



krungsri
กรุงศรี

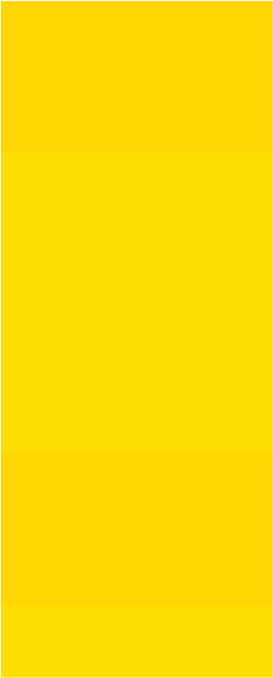
A member of  MUFG
a global financial group

Analyst Briefing

Financial Performance 2Q 2019

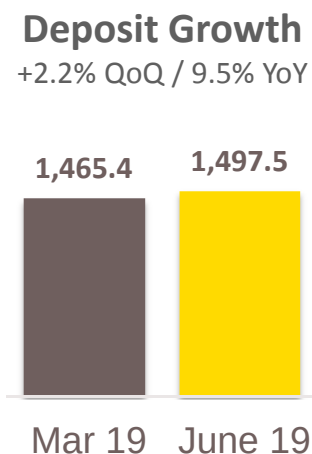
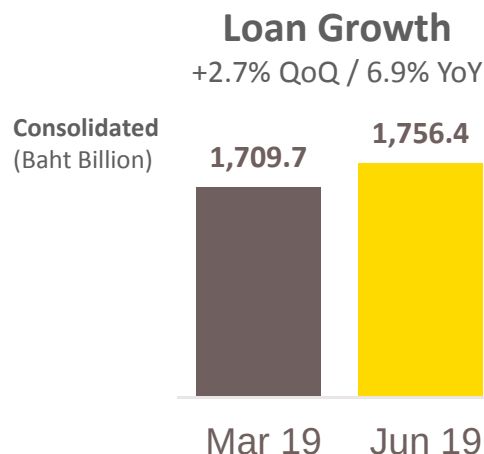
14 August 2019

"Make Life Simple เรื่องเงิน เรื่องง่าย"



Highlights

2Q 2019 Key Financial Highlights



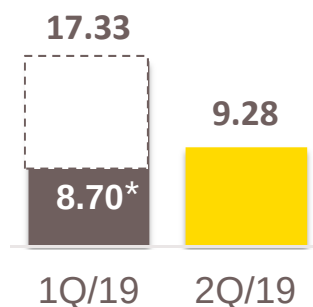
CASA

41.8%

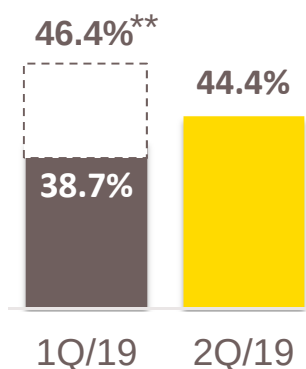
NIM

3.58%

Non-interest Income Growth
+6.5% QoQ / 10.1 YoY
(Normalized)



Cost-to-Income Ratio



NPL Ratio

1.96%

Coverage Ratio

169%

* Normalized non-interest income (excluding one-time gains on investment from NTL transaction of THB 8.63 billion)

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

Thailand Economic Outlook

2019 Outlook: Rebalancing from external to domestic demand

2019 Key Economic Forecasts

% YoY growth unless otherwise stated	2017A	2018A	2019F*
GDP	4.0	4.1	3.2
Private Consumption	3.0	4.6	4.1
Private Investment	2.9	3.9	4.0
Exports (in USD term)	9.5	7.5	-1.5
Headline Inflation	0.7	1.1	1.1
Policy Interest Rate (% , end of period)	1.50	1.75	1.25

Note: * 2019 forecast by Krungsri Research

Key drivers:

- Weaker growth momentum due to more visible impact of a global slowdown and unexpectedly worsened trade tensions
- Private investment expansion limited by slower export growth and concern over domestic political stability. A delay in fiscal year 2020 budget process could affect approvals for new investment projects in the last quarter of 2019.
- Rising non-farm income and stimulus measures, and possibly more measures down the road, could encourage private consumption.
- Policy interest rate is expected to another cut in 4Q 2019.

Tailwinds

- Clearer economic policy after forming a new government
- Measures to help low-income earners
- Improving wage and employment
- Rising investment in infrastructure and EEC projects
- Sound economic fundamentals

Headwinds

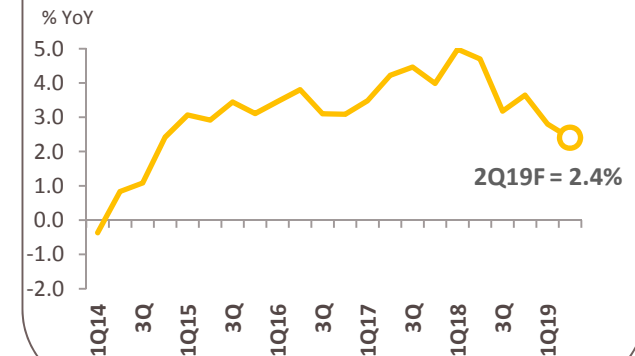
- Escalating trade tensions, US policy uncertainty, Brexit concern, and China's slowdown
- Higher global risks and volatile financial markets
- Delay in budgeting for FY2020
- High household debt
- Structural problems e.g. labor shortage and lack of competitiveness in some sectors

Recent Economic Development

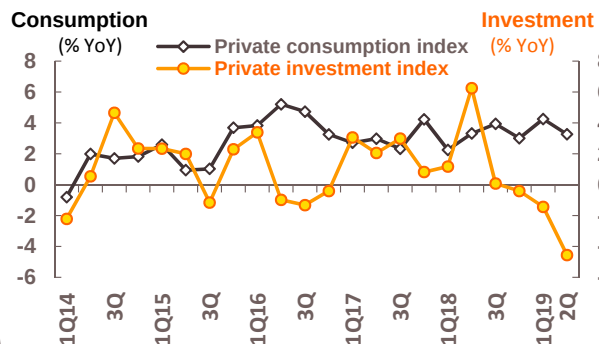
- 1H/19 economic growth is expected to grow by 2.6% YoY, slowing down from 4.1% in 2018

