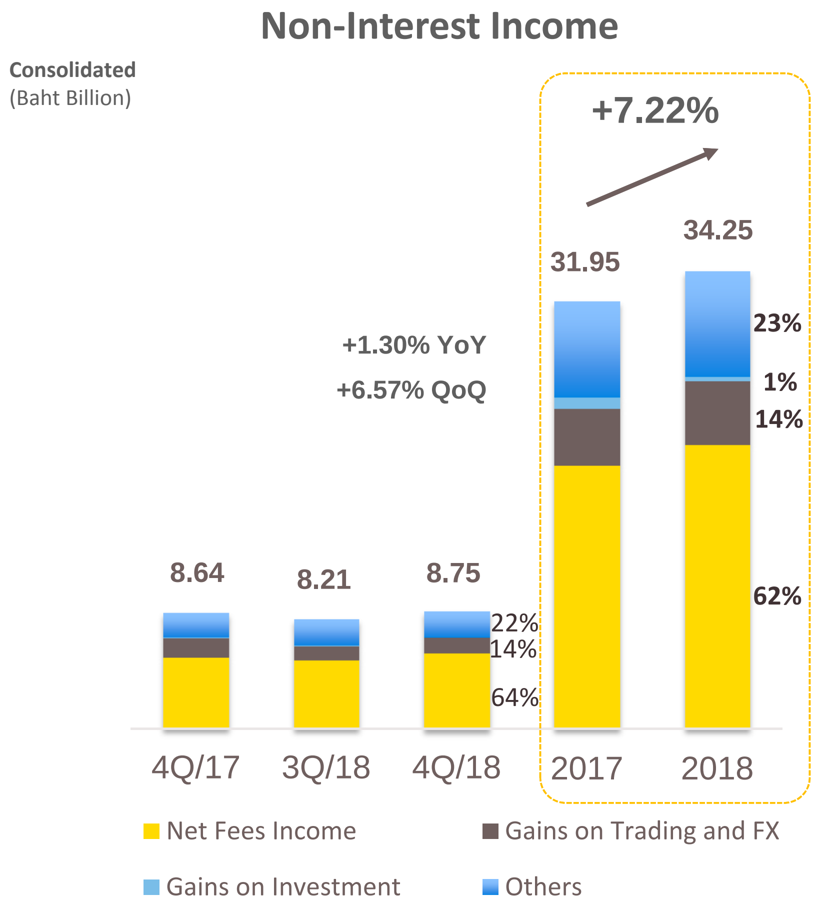


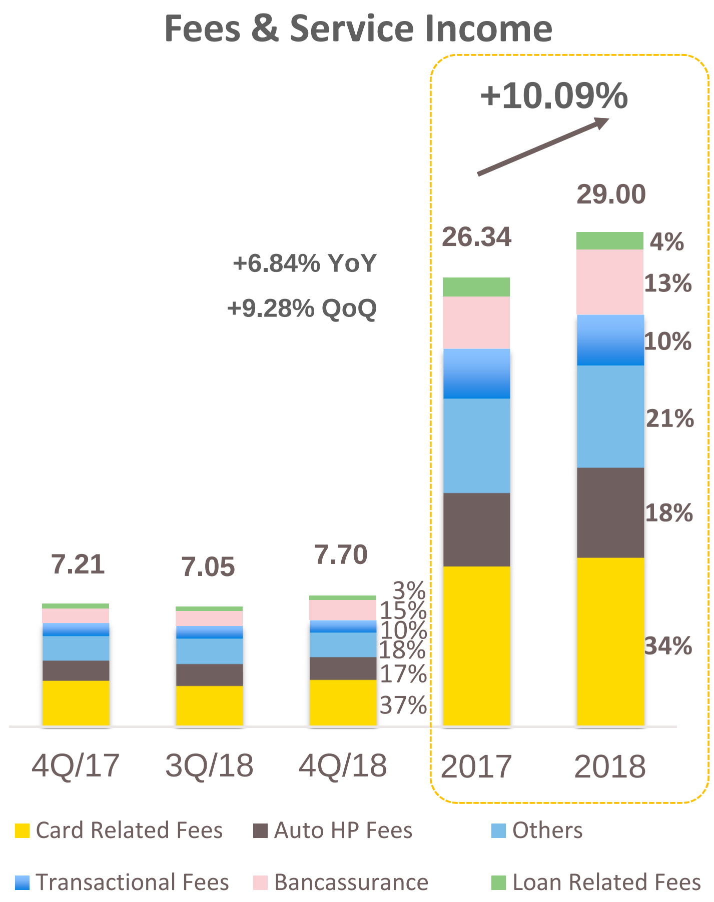


	4Q/17	1Q/18	2Q/18	3Q/18	4Q/18	2017	2018
Yield on Loans	6.07%	6.01%	6.05%	6.10%	6.17%	5.95%	6.07%
Cost of Deposits	1.57%	1.51%	1.55%	1.57%	1.62%	1.48%	1.56%

Non-Interest Income & Fees and Service Income

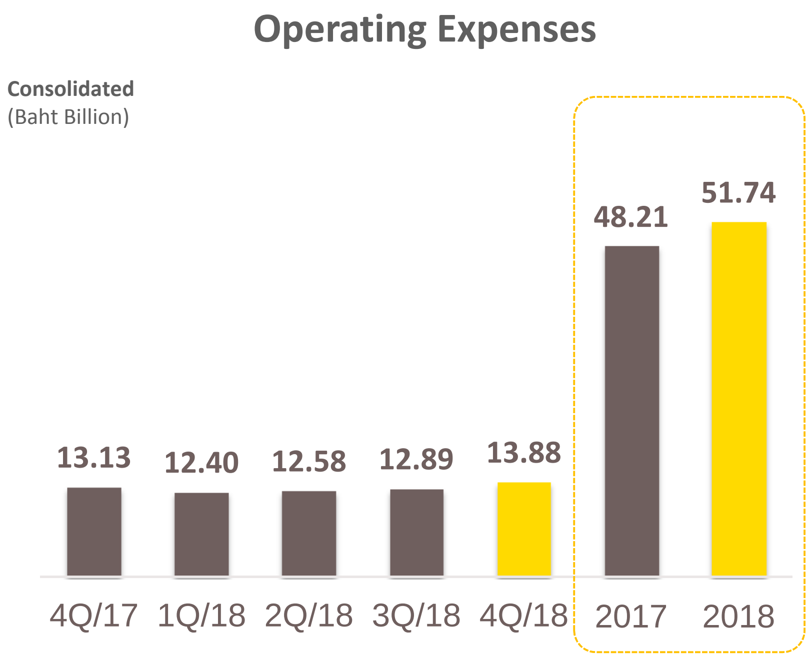
Robust growth in fees and service income

