



Krungthai
กรุงไทย

Analyst Meeting Presentation
1Q2020 Financial Results

Agenda

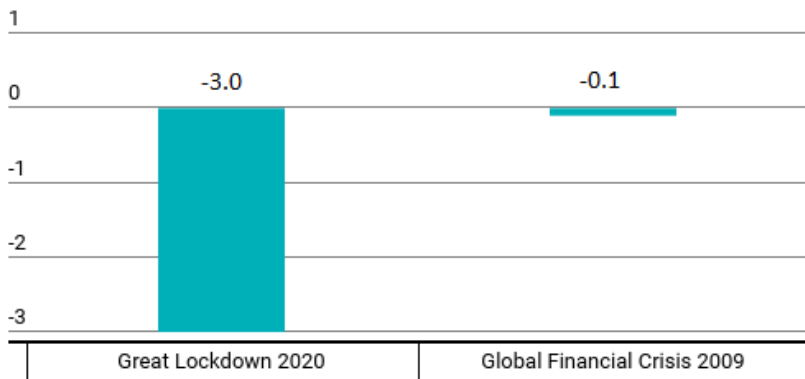
- Economic Outlook FY2020
- COVID-19 Relief Measures
- TFRS 9: Key Changes
- 1Q20 Performance Highlights

COVID-19 will lead to worst global recession

The Great Lockdown

The world economy will experience the worst recession since the Great Depression.

(real GDP growth, year-on-year percent change)



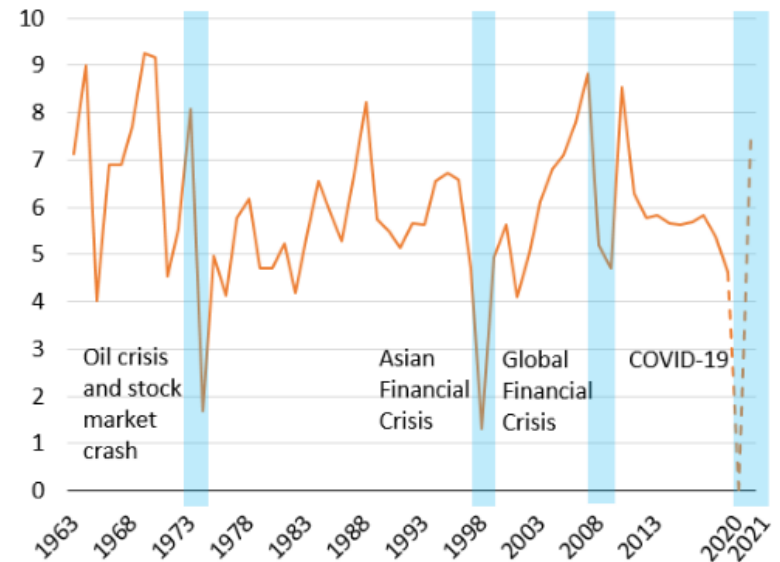
Source: IMF, *World Economic Outlook*.

INTERNATIONAL MONETARY FUND

Historic fall

The COVID-19 crisis is expected to inflict steep declines in output across Asia.

(real GDP growth, in percent)



Source: IMF Staff calculations.

INTERNATIONAL MONETARY FUND

COVID-19 will lead to new normal

Economy



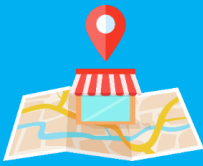
Economy will take a long time just to return to pre-covid level



Gov't will be key driver, using its balance sheet, generating business opportunity