- 1H/19 growth was dragged by a contraction in exports, weaker domestic demand and slowing tourism growth as well as a delay in public investment.
- Global economic slowdown and escalating US-China trade tension dampened external demand, leading to a broad-based decline of Thai exports in terms of market destinations and product categories.
- Consumer and business sentiment weakened, pending the new government's formation after the election in March 2019

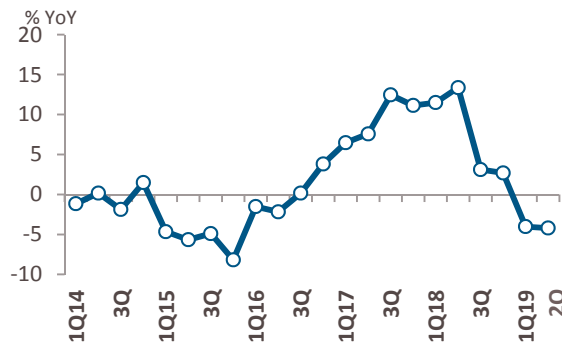
GDP: weaker momentum amid mounting external headwinds



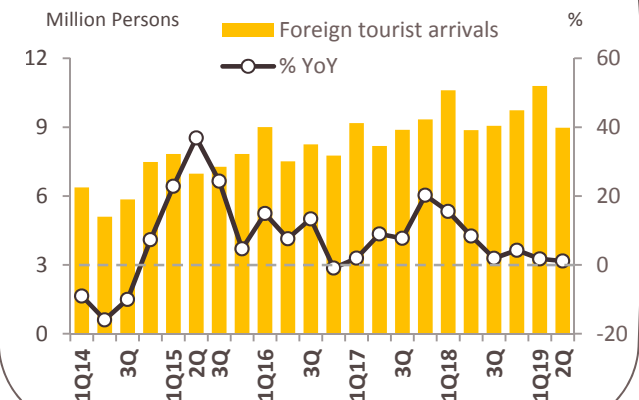
Domestic demand: consumption grows but investment awaits new government



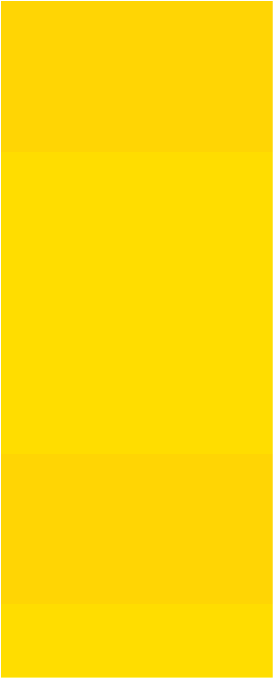
Exports: turn negative growth as trade war worsens global slowdown



Tourism: barely grows



Source: NESDC, BOT, MOTS, Krungsri Research



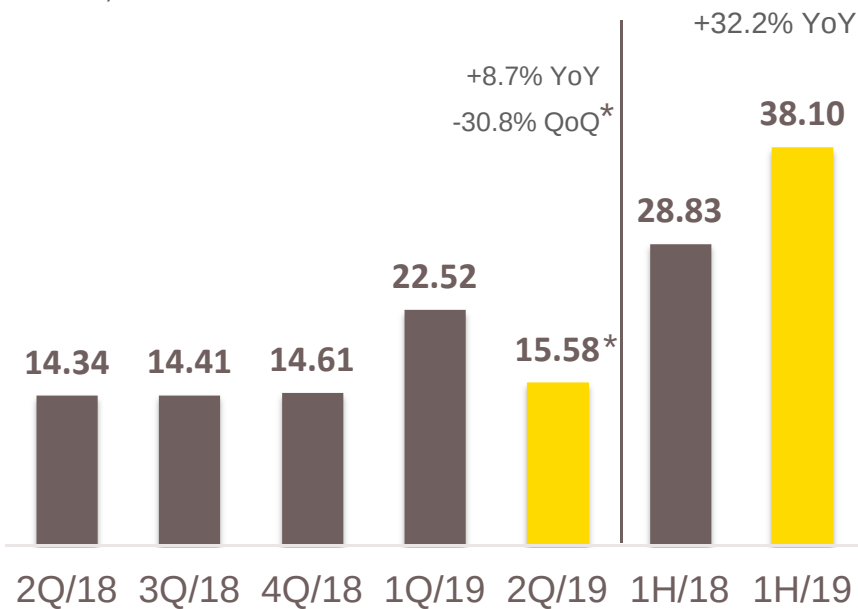
Financial Performance

Profitability

Mainly driven by gains on investments from NTL transaction and higher net interest income

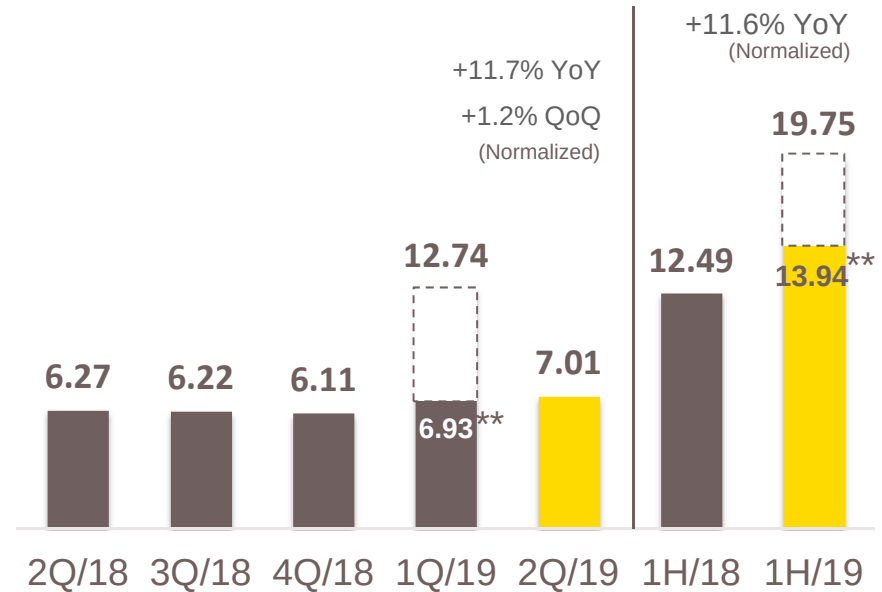
Profit before Provision and Tax

Consolidated
(Baht Billion)



* Largely due to a decrease in non-interest income, mainly caused by the absence of one-time gains on investment in 1Q/19

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)