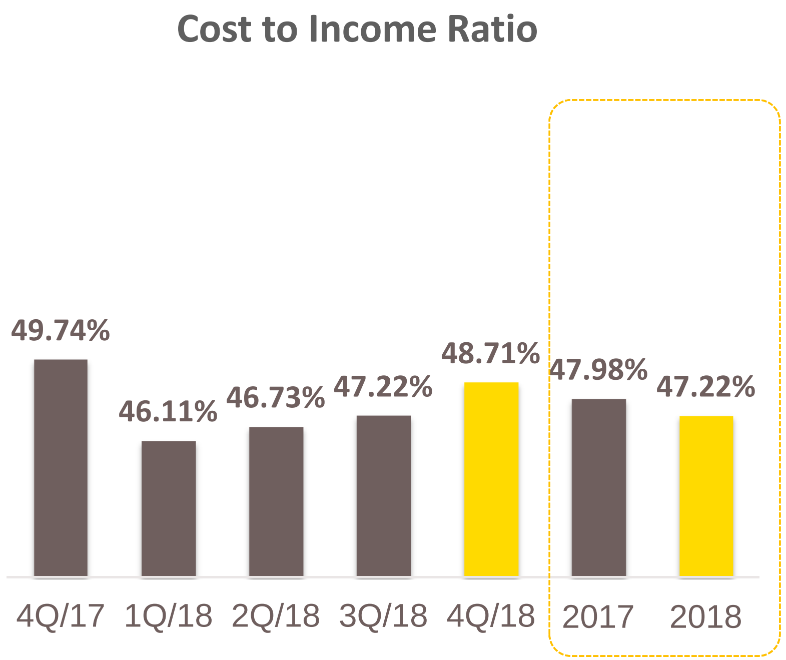




Productivity

2018 Cost to income ratio reduced to 47.22%

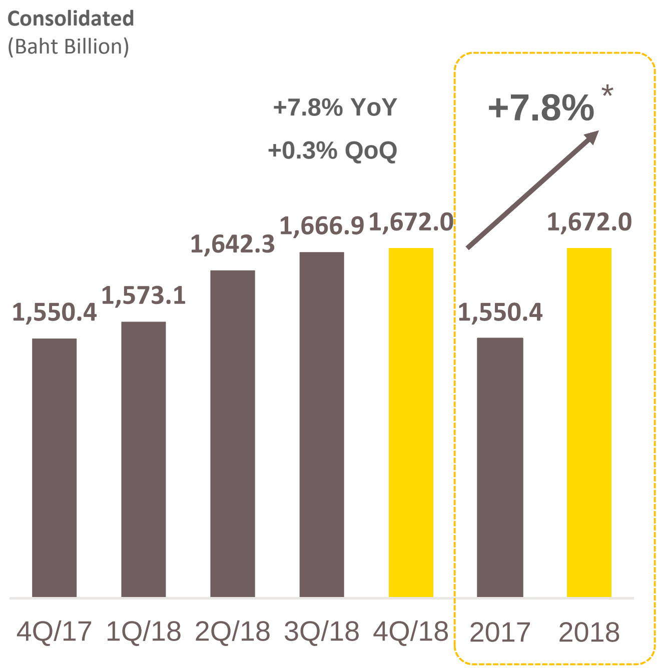




Loan Portfolio

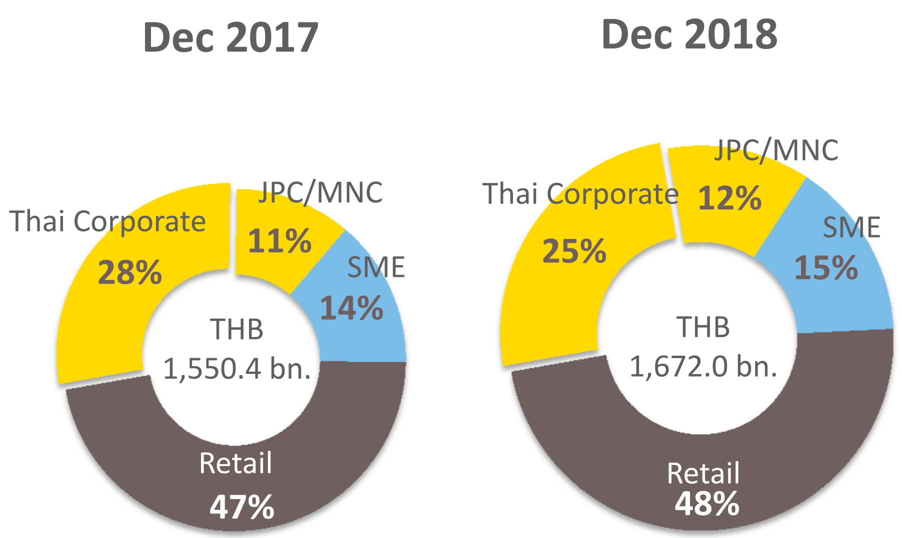
A broad-based expansion with the retail and SME segments as key growth drivers

Loans



* *Excluding the Baht 39.6 bn. NTL loan reclassification impact, loan growth would have been 10.4%*

Loans by Segment



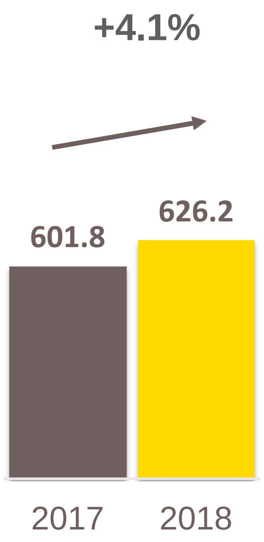
Retail

- Auto HP 22%
- Mortgage 15%
- Credit Card & Personal Loans 11%

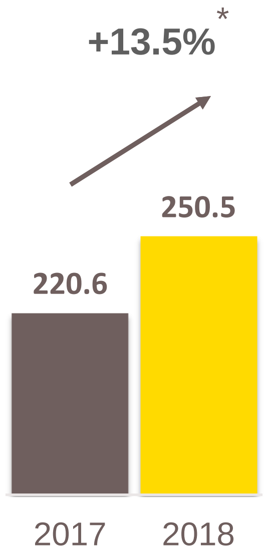
Loans by Segments

Consolidated
(Baht Billion)