High debt burden will be a challenge to economic recovery



Deglobalization may happen, resulting in reorganizing of supply chain

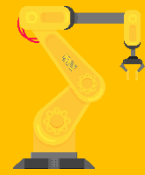
Consumer & Business Behavior



Consumers move to Online Platform



Health and Hygiene will be top of mind

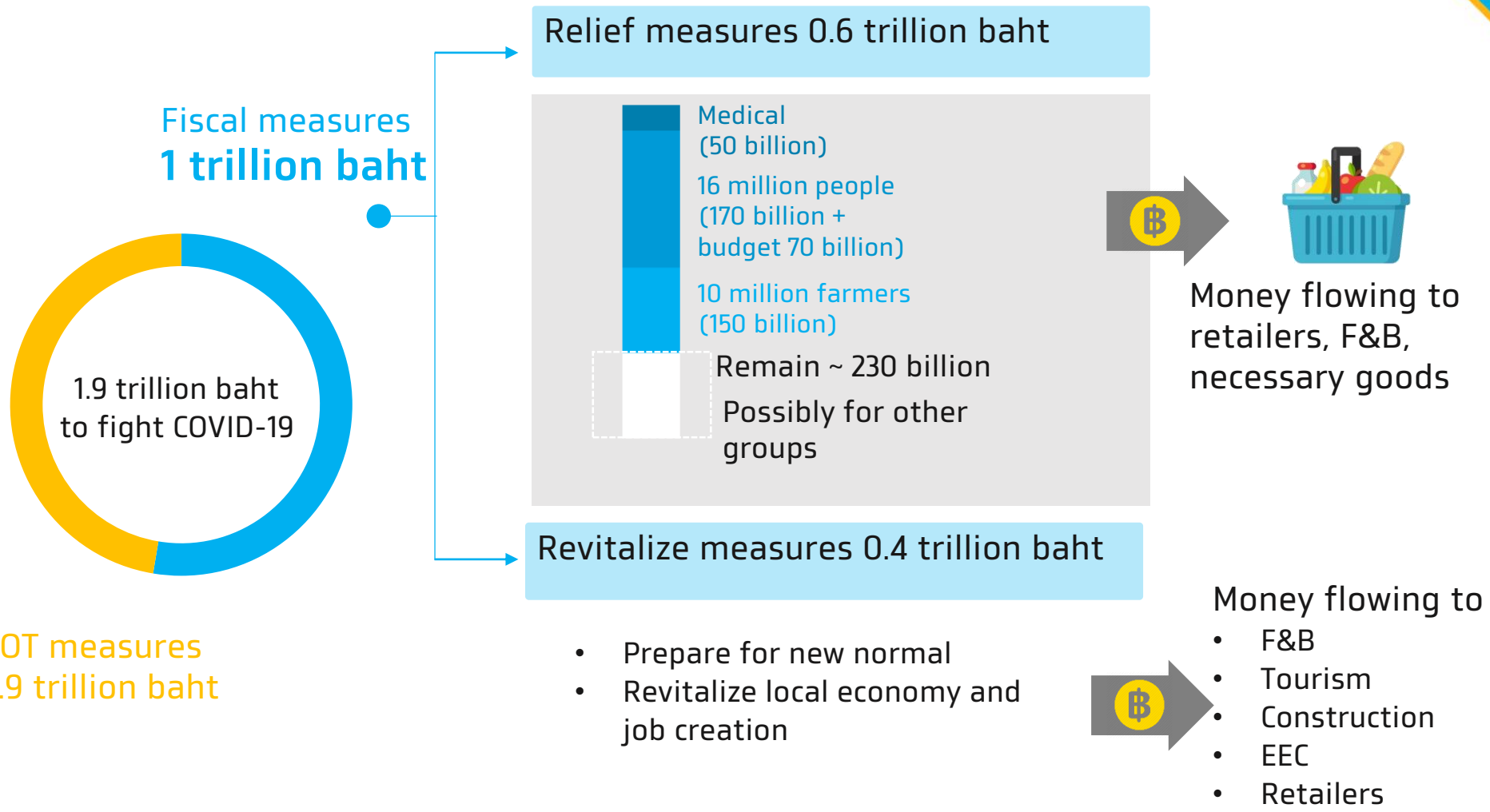


Digital Transformation will accelerate

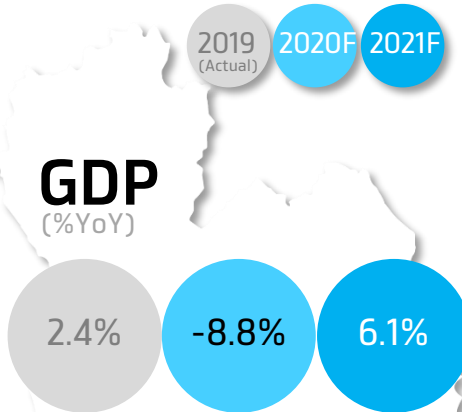


Business will try to diversify from one particular segment or market

Gov't to step in as key driver opening up business opportunity



BOT measures 0.9 trillion baht



Unit: (%YoY)

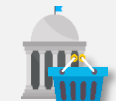
	4.6%	-2.0%	3.0%
	1.4%	2.5%	3.1%
	2.8%	-13.7%	6.0%
	0.2%	3.6%	5.5%
	-3.2%	-14.8%	8.1%
	-4.7%	-16.5%	9.0%

Key Highlights for 2020



Private consumption

- Loss of labor income significantly affect household spending.
- COVID-19 control measures such as social distancing likely to stay.
- Stimulus packages partly alleviate negative impacts.



Public consumption

- Increasing in parallel with regular budget disbursement.



Export * (Value in USD)

- A sharp decline in external demand particularly major trading partners amid global recession.



Private investment

- Private investment will be affected weakened corporate balance sheet and dim economic outlook.



Public investment

- Potentially affected by budget cut from various ministries to fight the COVID-19 pandemic.



Import * (Value in USD)

- Weak domestic demand as well as the sharp drop in crude oil price.

Remark: * Customs basis



- Current account surplus may increase, owing to the sharp drop in oil price.
- Any Baht depreciation spike amid worries about COVID-19 should be short-lived.