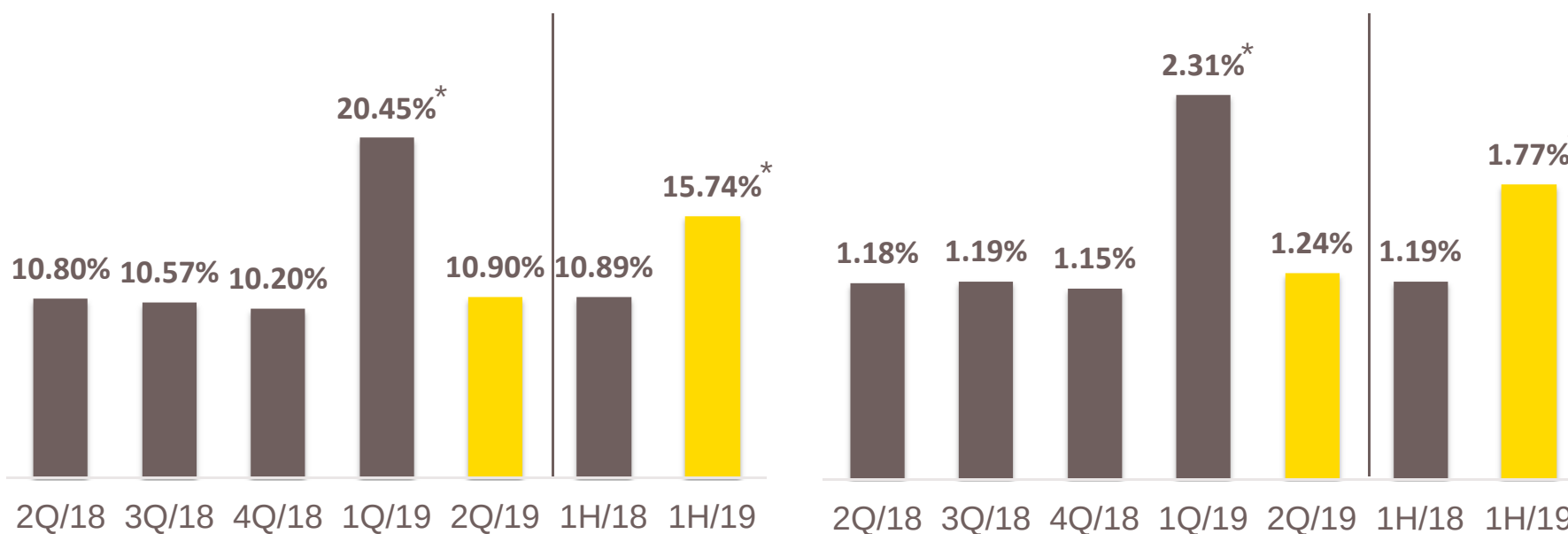
ROAE & ROAA

Reported ROAE at 10.90% and ROAA at 1.24%

ROAE

ROAA

Consolidated

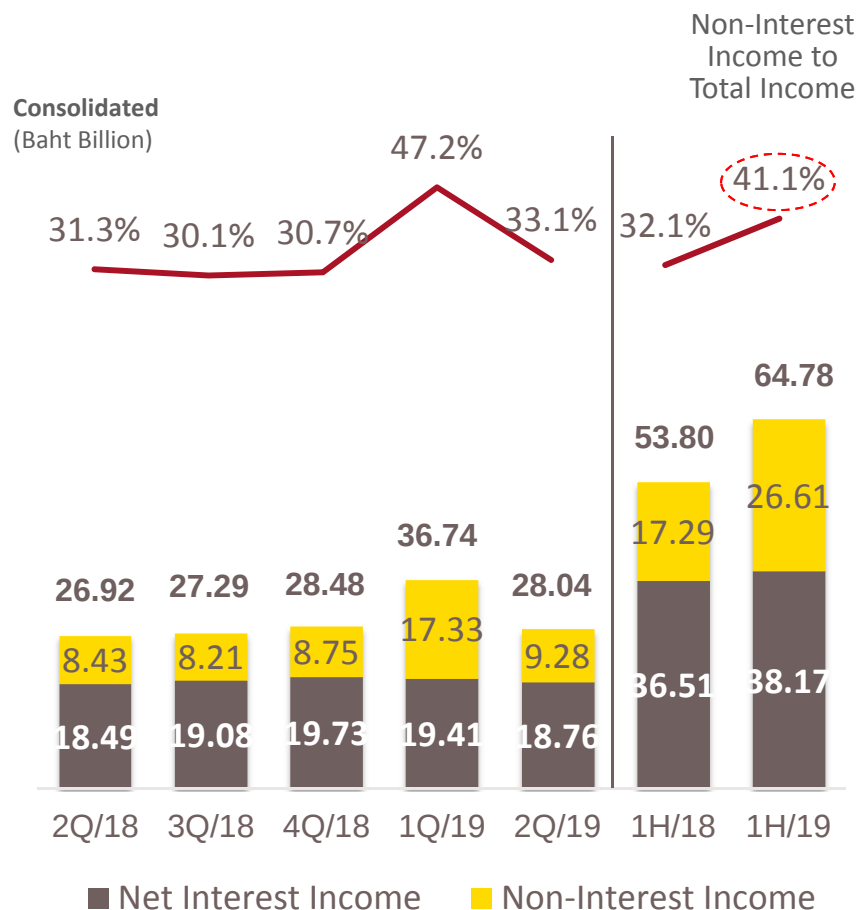


* Including the one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act

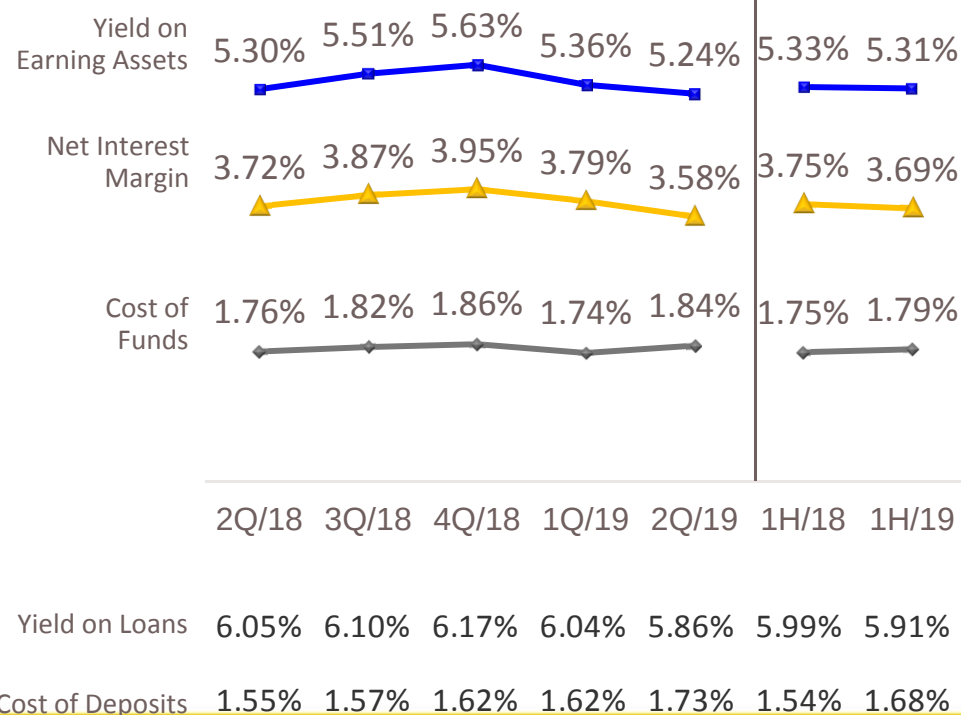
Profitability Measurement

NIM moderated to 3.58%, mirroring the portfolio rebalance toward commercial lending

Total Income



Net Interest Margin (NIM)

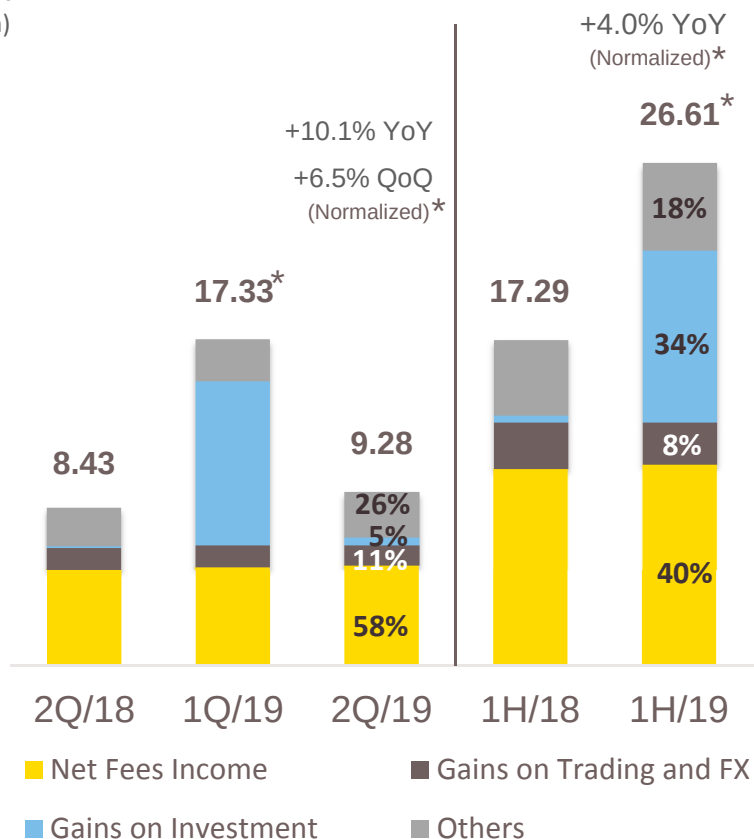