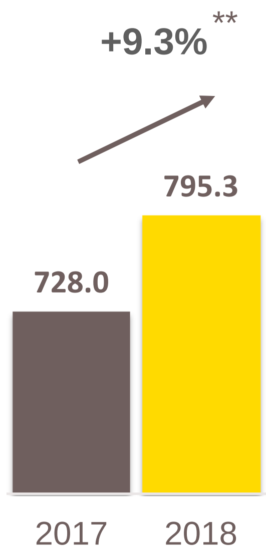
Corporate Loan



SME Loan



Retail Loan



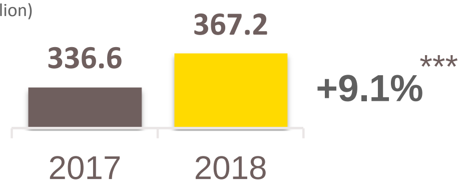
** SME loans: Excluding the Baht 2.8 bn. NTL loan reclassification impact, SME loan growth would have been 14.8%*

*** Retail loans: Excluding the Baht 36.9 bn. NTL loan reclassification impact, retail loan growth would have been 14.3%*

Under Retail Segment

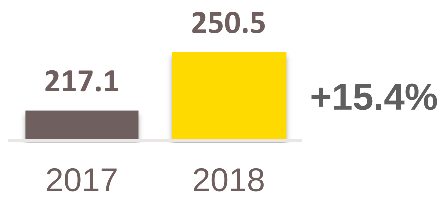
Hire Purchase

Consolidated
(Baht Billion)

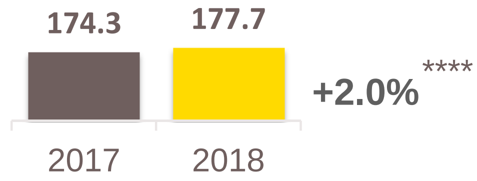


**** Excluding the Baht 11.7 bn. NTL loan reclassification impact, auto hire purchase loan growth would have been 12.6%*

Mortgage



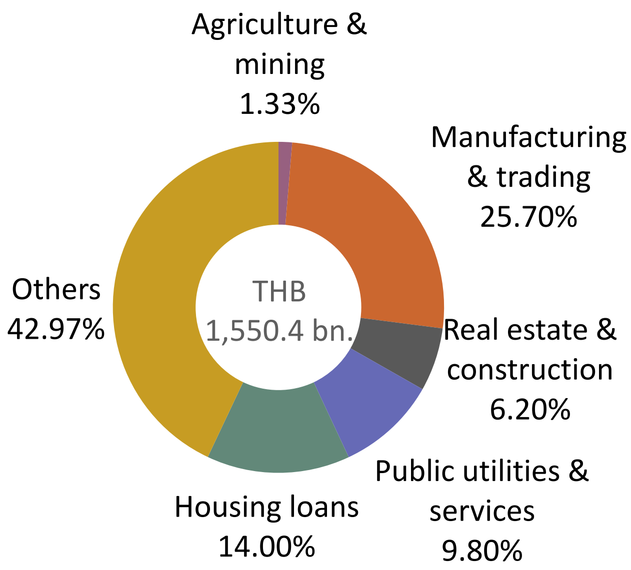
Credit Cards and Personal Loans



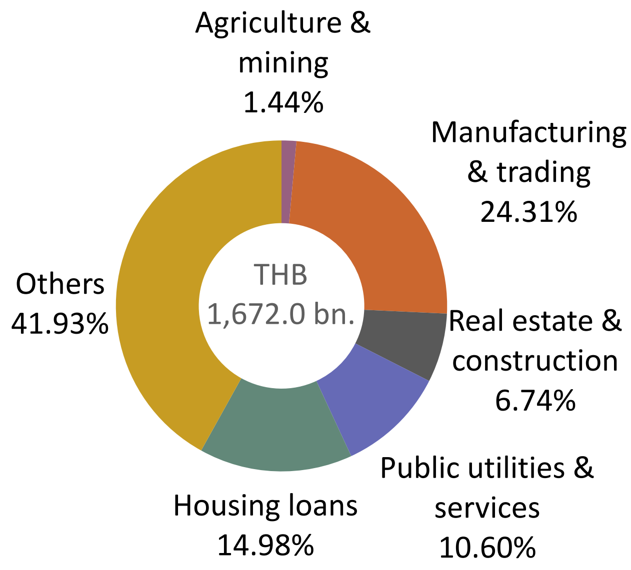
***** Excluding the Baht 25.2 bn. NTL loan reclassification impact, credit cards and personal loan growth would have been 16.4%*

