# *Non-deal Roadshow*
# *Boston - New York – San Francisco*

**June 2011**

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# Agenda

- Economic Outlook
- Krungsri Profile
- Financial Performance
- 2011 Key Performance Targets



# Economic Outlook

# Economic Outlook for 2011

**2010: Thai economy grew by 7.8% - higher than expected** despite political violence in May and severe flooding in Oct-Nov, thanks to strong export growth, government stimulus and the effect of last year's low base.

**2011: Economic growth is projected to slow down to 3.5-4.5%** due mainly to decelerating exports and fading favorable year-on-year comparison but domestic demand retaining its growth momentum given an upward cycle of investment.

## Key forecasts and risk factors

| % Change | 2008 | 2009 | 2010 | 2011 Forecast |
|---|---|---|---|---|
| GDP | 2.5 | -2.3 | 7.8 | 3.5-4.5 |
| Total Consumption | 2.9 | 0.1 | 5.0 | 3.7-4.7 |
| - Private | 2.9 | -1.1 | 4.8 | 3.8-4.8 |
| - Public | 3.2 | 7.5 | 6.0 | 3.0-4.0 |
| Total Investment | 1.2 | -9.2 | 9.4 | 7.6-9.4 |
| - Private | 3.2 | -13.1 | 13.8 | 9.0-11.0 |
| - Public | -4.7 | 2.7 | -2.2 | 3.5-4.5 |
| Exports (%chg. in USD terms) | 15.9 | -14.0 | 28.5 | 9.5-12.5 |
| Imports (%chg. in USD terms) | 26.8 | -25.2 | 36.8 | 13.0-16.0 |
| Current Account (USD Billion) | 1.2 | 20.3 | 14.8 | 7.5-10.5 |
| Headline Inflation | 5.5 | -0.9 | 3.3 | 3.5-4.0 |
| Oil price (Dubai, $/Barrel, avg.) | 93.7 | 61.6 | 78.1 | 90-100 |
| Unemployment Rate (% of labor force) | 1.4 | 1.5 | 1.0 | 1.0-1.1 |
| Policy Interest Rate (%, end of period) | 2.75 | 1.25 | 2.00 | 3.25-3.50 |

*Sources: NESDB and BOT*

*Note: 2011 forecast by Research Department (as of March 2011)*

**Risk factors for 2011**

- **Global economic recovery could be derailed by combined effects from several crises**, including 1) cascading socio-political crisis in **MENA** which could lead to oil shock, 2) **Japan's** severe radiation, resulting in prolonged supply-chain disruption and power outage, and 3) **Europe's** fiscal, financial, and social crises.
- **Severe domestic political change** (greater dependence on domestic demand would make Thai economy more vulnerable to political factor).

## Headwinds…

- **Widespread economic slowdown** as a result of US fragile recovery, Japan's triple disaster with supply-chain disruption, Asia's fight against inflation, oil price surge and Europe's austerity measures to resolve sovereign debt turmoil.
- **Protracted domestic political conflicts** weighing on consumer and investor sentiment.
- **Accelerating inflationary pressure** driven by 1) cost-push pressure due to higher oil and food prices, minimum wage hike, and cancellation of some price controls & subsidies, 2) demand-pull pressure due to continuing economic expansion, 3) spillover of Asia's inflation via inflated import prices, and 4) higher inflation expectation.
- **Shortage of technicians and unskilled labors**

## Tailwinds…

- **Marked upward cycle of investment** due to a release of pent-up investment, replacement of old machinery and greater regional trade liberalization following several years of political turmoil and delayed public infrastructure projects.
- **Growth momentum of consumption.** Rising farm prices boost income in rural area and reduce risk of social crisis. In urban area, nearly-full employment, wage hikes, and government policies encourage consumer spending.
- **Still-accommodative monetary policy** even after policy rate hikes to tame inflationary pressure
- **Economic resiliency** backed by strong fiscal position, large foreign reserves, and healthy financial sector.
- **Expected general election in July**

# Krungsri Profile

# Krungsri Group’s Profile: Well Positioned for Continued Growth

## What We Have Built …..Market Leading Position

| As of March 2011 | Position | Market Share |
|---|---|---|
| **Consumer** | | |
| P-Loan | # 1 | 15% |
| Credit Card | # 1 | 19% |
| Auto HP | # 2 | 17% |
| **Corporate** | # 5 | 8% |
| **SME** | # 5 | 7% |

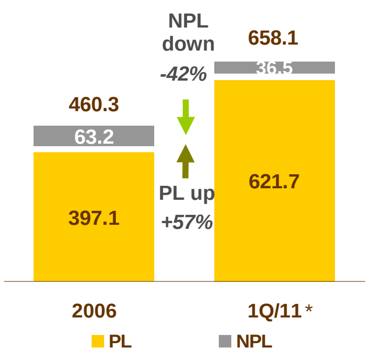
## Sizeable Network

| As of March 2011 | Number |
|---|---|
| Branches Domestic | 587 |
| Branches Overseas | 4 |
| ATMs | 3,177 |
| Exchange Booths | 68 |
| International Business Centers | 25 |
| Exclusive Banking Zones | 19 |
| First Choice Branches + Dealers | 27 Branches + 6,120 dealers |
| Micro Finance Branches | 183 |
| Auto Dealers | 4,500 |