Non-Interest Income & Fees and Service Income

Mainly driven by the recognition of gains on investments from NTL transaction, share of profit from investment, and net fees and service income

Non-Interest Income

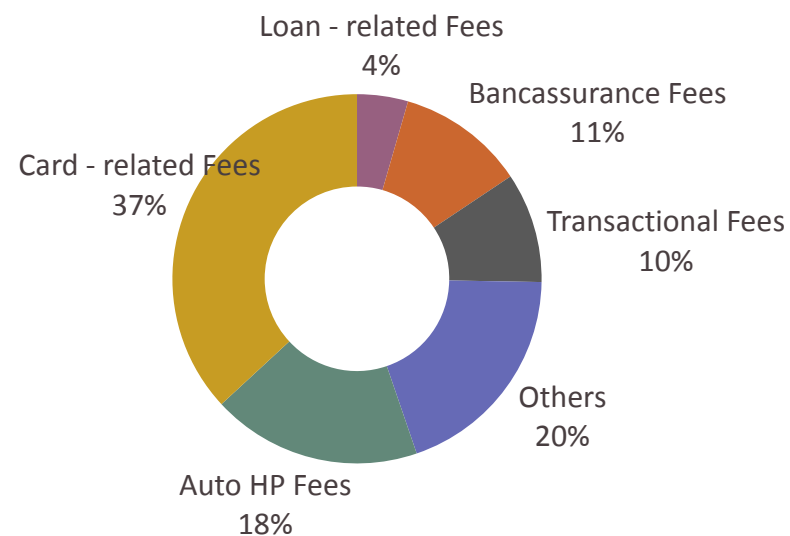
Consolidated
(Baht Billion)



* Excluding one-time gains on investment from NTL transaction, normalized non-interest income recorded at THB 8.70 billion in 1Q/19 and THB 17.98 billion in 1H/19