Loan by Industry

December 2017

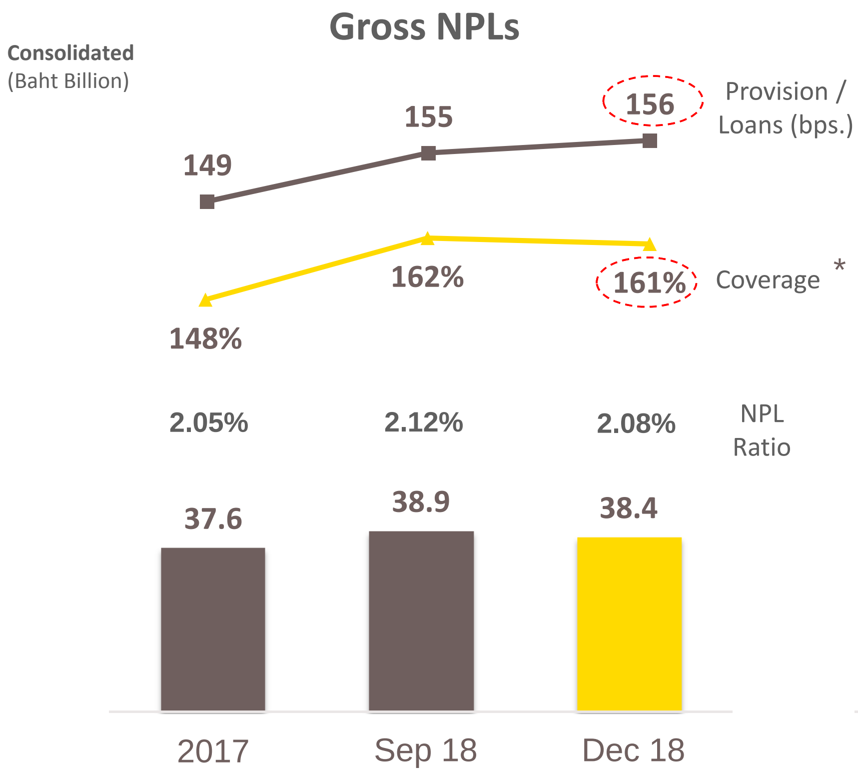


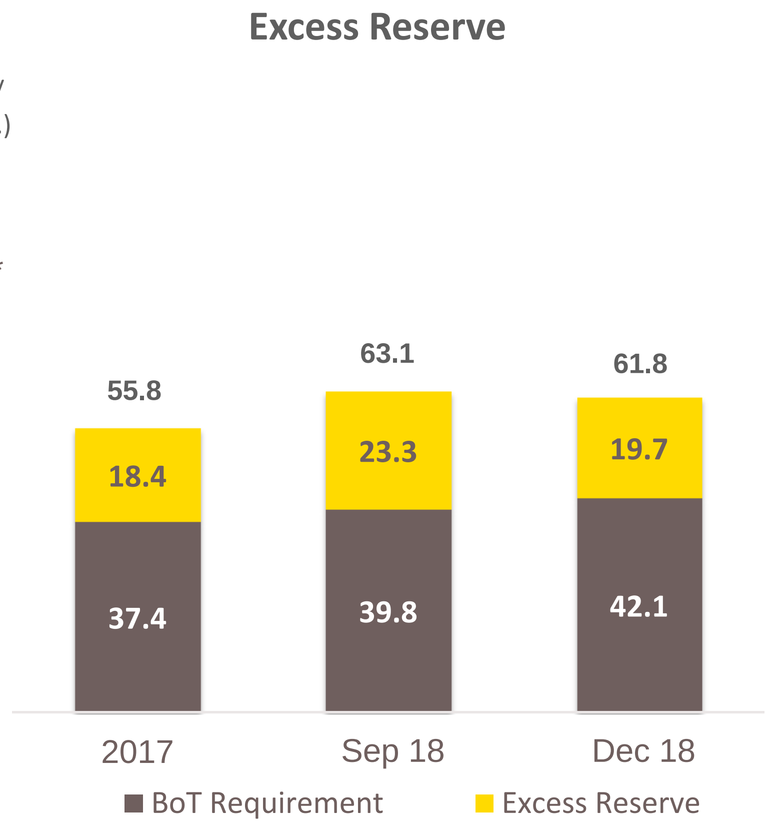
December 2018



Asset Quality

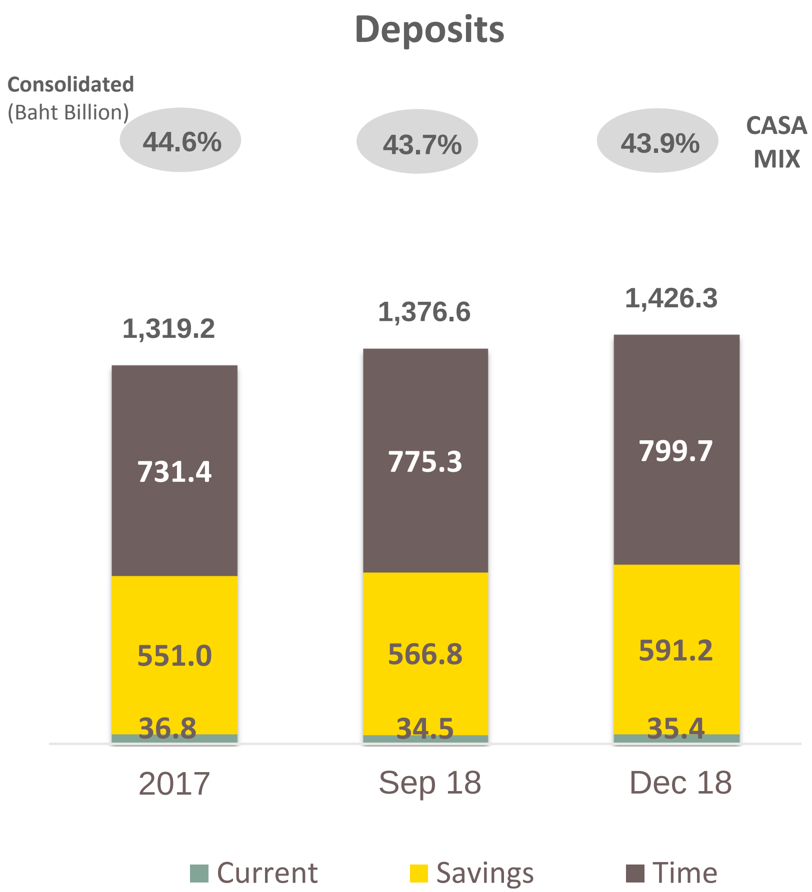
NPL ratio stood at 2.08%, with strong reserve position





** Excluding the impact from NTL reclassification, loan-loss reserves would have stood at Baht 64.5 bn., with an excess of Baht 21.6 bn. over the BoT's reserve requirements, while the actual provisioning ratio when compared to the BoT's requirements would have stood at 150.2%, and the coverage ratio at 165.8%*

Funding Base



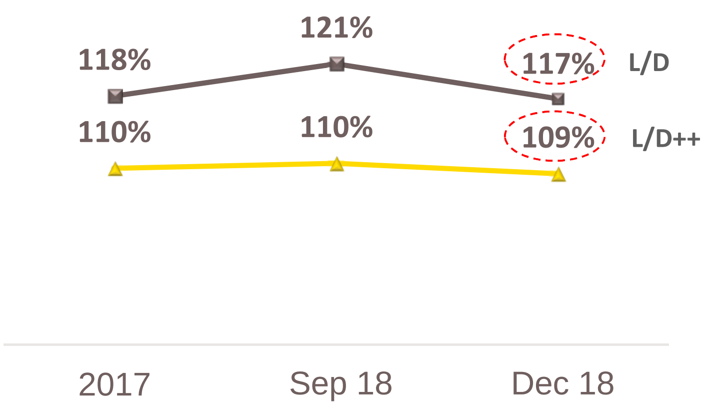
* *Including B/E Baht 1 million*

Capital and Liquidity

Solid capital position, CAR equivalent to 15.13%

Loan to Deposit

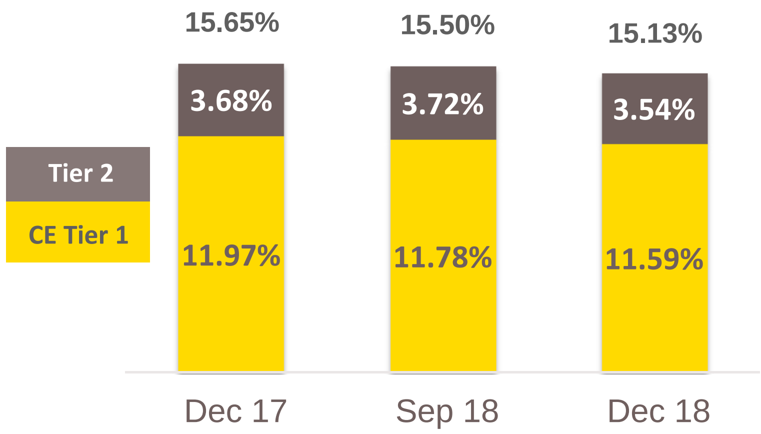
Consolidated



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

Baht Billion	2017	Sep 18	Dec 18
CE Tier 1	167.53	176.12	175.38
Tier 2	51.50	55.65	53.60
Total Capital	219.03	231.77	228.98

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.