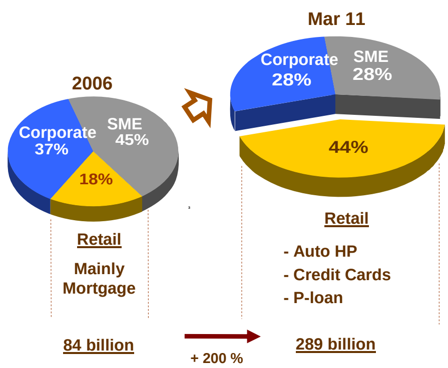


# Improvement in Fundamentals

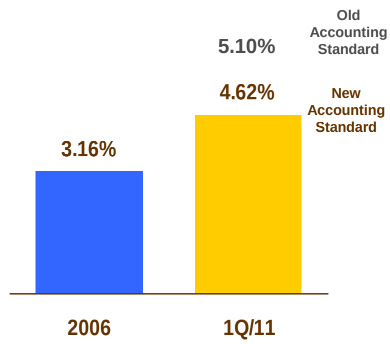
## Strong Growth Rate



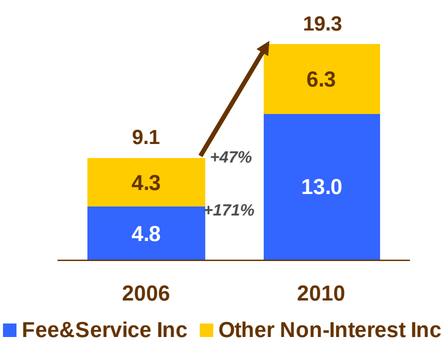

## Better Loan Mix



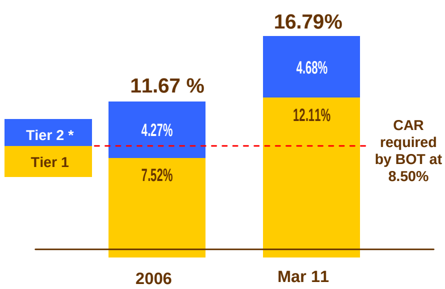

## Improved NIM



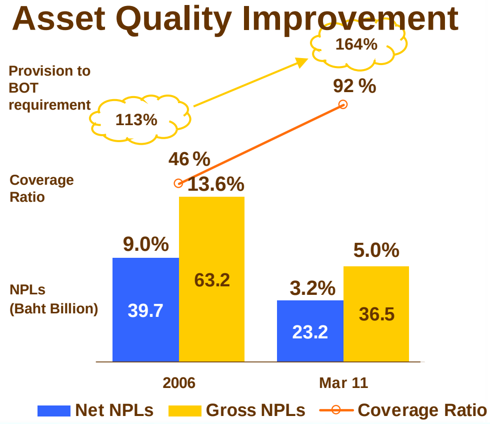

## Non-Interest Income




## Strong Capital Base




## Asset Quality Improvement



# Krungsri Group: Total Financial Service Solutions

## Group Companies

**Auto Hire Purchase and Leasing**
- Ayudhya Capital Auto Lease Plc. (AYCAL)
- Ayudhya Auto Lease Plc. (AYAL)
- Ayudhya Total Solutions Plc. (AYTS)

**Credit Card, Personal Loan & Sale Finance**
- Ayudhya Card Services Co., Ltd. (AYCS)
- Krungsriayudhya Card Co., Ltd (KCC)
- Ayudhya Capital Services Co., Ltd. (AYCAP)
- Tesco Card Services Limited (TCS)
- General Card Services Limited (GCS)

**Collection Services**
- Total Services Solutions Plc. (TSS)

**Micro Finance**
- CFG Services Co., Ltd. (CFGS)

**Fund Management**
- Ayudhya Fund Management Co., Ltd. (AYF)

**Securities**
- Ayudhya Securities Plc. (AYS)

**Leasing**
- Ayudhya Development Leasing Co., Ltd. (ADLC)

**Factoring**
- Ayudhya Factoring Co., Ltd. (AYFT)

**Non-life Insurance**
- The Ayudhya Insurance Plc. (AYUD)

**Life Insurance**
- Ayudhya Allianz C.P. Life Plc. (AACP)

**Insurance Broker**
- QGIB, QLAB, TGIB, TLAB

**Support Business**
- Siam Realty and Services Co., Ltd. (SRS)

## Products Offered By Krungsri Group

- Loan
- Deposit
- Investment
- Cash Management
- Credit Facilities
- Trade Service
- Insurance
- Value Chain & Treasury
- Auto
- Personal Loan
- Sale Finance
- Mortgage
- Credit Card
- Bancassurance
- Wealth Management
- Payment & Money Transfer

## Customer Coverage

**Premium & Solutions**
- Wealth Management
- Credit Card ……

**Middle Income**
- Personal Loan
- Sale Finance ……

**Lower Income**
- Microfinance

> 8 million customers



# Business Growth Stories

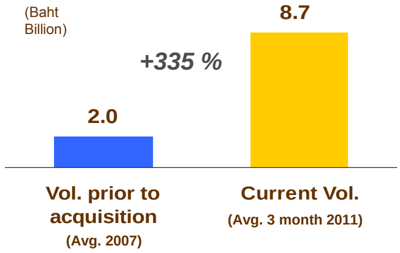
# Krungsri Auto: New Highs

**Customer Centricity**

- First to offer 7 day opening 4Q/10
- Responsible lending focus….. a differentiator
- Continued in 2011 with campaigns focused on promoting products from auto dealers to end-users