Fees & Service Income

2Q/2019

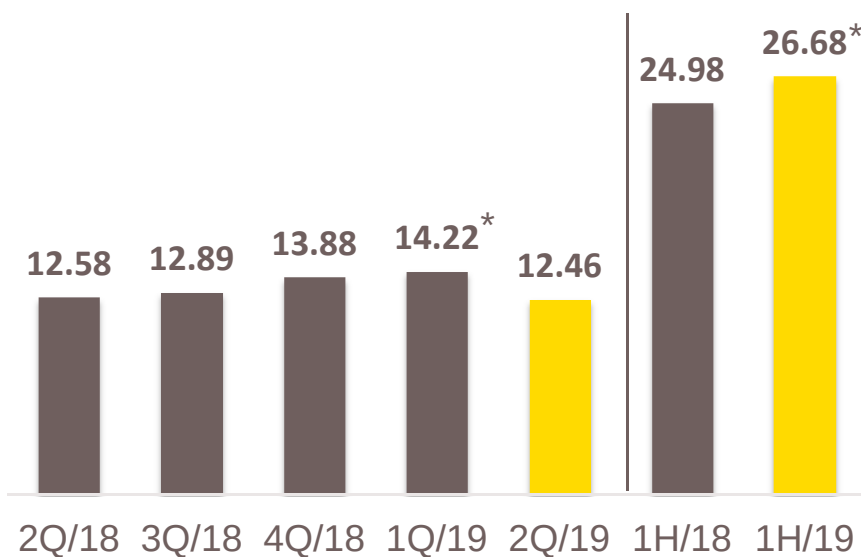


Productivity

Cost to income recorded at 44.44%

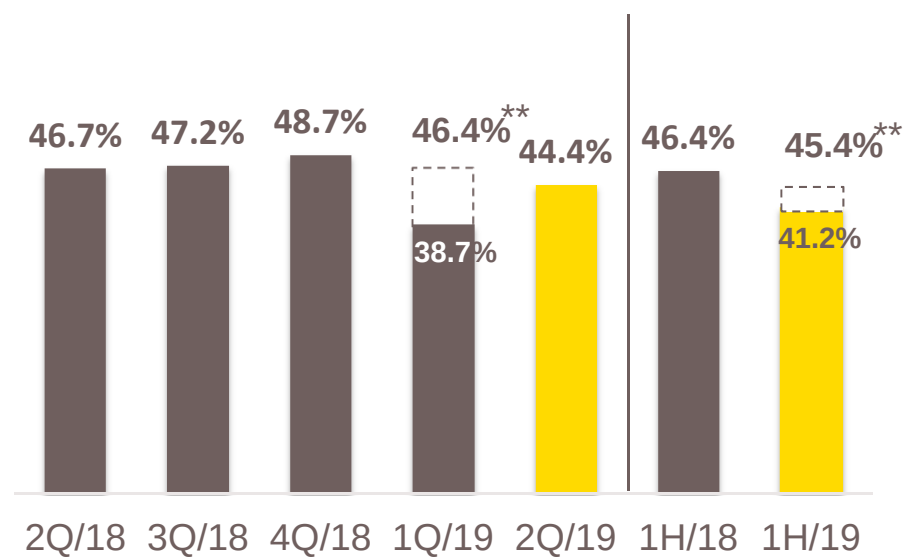
Operating Expenses

Consolidated
(Baht Billion)



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

Cost to Income Ratio



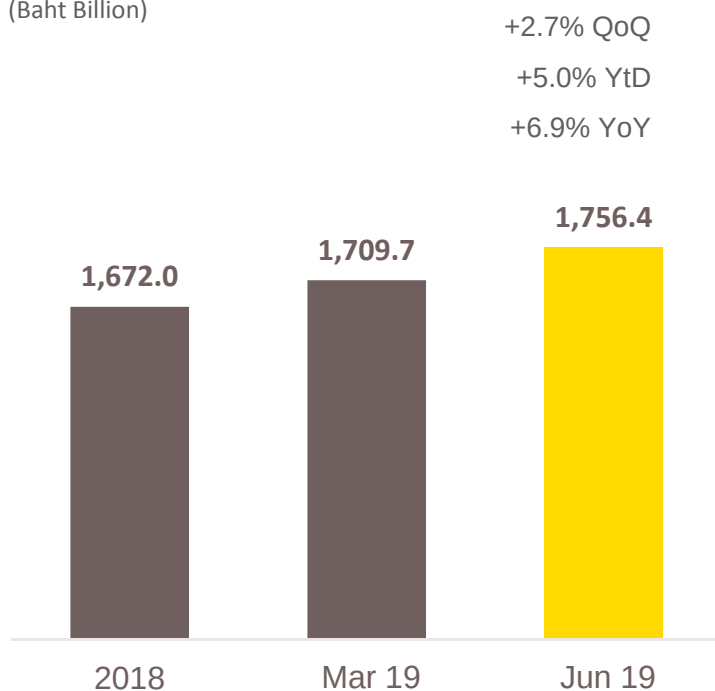
** Normalized cost-to-income, (excluding one-time items, gains on investments from NTL transaction and provision in accordance to the amended Labor Protection Act)

Loan Portfolio

Robust loan growth driven by a broad based expansion across all segments

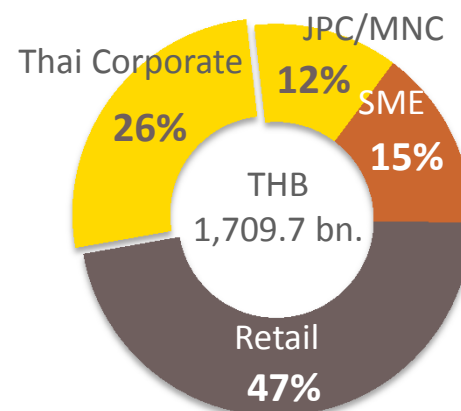
Loans

Consolidated
(Baht Billion)

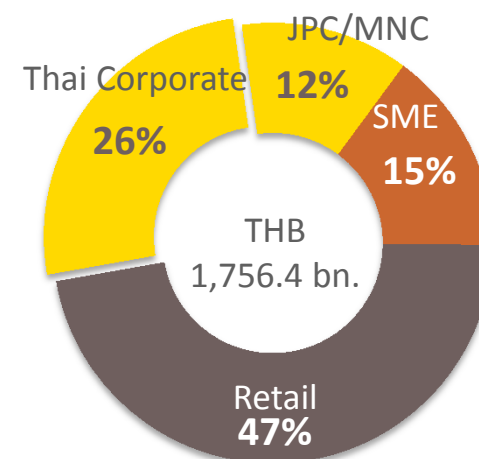


Loans by Segment

March 2019



June 2019



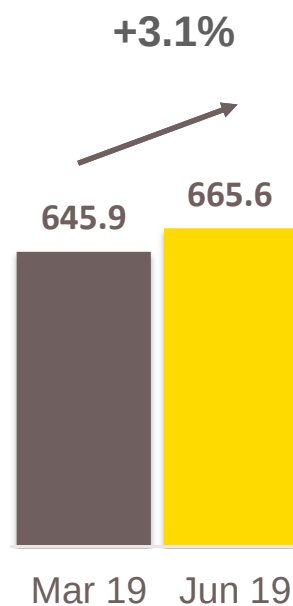
Retail

- Auto HP 22%
- Mortgage 15%
- Credit Card & Personal Loans 10%

Loans by Segments

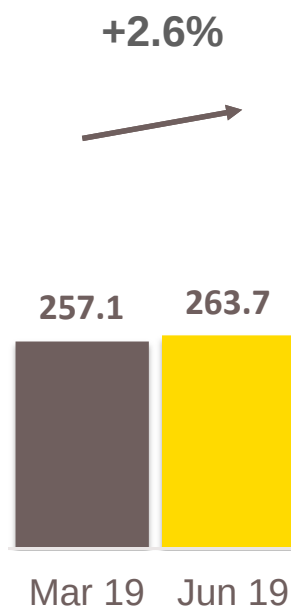
Corporate Loan

Consolidated
(Baht Billion)