Medium-Term Business Plan 2018-2020 Achievement

Recap: 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

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

Management Platform Strategy:

1. Enhance Business Competitiveness through HR Platform
2. Build Robust and Smart Technology to Digitize Business & Operations
3. Ensure Safety and Soundness

4 Improve Productivity and Efficiency

5 Accelerate Digital and Innovation Execution

Progress of Core Strategies under MTBP

Core Strategies

- ✔ Enhance Customer Experience towards Customer Engagement
- ✔ Upgrade Advisory Capabilities & Service Quality of Retail Banking
- ✔ Grow SME Banking through Digital and Innovation Capabilities
- ✔ Execute Commercial Banking Transformation
- ✔ Strengthen Product Capabilities to offer Financial Solutions
- ✔ Expand Collaboration within KS & Synergy with MUFG & Strategic Partners

Management Platforms

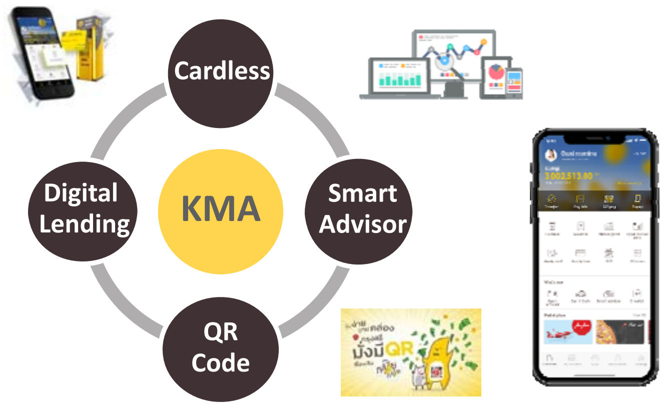
- ✔ Enhance Business Competitiveness through HR Platform
- ✔ Build Robust and Smart Technology to Digitize Business & Operations
- ✔ Ensure Safety and Soundness
- ✔ Improve Productivity and Efficiency
- ✔ Accelerate Digital & Innovation Execution

1 Enhance Customer Experience towards Customer Engagement

Krungsri Multi & Omni Channel

- Highlight Features

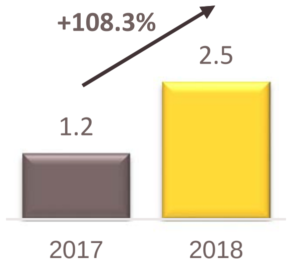
- Personal loan
- Credit Card
- Auto Lending



Krungsri Mobile Application

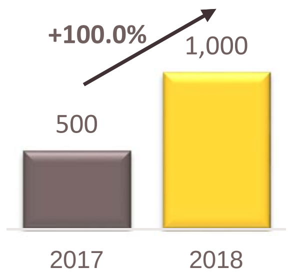
Number of Users

(Million Users)



Number of Transactions

(Million Transactions)



- Lead the market and enhance #1 position.

Krungsri Auto

Market Share*

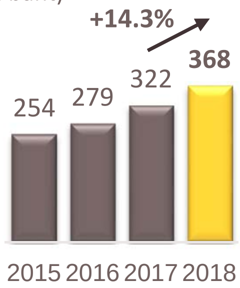
22% → 27%

2015 2018

Remark*: Based on NEA from 6 major banks.

Loan Outstanding

(billion baht)



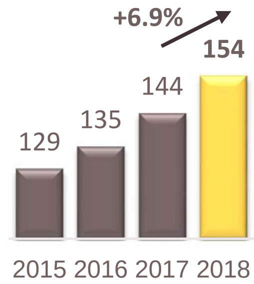
Krungsri Consumer

Rank #1 **9.1** million accounts

(credit cards, sales finance, and personal loan)

Loan Outstanding

(billion baht)



2 Upgrade Advisory Capabilities & Service Quality of Retail Banking

Krungsri Branch Transformation & Digital Lending

Typical Branch | Smart Kiosk | Smart Branch | Partnership Branch

Banking Agent

Digital Lending

Smart Branch

Banking Agent

Existing Krungsri Banking Agent

New Krungsri Banking Agent

Mini ATM Platform

Agent Platform

Digital Lending

Krungsri iFIN

Krungsri Auto Promptstart

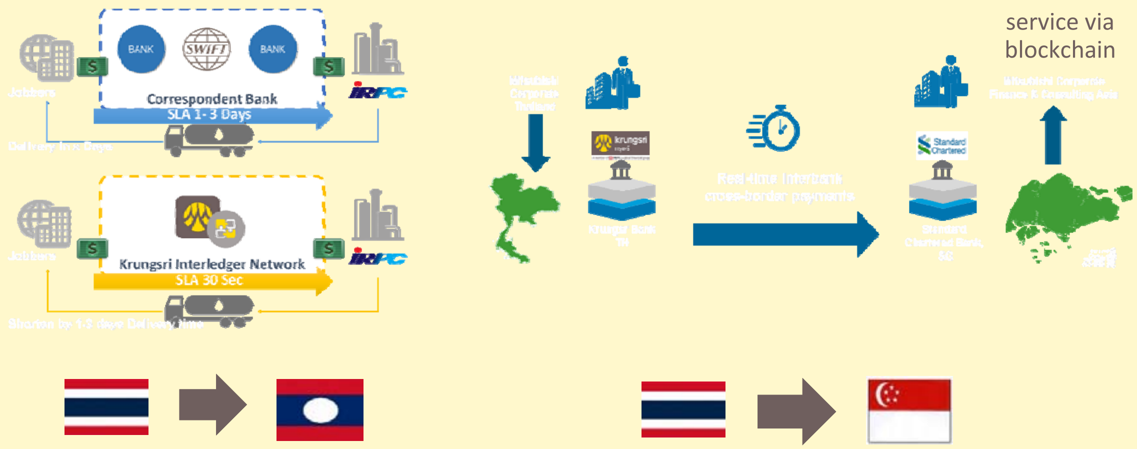
3 Grow SME Banking through Digital & Innovation Capabilities