**Responsible Lending Principle**

- Maintained good portfolio quality while driving greater new car mix




**Strong Brand Presence**

- Strong portfolio with flagship brands
- Integrated marketing campaigns in direct channel and business partner channel
- Debuted series of advertisements to promote corporate brand "Krungsri Auto" and latest installment series "Responsible Lending" to reinforce and further differentiate Krungsri Auto brand



# Krungsri Leasing: Continued Development

**Leader in Equipment Leasing**

- *#1* in Marine Transportation Leasing
- *#1* in Power Plant Leasing

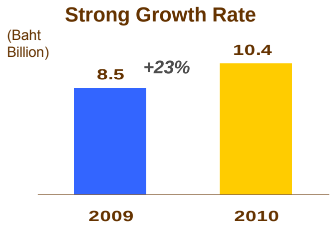
**# 1 in Market Penetration**

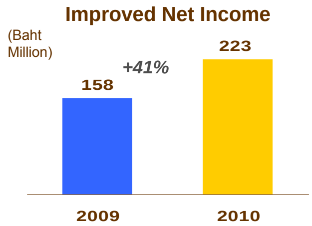
- Penetrated into Public Bus Market through successful vendor leasing program with suppliers
- Highest growth rate in equipment leasing industry

**White Ocean Strategy**

- Moving to White Ocean : New industry, namely energy and solar farm leasing

**Strong Fundamentals**



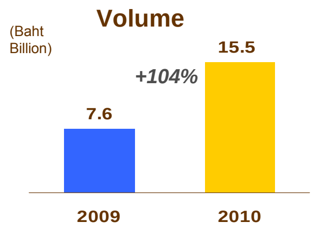

*TRIS Rating upgrade ADLC from A-stable to A stable on 27 April 2011*

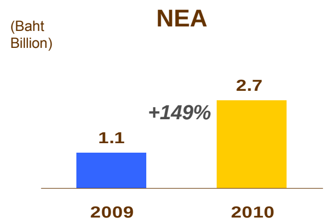
# Krungsri Factoring: Successful Start-up

krungsri Factoring

**Top 3 Factoring Company**

- Became *Top 3* factoring company in terms of volume 3 years from inception
- Volume reached Baht 2 billion per month in the 4th year of operation where as competitors of the same volume are operated for 20 years

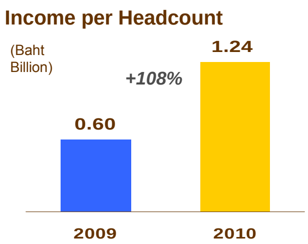


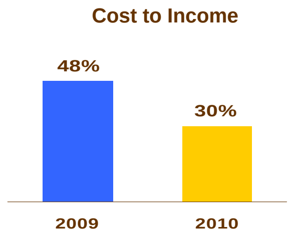




**Operating with High Efficiency**

- Human resource efficiency
- Cost to income reduced significantly

KRUNGSRI FACTORING



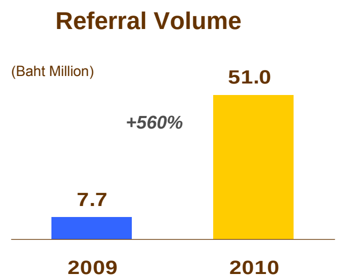






# Micro Finance: A New Sector

**Successful Nationwide Roll Out of Krungsri Referral Channel**

- 2010 : Piloted 120 branches 1Q/11 : Nationwide roll-out
- Branch referral volume accounted for 9% of new volume




**New Product Launched: New Farm Tractors Financing**

- Expanded offering to unserved customer segment
- New funding from credible & regulated lender
- Loan to value of 75% with up to 48 installments

ศรีสวัสดิ์ เงินติดล้อ

สนับสนุนทางการเงินโดย ธนาคารกรุงศรีอยุธยา

# One KRUNGSRI Acceleration

| | From | To | Result |
|---|---|---|---|
| First Choice | FIRST CHOICE | KRUNGSRI FIRST CHOICE | • 31% of new accounts referred from KRUNGSRI branches<br>Started referral in Mar 2010 |
| Auto | CAR4CASH | กรุงศรี คาร์ ฟอร์ แคช CAR4CASH | • Highest Volume Ever<br>> Baht 10.3 billion in one month<br>>10.3% volume from branches |
| Srisawad | ศรีสวัสดิ์ เงินติดล้อ | ศรีสวัสดิ์ เงินติดล้อ ธนาคารกรุงศรีอยุธยา | • Lower Funding cost<br>• 7% Volume from branches<br>• Highest Volume Ever (Reached new high @ Baht 350 mm) |
| KRUNGSRI GE Credit Card | บัตรเครดิต กรุงศรี จีอี | บัตรเครดิต กรุงศรี LIVE SMART | • 73% of new accounts referred from KRUNGSRI |