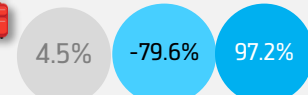
** Annual average



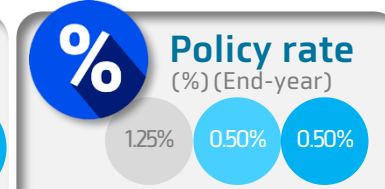
- Sharp drop in energy price should dampen CPI.
- Consumption is expected to slowdown in line with a drop in purchasing power.



Tourist arrival (%YoY)



- Ongoing outbreak overseas will cause government to discourage foreigners from travelling to Thailand
- Foreign tourist is projected at 8.1 million people in 2020 and 15.9 million people in 2021.



- MPC brings policy rate to historic low in 2020 to further ease borrowing cost for households and businesses.

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KTB's COVID-19 Relief Measures (27Apr2020)

Individual clients

Measure:
Retail loan

Personal loan under supervision
(i.e. Smart Money, Multi-purpose 5 Plus)

Housing loan
(not exceeding 3 MB)

Debt payment holiday on principal and interest: **4-month**
Lower interest rate 0.25% on existing loan agreement: **4-month**

Measure:
Retail loan

Personal loan
With document proof of reduced income

Housing loan
With document proof of reduced income

Debt payment holiday on principal: **6-month**
Lower interest rate 0.25% on existing loan agreement: **6-month**

Corporate clients

Measure:
Business loan

Business loan not exceeding 100 MB *(Automatically)*

Debt payment holiday on principal and interest: **6-month**

Measure:
Business loan

Business loan of medium-size or higher

With document proof of reduced income

Debt payment holiday on principal for term
loan: **up to 12-month**

Debt payment extension for P/N and Trade
Finance: **up to 6-month**

Measure:
Soft loan

Business loan not exceeding 500 MB

Credit limit: **up to 20%**
(of 31 Dec'19 outstanding loan)