Krungsri Blockchain Interledger

Krungsri Blockchain Interledger

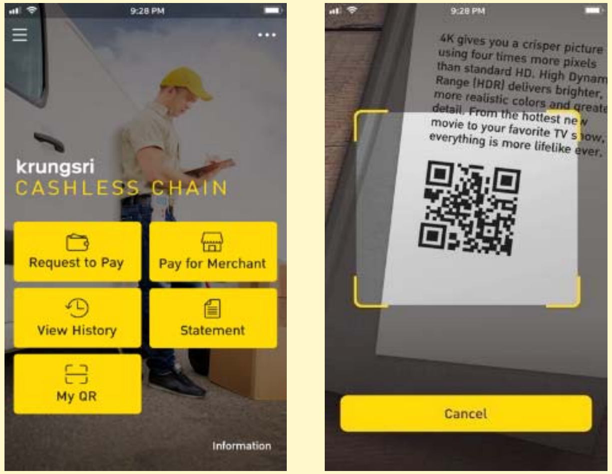
“The first bank in Thailand offering real-time international based on Blockchain Interledger through Ripple network for Thai business sector”

2019 Real time fund transfer service via blockchain



Krungsri Cashless Chain

- Reduce cash handling
- Efficiency & Accuracy
- Innovation



4 Execute Commercial Banking Transformation

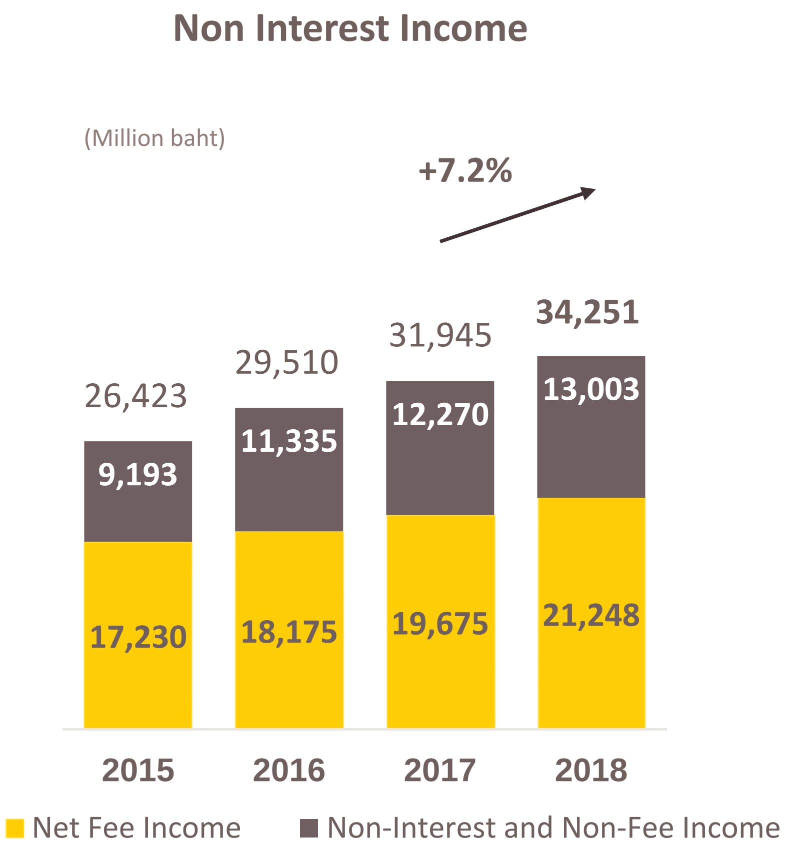
Commercial Banking: Lifting the bar on Corporate Banking

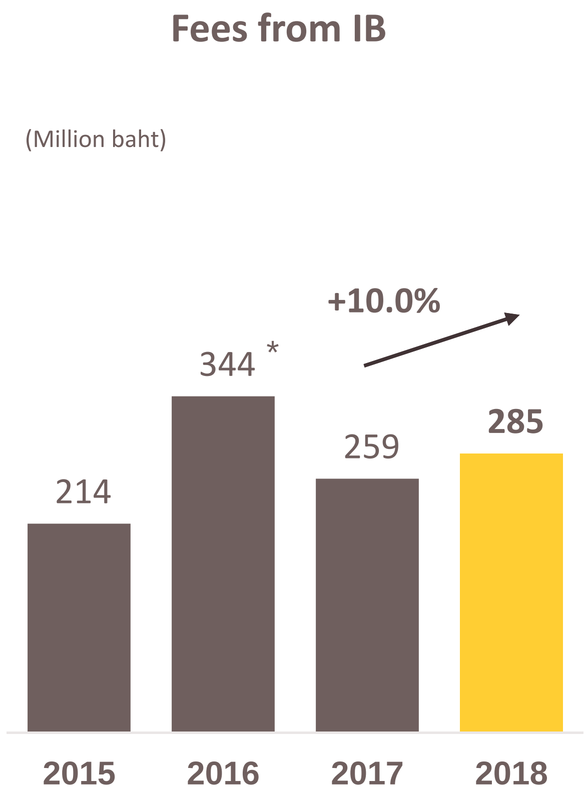
1. **Derived business and platform strategy to transform Corporate Banking to become 'Trusted Banking Partner"**
   - Conducted in-depth analysis of Corporate Banking opportunities and challenges
   - Created a roadmap to transform Corporate Banking in stages under each key pillar.
   - Implemented strategic initiatives to strengthen Corporate Banking foundation

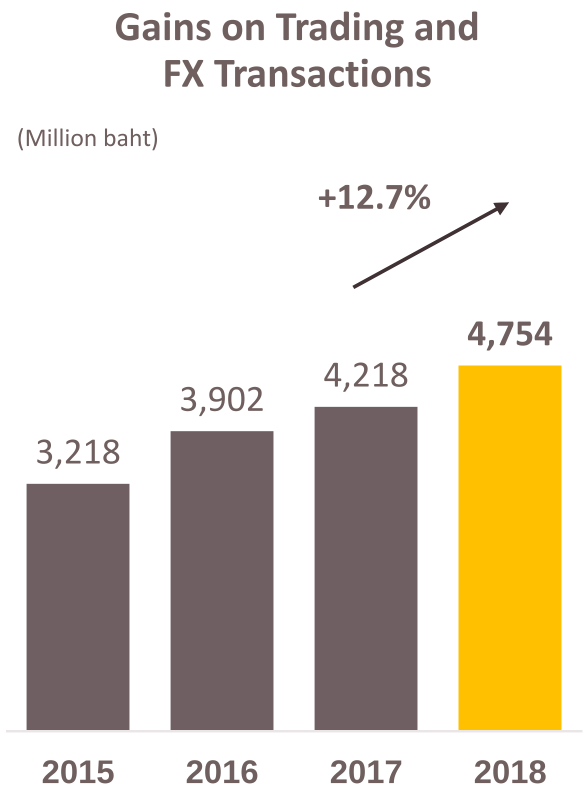
2. **Executing the business strategy, in parallel with expediting platform transformation to build competitive edges in becoming "Trusted Banking Partner"**
   - Play our strengths as a leading Thai bank with global network, strong local franchise, and full suites of products and services
   - Enhance business origination process to improve productivity
   - Re-design future business process to optimize customer customer experience