# Front-end Transition

| Front end | 2010 → 2011 → 2012 → 2013 | |
|---|---|---|
| Branding | January 2010 100% complete (One KRUNGSRI); 1H 2011 Launch KRUNGSRI brand | Consistent One KRUNGSRI Brand with positioning, personality and proposition across the group |
| CRM/Cross Sell | July 2010 100% complete | Cross sell through direct mail, ATM, telesales and branches |
| Customer Single View | Dec 2010 60% complete; Expected completion 2Q/2011 | Customer level view across KRUNGSRI group, instead of account level view |
| Automated Marketing | April 2010 100% complete (Mortgage & KRUNGSRI Card) | Provide customers with multiple product and service options at point of application |
| Marketing Communication | March 2010 100% complete | Align marketing communication among KRUNGSRI group and leverage communication channel e.g. billing statement insertion, POS at branches |
| Promotion/Event | April 2010 100% complete | Consolidate marketing effort; joint promotion and events ... on going efforts |

# Back-office Transition

**Back end** — 2010 — 2011 — 2012 — 2013

**Collections** → April 2010 100% complete

Build Scale under Single Entity at Single Site

**Customer Service** → Dec 2010 100% complete at one location

Single Site Lower Cost

**Data Center** → Dec 2010 70% complete - - → Expected completion 1Q/2012

2 Data Centers


Cost/Income Ratio Target (%)

Cost to Income 57%

Cost to Income 53%



# One KRUNGSRI 2011

One KRUNGSRI

1 Employee Engagement

2 Implementing Technology Driving Efficiency

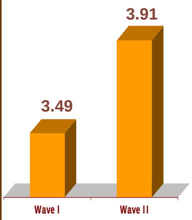
3 Brand Visibility & Alignment

4 Network, Positioning Synergy & Image

# One KRUNGSRI 2011

**1. Employee**

**Employee Engagement & Satisfaction**




**X-Business Goal Alignment & Setting**

- % at all goals linked to One Krungsri

**Implementation of global best practices**

- Performance management
- Goal setting
- Career development


**Incentive & Remuneration**

**Constant Employee Communication**






# One KRUNGSRI 2011

**2. Infrastructure**

**Backup & Stability**

- Dual links / Providers for all Branches & ATM
- 3 fiber link back up between Krungsri HQ sites (BCP)

**Core Infrastructure**


- V+ Credit card platform migration & upgrade
- Replace Bank Automation system
- Implement document workflow & imaging
- Upgrade core bank's system

**Enabling Sales**

- X- Krungsri Data warehouse
- Auto dialer installation for 2x telemarketing capacity
- Internet/Mobile banking infrastructure upgrade
- Loan Origination Systems. X-Business
- Lead management system launched

**Engaging & Connecting**

- Enable and digitize people and process
- Blackberry roll out to all regional branch managers
- 6,500+ PC's / 2,000 Peripherals
- KPI Metrics & Reporting Systems for Branch

# One KRUNGSRI 2011

**3. Brand**

**KRUNGSRI Brand**

KRUNGSRI

**Proactive PR**

**Always in Top 3 PR Coverage**

**Brand Awareness**


→ One common brand and identity
→ Leverage cross-group spend
→ Drive recognition & preference

**4. Branch**

**Branch Employees**
- New regional structure
- Job definition & competency model
- Career planning & roadmap
- Revised incentive plans

**Enabling**
- The tools to do the job…roll out technology, 6,500 PC's & 2,000 new peripherals

**Branch**
- Improving our look, feel and experience



# Financial Performance

# Key Financial Performance : Profitability

*Earnings and Profitability for 1Q/11*

| | |
|---|---|
| Profitability Improvement | • Net profit of Baht 2.8 billion; up 36% YoY and 25% QoQ |
| NIM Maintained | • NIM strong at 4.62% |
| Fees & Service Income | • Bancassurance driving fee growth |
| Cost to Income | • Cost to Income in line with plan @ 53.7% |
| Investment | • Reinvesting productivity gains |
| Provision Reduced | • Provision expenses moving down to 167 bps |



# Key Financial Performance : Asset Growth & NPL's

*Improved Fundamentals*

| | |
|---|---|
| Loan Growth | • Performing loans growth of 1.8%, better than operating plan |
| Retail Business Performance | • Auto HP business growth well above plan<br>• Personal loan and credit card growth better than seasonal norm |
| Asset Quality Remained Solid | • NPL reduced by 4.4% to Baht 36.5 billion<br>• Coverage increased to 92% |
| Mobilization of Funding | • Expanding diversified funding base<br>• Overall funding up Baht 14.3 billion for 1Q/11 and Baht 57.8 billion YoY |

# Highlights on Changes and Key Items in Financials for 1Q/11

**Effective 1st January 2011, Thai Accounting Standards reflect the following changes:**

## New Financial Format

| Items | Change From | To | Impact to Ratio |
|---|---|---|---|
| Dividend Income | Interest Income | Other Operating Income | NIM ↓ |
| Interest Accrued Income of IRS/CCS* in Banking Book | Non-Interest Income | Interest Income | NIM ↑ ↓ |
| Net Interest Settlement of IRS/CCS* in Banking Book | Non-Interest Income/Expense | Interest Income/ Interest Expense | NIM ↑ ↓ |
| Contribution to Deposit Protection Agency | OPEX | Interest Expense | NIM ↓ C/I ↓ |
| Dealer Commissions | OPEX | Interest Income | NIM ↓ C/I ↓ |

## Employee Benefits

- Day 1 impact to retained earnings of Baht 1,793 million
- Current period impact of Baht 58 million