Interest: **2.0% first 2-year**
Debt payment holiday on principal: **up to 12-month**
No interest payment: **6-month**
(First 6-month interest to be subsidized by government)

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IFRS 9 Adoption

Key concepts	Pre-IFRS 9	IFRS 9	Financial impact
<p>1. Classification & measurements</p> <ul style="list-style-type: none"> ○ Based on business model and cash flow characteristics ○ Amortized cost vs fair value (FVTPL, FVOCI) 	<ul style="list-style-type: none"> • Interest income & fee income <ul style="list-style-type: none"> ○ Interest income per contract rate ○ Fee recognize at initiation • Gain on investment 	<ul style="list-style-type: none"> • Interest income & fee income <ul style="list-style-type: none"> ○ Interest and fee income: EIR ○ Amortize, lifetime of financial asset • Gain on financial instrument (FVTPL/ FVOCI) 	<ul style="list-style-type: none"> • Yield ↑ • NIM ↑ • Non- interest income +/- • OCI +/- (P/L&B/S)
<p>2. Impairment</p> <ul style="list-style-type: none"> ○ Staging of financial assets & ECL 	<ul style="list-style-type: none"> • Loan : 5 classifications <ul style="list-style-type: none"> ○ Provision based on the current and expected future payment, upon BOT's guideline 	<ul style="list-style-type: none"> • Financial assets : 3 stages <ul style="list-style-type: none"> ○ ECL for financial assets & off-balance sheet items ○ Consider ECL based on lifetime of financial instruments including forward-looking factor 	
<p>3. Hedge accounting <i>(Optional for the Bank)</i></p>			

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1Q20 Highlights: *Overcoming performance amid challenges*

Profitability

	1Q20	QoQ	YoY
Net profit (THB mn) ⁽¹⁾	6,467	-13.3%	-11.4%
PPOP (THB mn)	17,496	+16.6%	+0.7%
ROE ⁽¹⁾	7.81%	-97 bps	-173 bps
<i>ROE^(1,2)</i>		<i>-307 bps</i>	<i>-163 bps</i>
ROA ⁽¹⁾	0.84%	-16 bps	-21 bps
<i>ROA^(1,2)</i>		<i>-40 bps</i>	<i>-20 bps</i>
Total income (THB mn)	30,963	-2.1%	-7.8%
<i>Total income⁽²⁾</i>		<i>-2.1%</i>	<i>+4.3%</i>
NIM	3.14%	+23 bps	-57 bps
<i>NIM⁽²⁾</i>		<i>+23 bps</i>	<i>+1 bps</i>
Non-NII (THB mn)	8,002	-26.7%	-10.4%
Cost/income ratio	43.49%	-905 bps	-475 bps
<i>Cost/income ratio⁽²⁾</i>		<i>-199 bps</i>	<i>+171 bps</i>

Asset Quality & Stability

	Mar'20	YTD	YoY
Loan (THB bn) ⁽³⁾	2,132	+2.0%	+4.9%
NPL ratio (gross)	4.36%	+3 bps	
Coverage ratio ⁽⁴⁾	126.5%	-530 bps	
CAR	18.71%	-21 bps	
Tier 1	15.03%	-30 bps	

- Persisting loan growth mainly derived from corporate (YTD, YoY) and retail (YoY) clients
- Upholding NIM⁽²⁾ :
 - Improving COF management and benefits from FIDF fee reduction
 - Loan optimization and TFRS 9 impact while pressuring yields from lowering interest rate environment
- Non-NII opportunities in bancassurance and fund management while descending Non-NII due to gain (loss) from FVTPL and gain from investment per TFRS 9 together with market volatility
- C/I⁽²⁾ improving QoQ from year-end elevated marketing expenses in spite of rising personnel expenses while weakening YoY
- Strengthen provisioning with prudence based on economic slowdown and uncertainties; increasing NPL from fragile customers/segments from weak economy