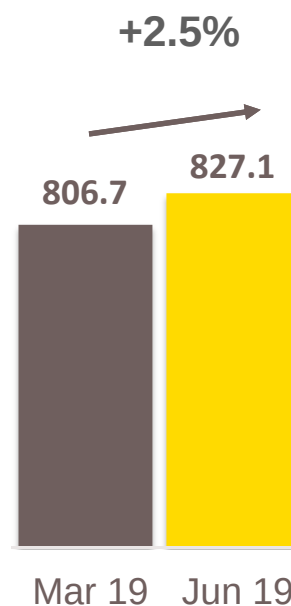
+6.3% YtD

SME Loan



+5.3% YtD

Retail Loan

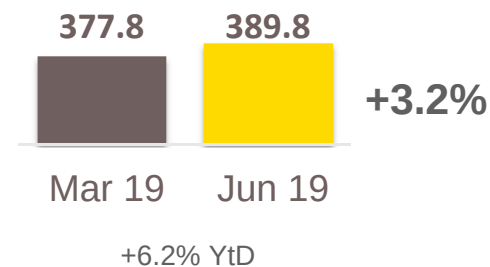


+4.0% YtD

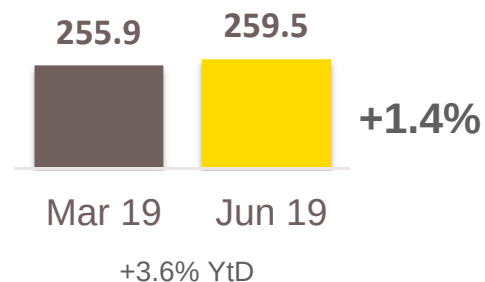
Under Retail Segment

Hire Purchase

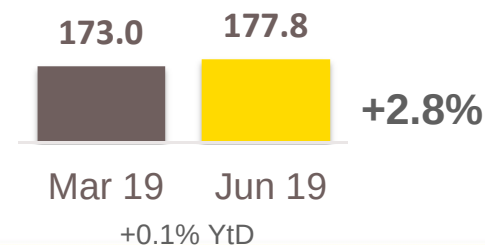
Consolidated
(Baht Billion)