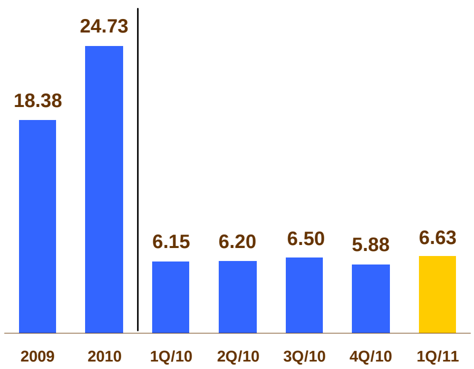
* Interest rate swaps / Cross currency swaps



# Profitability Improvement

**Consolidated**
(Baht Billion)

## Profit before Provision and Tax

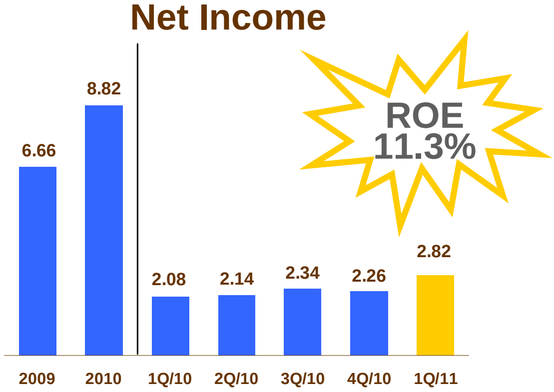



*Growth YoY:* ***+8%***

*QoQ:* ***+13%***

**Core earnings momentum continues**

## Net Income



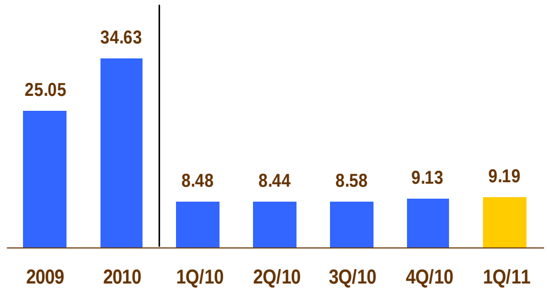

*Growth YoY:* ***+36%***

*QoQ:* ***+25%***

# NIM Improvement

Consolidated
(Baht Billion)

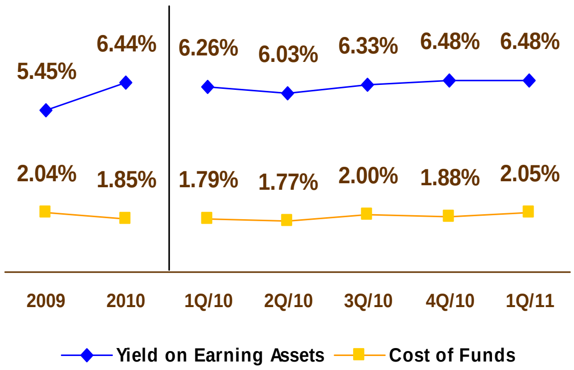
## Net Interest Income



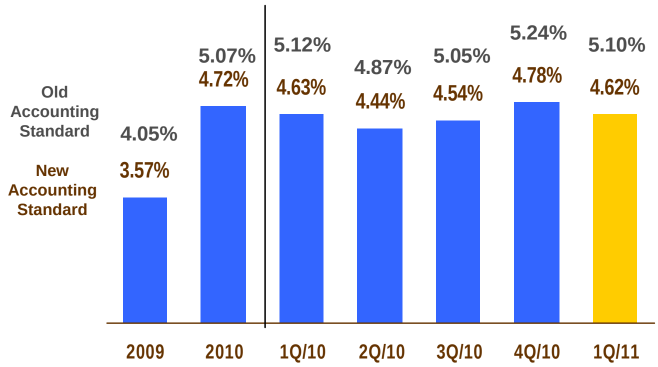

**NIM remained strong despite higher interest rates……**

**….. above 4.6%**

## Yield & Cost of Funds




## NIM

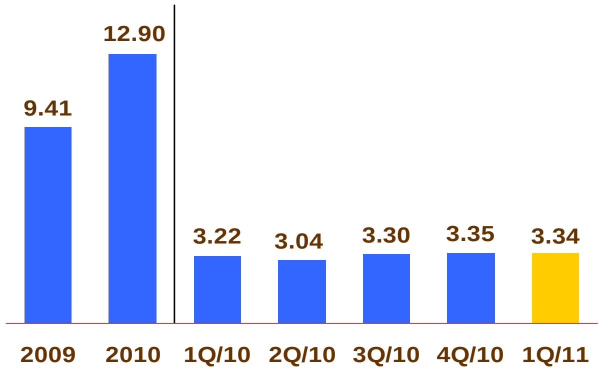





# Fees and Service Income

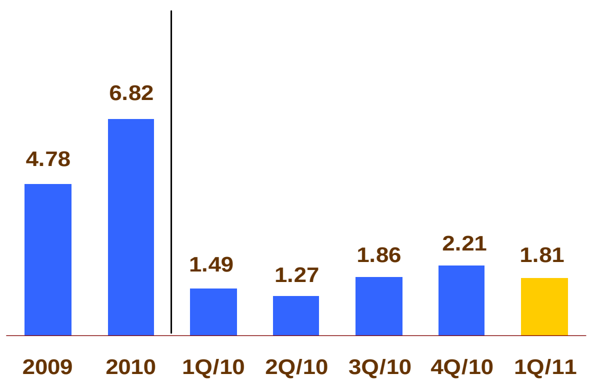
Consolidated
(Baht Billion)