5 Strengthen Product Capabilities to offer Financial Solutions

Robust Growth in Non-Interest Income







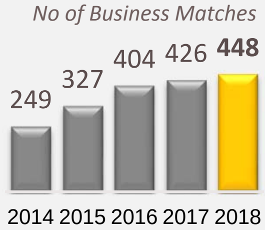
** In 2016, there was one exceptionally large deal from financial advisory fee.*

6 Expand Collaboration within Krungsri & Synergy with MUFG & Strategic Partners

Supply Chain Financing

- Provided end-to-end solutions from Supplier Financing, Dealer Financing, to Hire Purchase, leveraging JPC/MNC manufactures and their supply chain

Business Matching



- KS and MUFG jointly organized the Business Matching Fair for the fifth time in Thailand with biggest-ever 448 business matches

Thai-JPC/MNC Joint Venture
(Real Estate Collaboration)

- Supported project finances for JVs between Thai developers and JPC/MNC developers leveraging solid relationship with Japanese developers

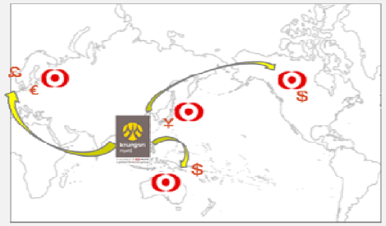
Transactional Banking

- Leveraged products and process know-how from MUFG to close market product gaps, and successfully promoted products such as regional cash-pooling and structured trade finance

Investment Banking

- Enhanced cross-sell investment banking products such as project financing, aviation finance, global syndication and debt capital market, leveraging MUFG's global product capabilities

Cross-border Business



- Utilized MUFG's global network to support Thai corporates going abroad

New Collaboration Area

Asset Management

- MUFG provided a top tier performance investment product to Thai retail investors through KS's strong retail channels

New Collaboration Area

Co-branded Credit Card

- KS, together with Siam Takashimaya, a newly opened Japanese department store in Bangkok, launched a co-branded credit card

Accelerate Digital & Innovation Execution

FinTech / Startup Collaboration

Connected with 150+ Startups

Brings in 40 Projects

Krungsri Startups Ecosytem

- FinTech
- PropTech
- CRMTech
- Business Tools
- HRTech
- Lifestyle Tech
- Business Tools
- Lifestyle Tech

Krungsri RISE

- Thailand's first Synergy-driven Accelerator in collaboration with Krungsri Finnovate and RISE Accelerator
- Aiming to enhance the capacity and accelerate the growth of FinTech startups to be at par with regional peer
- 3 Batches with 35 Startups

2019 Business Direction

Thailand's Economic Outlook

Key Indicators of Thai Economy (by Krungsri Research)

(YoY Growth %)	2017A	2018E	2019F	2020F
GDP	3.9	4.3	4.1	4.2
Policy Rate (%, year-end)	1.50	1.75	2.00	2.00
Inflation	0.7	1.1	1.1	1.3

2019 Global Economy

Global growth moderates amid trade war and monetary policy normalization

2019 Thai Economy:
Continue to grow steadily and become more broad-based

- **Clearer policy after election** boosts both domestic and foreign sentiments
- **External demand** continues to be supportive while **private investment** is entering an upward cycle.
- Broader economic growth may lead to the 2nd rate hike in 1Q/19

Source: NESDB, BOT, MOC, Department of Tourism, UN, Krungsri Research

JPC/MNC Banking

#1 **Market Position**

2019 Focus

2018-2020 Strategic Direction: Enhance No. 1 position in Japanese corporate market and be the most preferred bank for MNC's customers

Initiatives

- 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

Business Promotion

Loan

FX & Derivatives

Deposit

Trade & Settlement

Cross-Segment Collaboration

Platform Evolution

Operational Excellence

Data Intelligence

Professional Skill Enhancement

- Set up "EEC Department" to further focus customers in EEC area.
- Offer proper advices for customers who are interested in "International Business Center (IBC)".
- Consolidate sector knowledge into each industry-specific division. Promote cross-industry sales based on market prospects

Corporate & Investment Banking

#5 Market Position

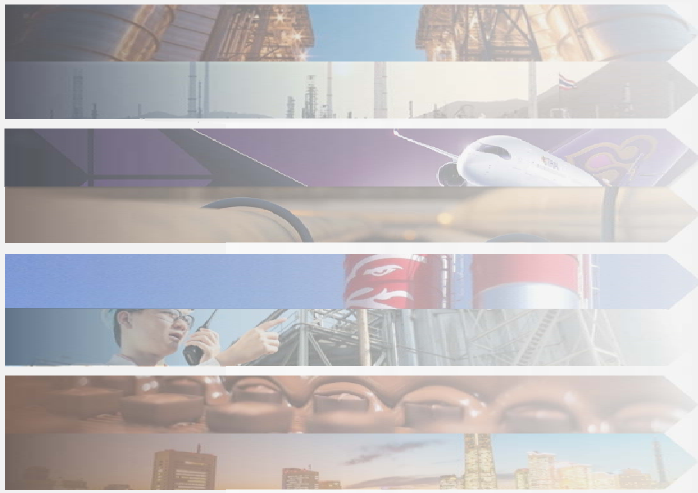
2019 Focus

2018-2020 Strategic Direction: 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 businesses.
- Rebalance portfolio focusing on Sustainability and Profitability.

IB Strategic Focus

- Energy & Power
- Infrastructure & Assets



SME Banking

#5 **Market Position**

2019 Focus

2018-2020 Strategic Direction: Main operating bank for SME

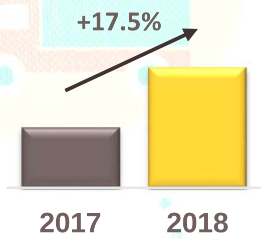
- Continue growing assets with focus on working capital solutions while assuring upgrading relationship to win NII and CASA.