Mortgage

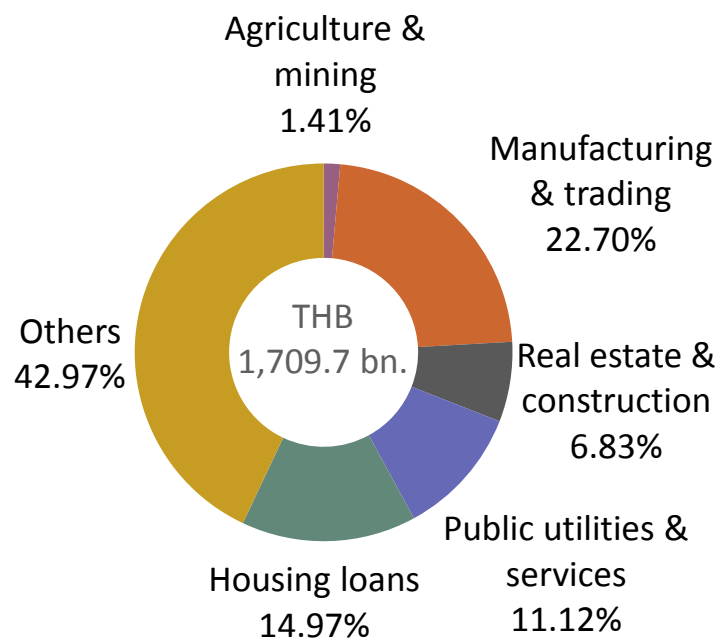


Credit Cards and Personal Loans

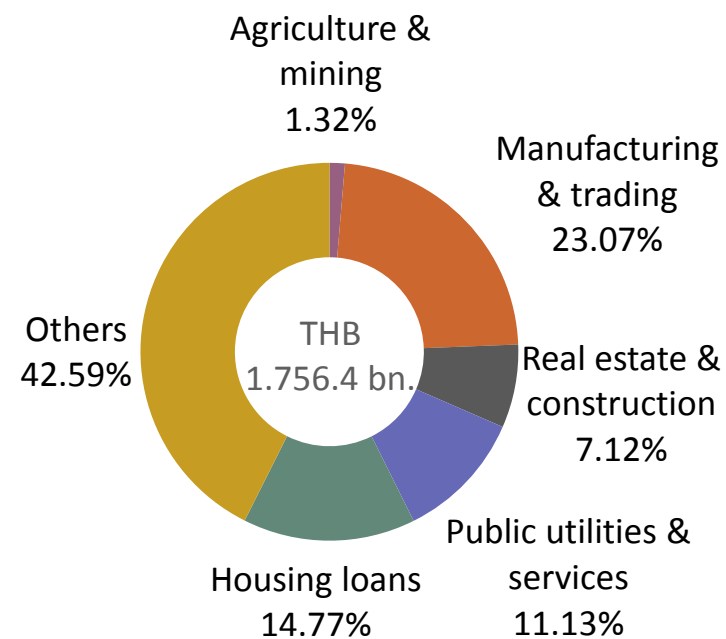


Loan by Industry

March 2019

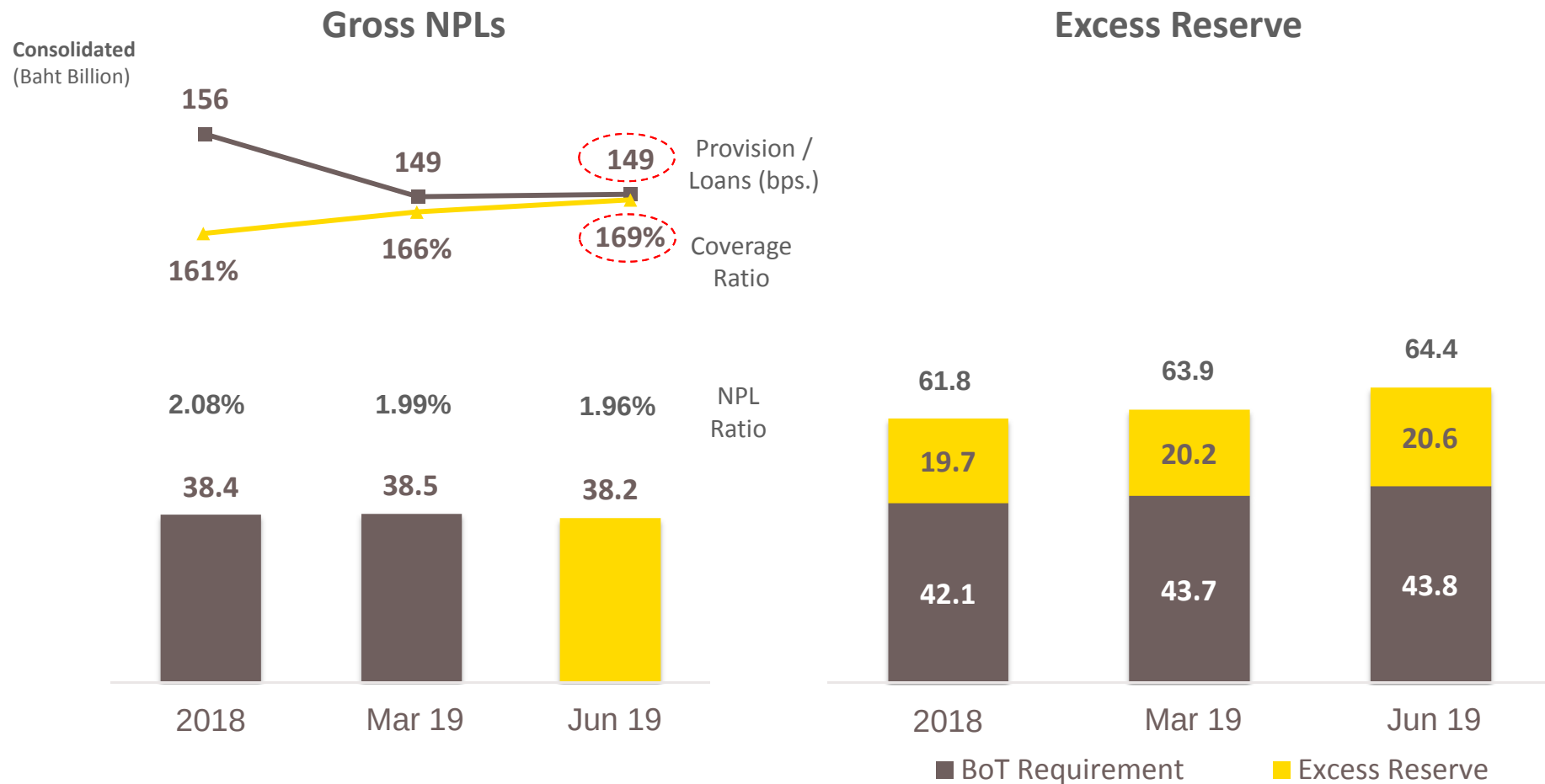


June 2019



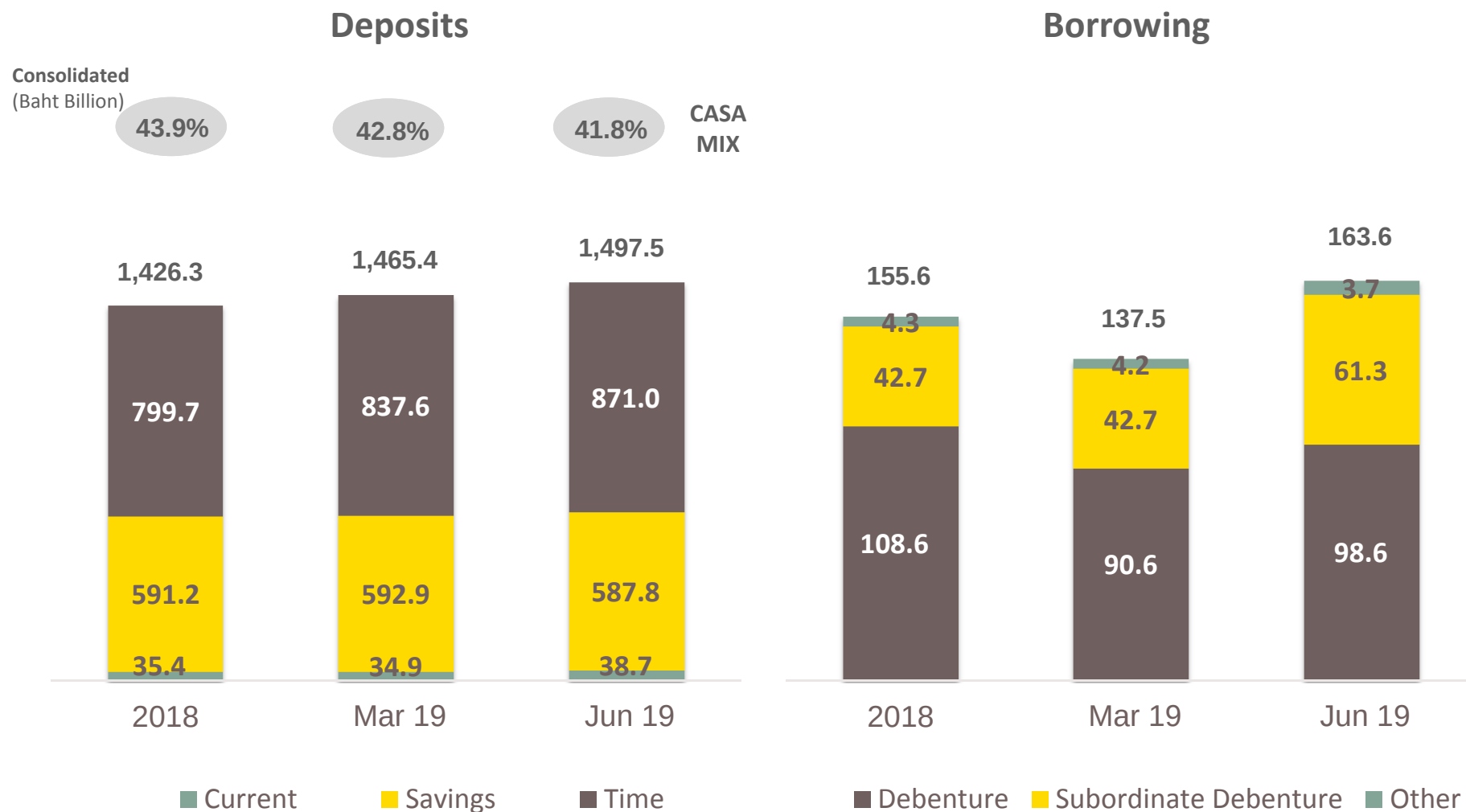
Asset Quality

NPL ratio improved to 1.96%, with strong reserve position



Funding Base

Deposit grew robustly at 5% year-to-date

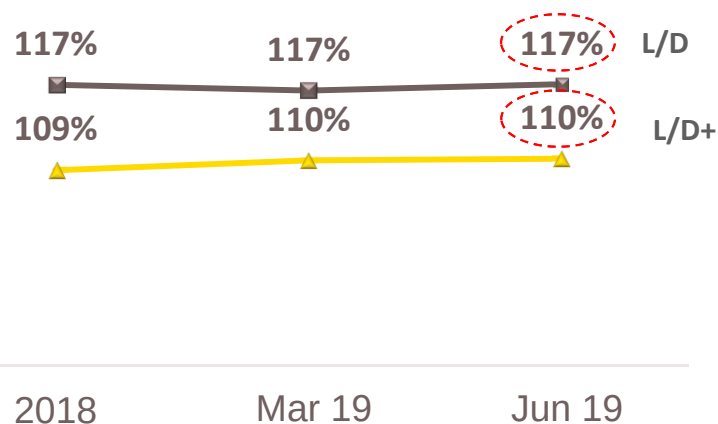


Capital and Liquidity

Strong capital position, CAR equivalent to 15.88%

Loan to Deposit

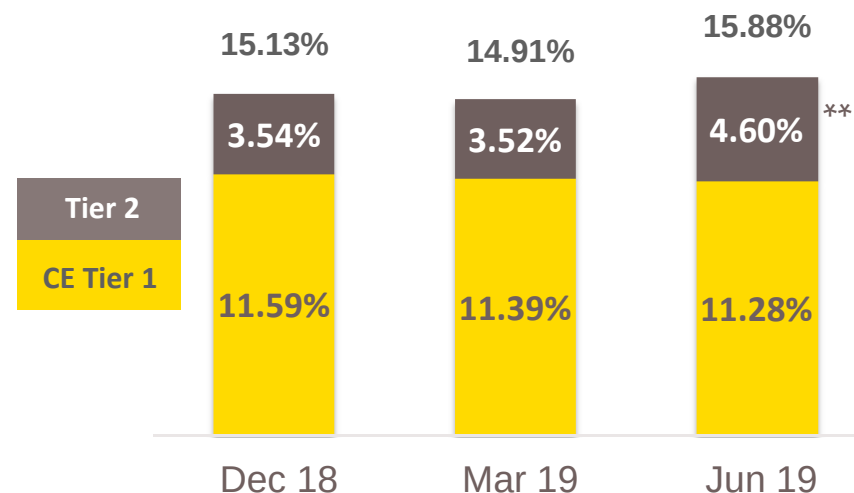
Consolidated



L/D++ : Loans to Deposit + Debenture

Capital Adequacy Ratio *

Bank Only

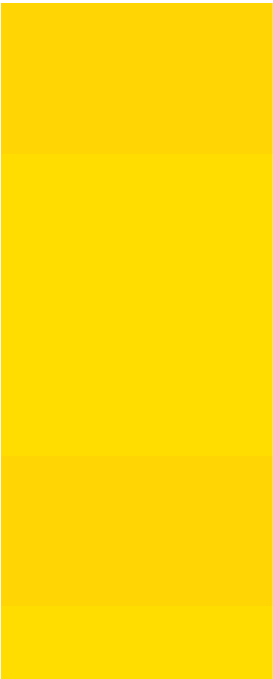


* BOT requires to maintain minimum CAR at 8.5% and gradually increases the conservation buffer at 0.625% per year since January 1, 2016 until reaching 2.5% by January 1, 2019

** 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	Mar 19	Jun 19
CE Tier 1	175.38	175.62	179.80
Tier 2	53.60	54.18	73.44
Total Capital	228.98	229.80	253.24

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.



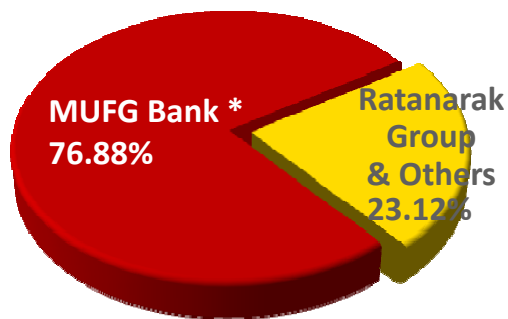
Krungsri Profile

Our History



- 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

Shareholding Structure
(as of 9 May 2019)



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 31,753 / BAY 15,081

Leadership Position



In consumer finance

As of May 2019	Market Position	% Share
Consumer		
Personal Loan	1	30%
Credit Card	1	16%
Auto (HP)	2	27%
SME	5	5%
Corporate	5	12%

Extensive Franchise: 34,186 Service Outlets

As of June 2019	Number	As of June 2019	Number
Domestic Branches	698 *	First Choice Branches	148 Branches
Overseas Branches	2	+ Dealers	+ 22,646 Dealers
Representative Office	1	Krungsri Auto Dealers	> 9,404 Dealers
ATMs	6,704	Microfinance Branches	919
Exchange Booths	86	Microfinance Overseas Branches (HKL)	178
Krungsri Exclusive	42	EDC Machines	101,696
Krungsri Business Centers	62	Banking Agents Touch Points **	> 142,688

* Krungsri Domestic Branches = 698 Branch, of which 658 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



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เรื่องเงิน
เรื่องง่าย

เคซี MUFG หนึ่งใจ
สถาบันการเงินที่ใหญ่ที่สุดในโลก

ไม่ว่าคุณจะใช้ชีวิตแบบไหน ก็เลือกได้ในแบบที่ใช้

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