## Fees & Service Income




**Higher Bancassurance revenue, credit card fees and auto revenues compensated for reduction in collection fees due to stronger portfolio quality**

## Non Interest and Non Fees Income

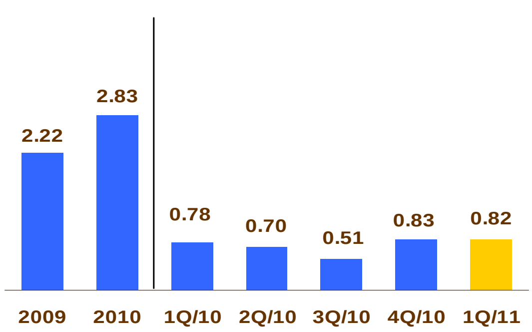



**Reduction in QoQ resulted from one-time CDO gain of Baht 0.7 billion realized in 4Q/10**

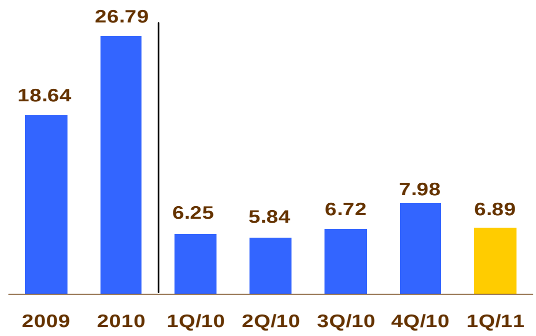
# Cost to Income Under Control

**Consolidated**
(Baht Billion)

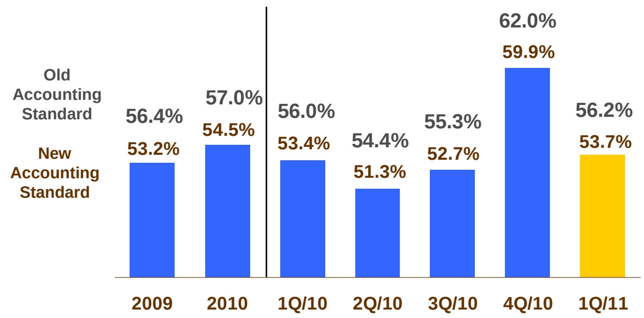
## Fees and Services Expenses




## Other Operating Expenses




## Cost to Income Ratio



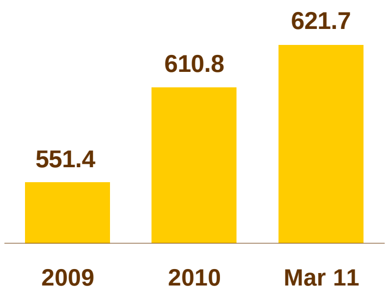

**Cost to Income in line with target at *54%***



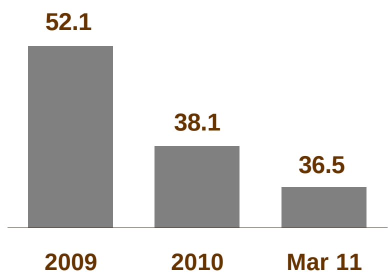
# Loan Growth Momentum

**Consolidated**
(Baht Billion)