(1) Net profit, ROE, ROA represented for equity holders of the bank

(2) Excluding extra items on interest income received from the auction and/or provisions on impairment loss of properties for sale

(3) Loan to customers less deferred revenue under TFRS 9

(4) Coverage ratio = Allowance for expected credit losses (loans) / gross NPLs

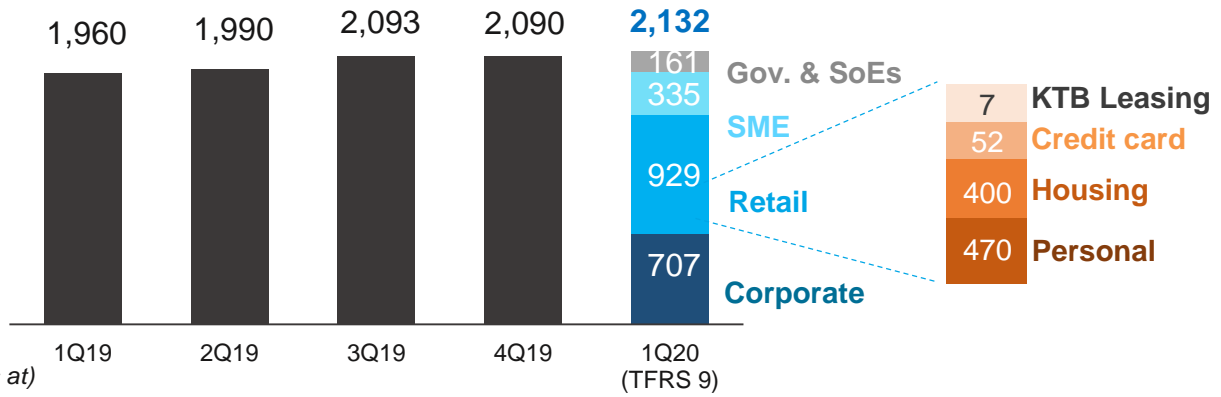
Loan

YTD growth per loan optimization focus, mostly from corporate, housing, and personal loans

Consolidated

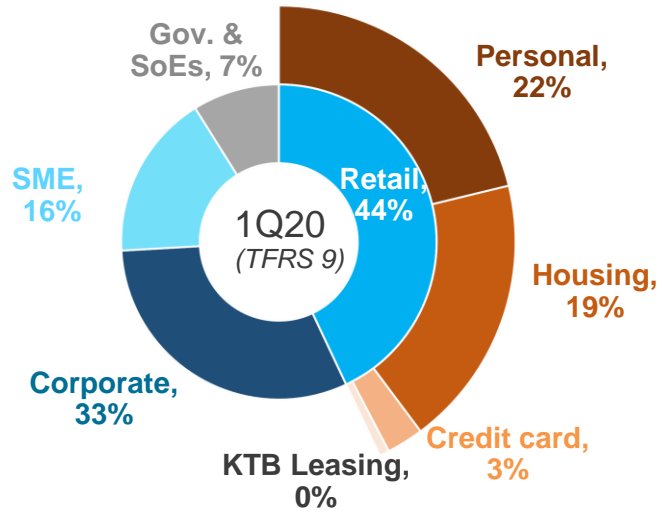
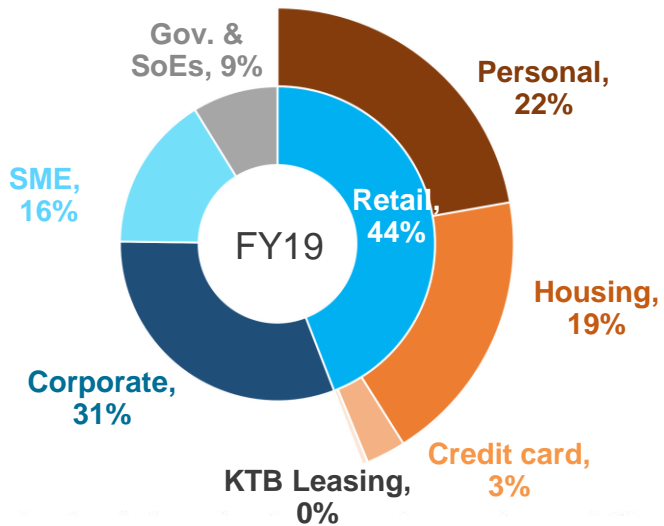
Loan Growth