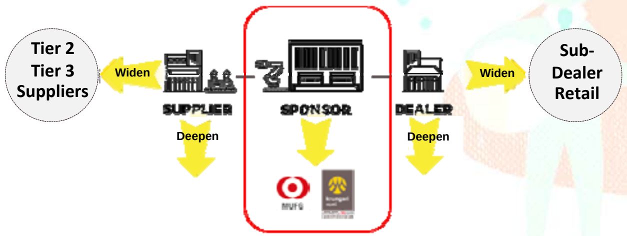
To be a "Main Operating Bank"

Digitalization

1. Acquire by Share Wallet
2. Main Lending Bank
3. Main Operating Bank

Supply Chain





Value Added Service

Krungsri SME Empowerment

- Business Talk & Business Forum
- SME Index
- Business Connect
- Krungsri-MUFG Business Matching
- Business Journey
- SME Online Business Matching

Retail Banking

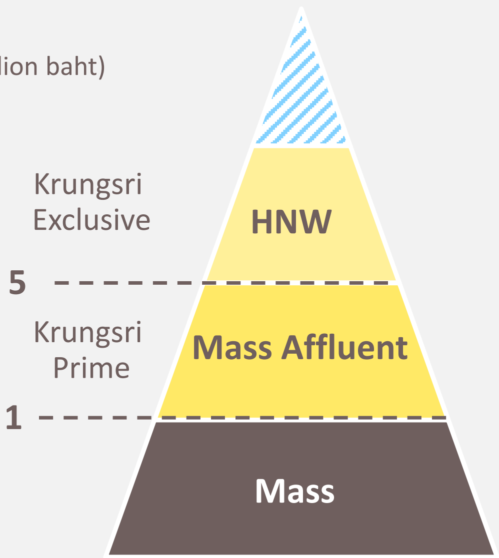
#5 **Market Position**

2019 Focus

2018-2020 Strategic Direction: To be a customer's top of mind in HNW, Mass, and Business Banking

- Build value proposition with focus on service quality and speed, to attract, retain, and upgrade customers.

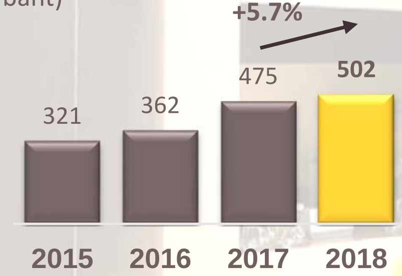
(million baht)



Krungsri Asset Management

Asset Under Management

(billion baht)



Initiatives / Strategies

- KSAM Mobile Application
- QR Code Payment
- Comprehensive quality products offering
- Client base expansion
- Customer experience enhancement

Krungsri Securities

Market Share Ranking

Initiatives / Strategies

- Enhance collaboration within Krungsri Group
- Digital platform Development
- Continue to expand Wealth Management & Investment Banking

Retail Banking (Cont.)

#5 Market Position

2019 Focus

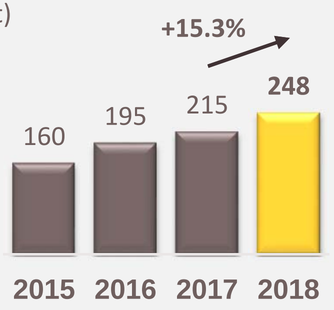
2018-2020 Strategic Direction: To be a customer's top of mind in HNW, Mass, and Business Banking

- Build value proposition with focus on service quality and speed, to attract, retain, and upgrade customers.

Mortgage

Loan Outstanding

(billion baht)

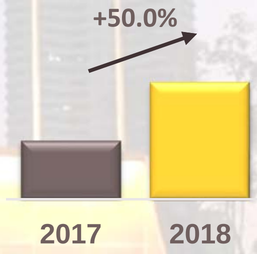


Initiatives / Strategies

- o Di-Sales Application
- o Increase market share in Affluent and HNW segment
- o Balance portfolio mix
- o Innovative end to end customer journey with digitization

Business Banking *

New Volume



Initiatives / Strategies

- o To improved customer experience and simplify approval process with new digital tool and platform
- o To provide digital lending experience

Remark:*
Business with commercial credit limits of up to 15 million baht for self-employed individuals and audited sales turnover of up to 20 million baht for juristic persons.

Consumer Finance

#1 **Market Position**

2019 Focus

2018-2020 Strategic Direction: To maintain leading position in Auto & Consumer Finance for customer, employee, and society

- Lead the market and enhance leadership position.

Krungsri Auto

Market Share*

2015	2018
22%	27%

Remark*: Based on NEA from 6 major banks.

Krungsri Consumer

Rank #1 **9.1** million accounts

(credit cards, sales finance, and personal loan)

Initiatives / Strategies

New Digital Lending Platform
- Apply for a loan
- Follow up on a result
- Payment installments
- Make inquiries on digital platforms

Initiatives / Strategies

New Digital Lending Platform
- QR Code Payment
- Thai QR Code Payment
- AI Non-Voice Chatbot
- Robotic Process Automation

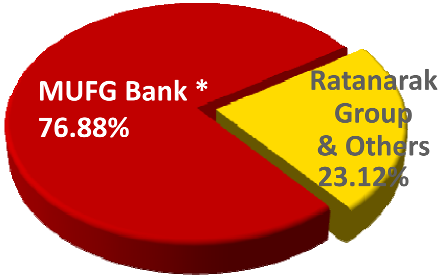
2019 Key Financial Targets

Loan Growth (Net)	6-8%
Loan Mix: Retail	~50%
NIM	3.4-3.6%
Non-Interest Income Growth (%YoY)	3-5%
Cost to Income Ratio	< 50%
Provisions	140-150 bps
NPLs Ratio	< 2.5%
Loan Loss Coverage Ratio	140-150%

Krungsri Profile

Our History

Shareholding Structure
(as of 6 Sep 2018)



- 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

(*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

Leadership Position

#1 In consumer finance

As of December 2018	Market Position	% Share
Consumer		
Personal Loan	1	30%
Credit Card	1	16%
Auto (HP)	2	27%
SME	5	5%
Corporate	5	12%

Extensive Franchise: 35,335 Service Outlets

As of December 2018	Number
Domestic Branches	703 *
Overseas Branches	2
Representative Office	1
ATMs	6,702
Exchange Booths	90
Krungsri Exclusive	42
Krungsri Business Centers	62

As of December 2018	Number
First Choice Branches	150 Branches
+ Dealers	+ 22,738 Dealers
Krungsri Auto Dealers	> + 9,556 Dealers
Microfinance Branches	813
Microfinance Overseas Branches (HKL)	178
Thai Post Offices	> + 1,000
EDC Machines	97,440

** Krungsri Domestic Branches = 703 Branch, of which 664 are Banking Branches and 39 are Auto Business Branches*

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