## Performing Loans




## Non-performing Loans



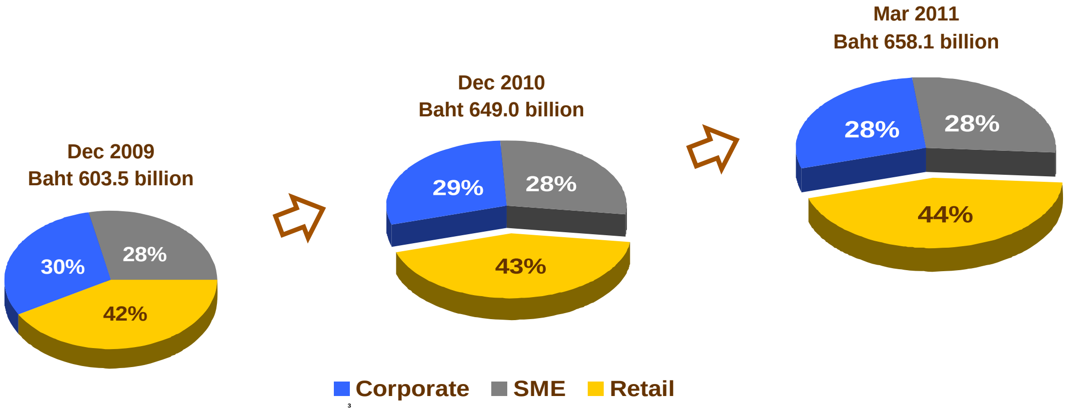

**Performing Loans grew *1.8%* in 1Q/11**

**NPLs reduced *4.4%***

**Exploring further NPL sale opportunities for 2H**

# Strong Loan Growth

## Diversified and Expanding Loan Portfolio




*Growth in 1Q/11*

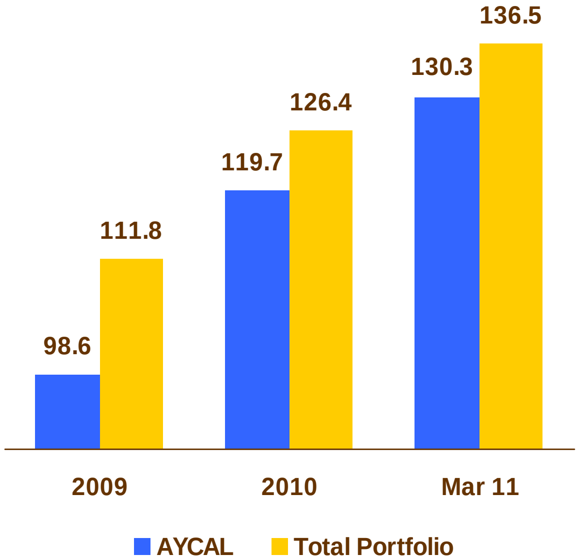
| | |
|---|---|
| Corporate | *-1.3%* |
| SME | *+0.5%* |
| Retail | *+3.8%* |



# Retail Business Performance : KRUNGSRI Auto

**Consolidated**
(Baht Billion)

## Loan Growth




**Growth**

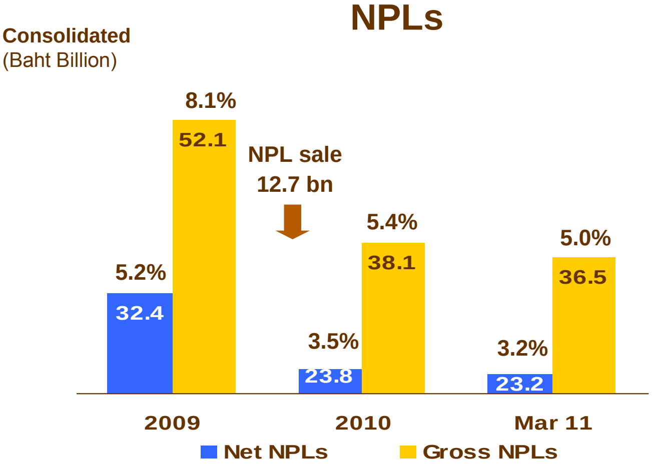
**Total Portfolio :** *+8%* **AYCAL :** *+9%*

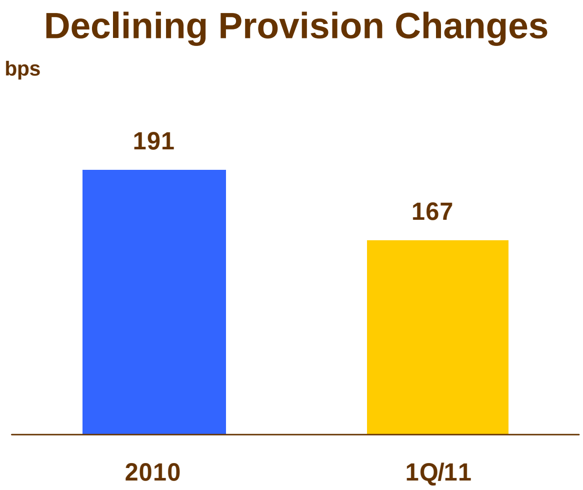
**4Q/10 growth momentum continued into 1Q/11**

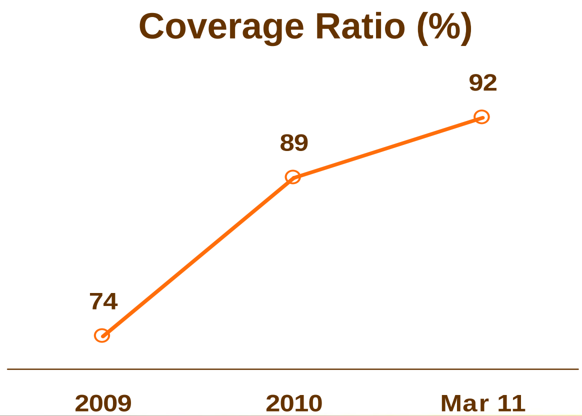
***#1*** **in Used Car and Refinancing**

***#2*** **in Overall Auto Hire Purchase**

# Asset Quality Improvement



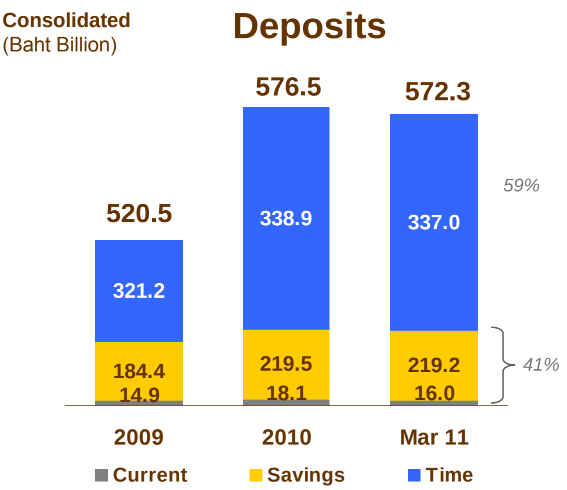

## NPLs remain under control

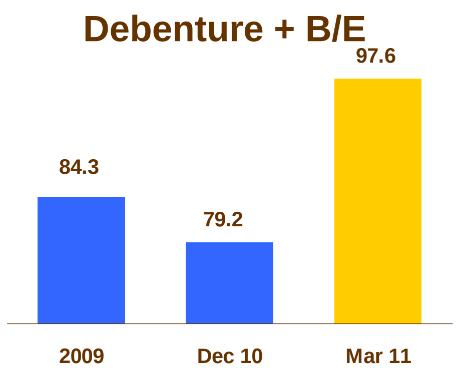
**Coverage up to** ***92%***

**Provisions at** ***164%*** **of BOT requirements**



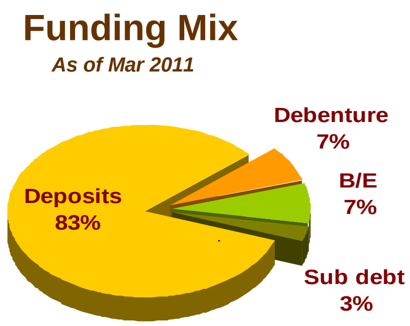
# Funding Improvement



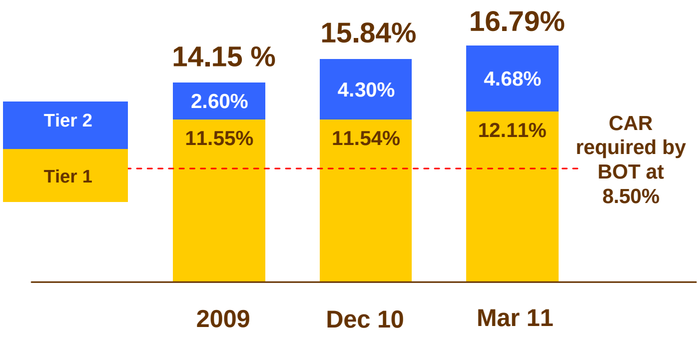

## Diversifying funding sources to improve cost effectiveness

**CASA portion at** ***41%***



# Capital and Liquidity

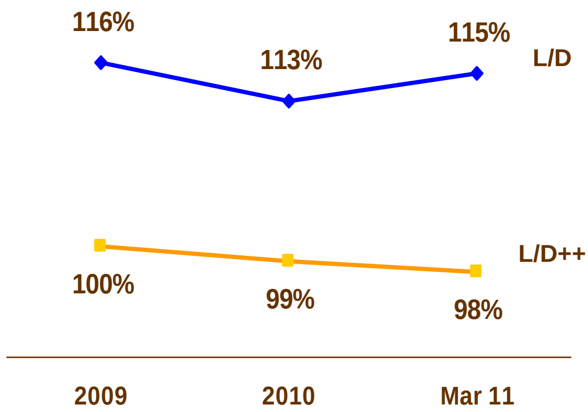
## Strong Capital Base




| Baht Billion | 2009 | Dec 10 | Mar 11 |
|---|---|---|---|
| Tier 1 | 76.47 | 79.90 | 77.71 |
| Tier 2 | 17.27 | 29.78 | 30.05 |
| Total Capital | 93.74 | 109.68 | 107.76 |

Consolidated

## Loan to Deposit




*L/D++ : Loans to Deposits + Debentures + BE*

**Maintaining strong liquidity**



# 2011 Key Performance Targets

# Adjustment in 2011 Key Performance Targets

| Consolidated | 1Q/10 | 4Q/10 | 1Q/11 | Original Targets 2011 | Updated Targets 2011 /1 | Updated Targets 2011 /2 |
|---|---|---|---|---|---|---|
| Loan Growth (Net) | +3.4 bn (+0.57%) | +37.5 bn (+6.1%) | +9.2 bn (+1.4%) | n.a | n.a. | n.a. |
| PL Growth | +5.0 bn (+0.9%) | +44.1 bn (+7.8%) | +10.9 bn (+1.8%) | 8% | 11% | 11% |
| NPLs | 50.5 bn | 38.1 bn | 36.5 bn | 38 bn | 35 bn | 35 bn |
| NPL Movement | -1.6 bn (-3.0%) | -6.6 bn (-14.7%) | -1.7 bn (-4.4%) | n.a | -3.1 bn | -3.1 bn |
| Deposit Mix: Savings and Current | 39% | 41% | 41% | 45% | 45% | 45% |
| Loan Mix : Retail | 42% | 43% | 44% | 44% | 44% | 44% |
| L/D Ratio | 114% | 113% | 115% | 108% | 110% | 110% |
| L/Deposit+Debentures+B/E | 98% | 99% | 98% | 97% | 97% | 97% |
| NIM * (Old / New) | 5.1% / 4.6% | 5.2% / 4.8% | 5.1% / 4.6% | 4.75% | 4.85-4.90% | 4.38-4.44% |
| Fee income growth | 70% | 13% | 4% | 10% | 12% | 12% |
| Cost to Income Ratio * (Old / New) | 56.01% / 53.4% | 62.02% / 59.9% | 56.2% / 53.7% | 56% | 56% | 53% |
| Provisions | 210 bps | 194 bps | 167 bps | 160 bps | 160 bps | 160 bps |
| Loan Loss Coverage | 79% | 89% | 92% | 85-95% | 100% | 100% |
| CAR ** | 14.5% | 15.8% | 16.8% | n.a | n.a | n.a |

/1 Old accounting standards
/2 New accounting standards
** Bank only



# Thank you

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