(THB bn)



Loan Growth by Segment	1Q20 (YTD)	1Q20 (YoY)
Gov. & SoEs	-12.0%	-9.8%
SME	+0.8%	-1.1%
Retail	+0.5%	+6.1%
KTB Leasing	-10.7%	-41.5%
Credit card	-8.4%	+7.2%
Housing	+1.0%	+5.0%
Personal	+1.3%	+8.1%
Corporate	+8.7%	+10.4%
Total	+2.0%	+4.9%

Loan Breakdown

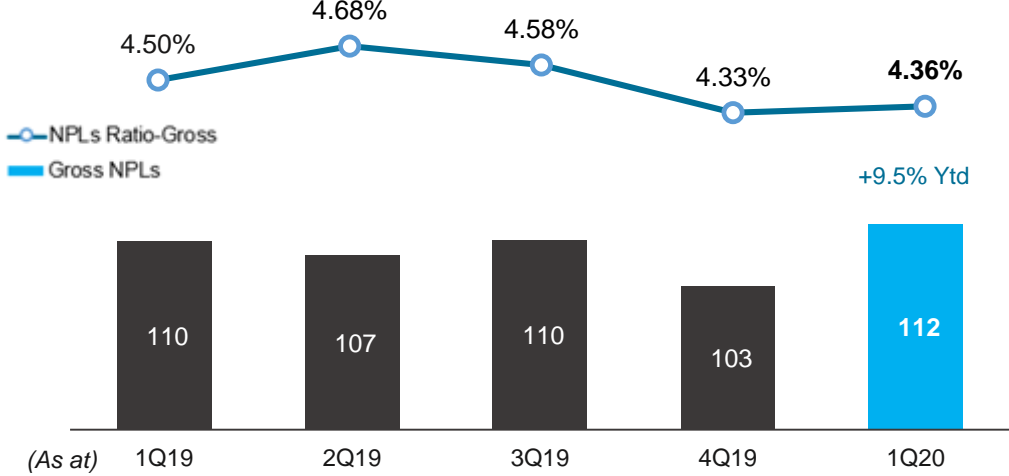


Asset Quality

NPL uplifted amid weakening macro-economic situations in alignment with higher provision set up in light of such macro-economic conditions

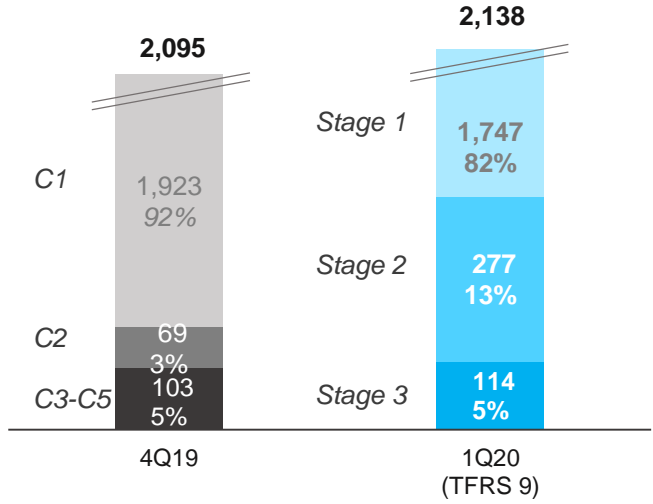
NPL

(THB bn)



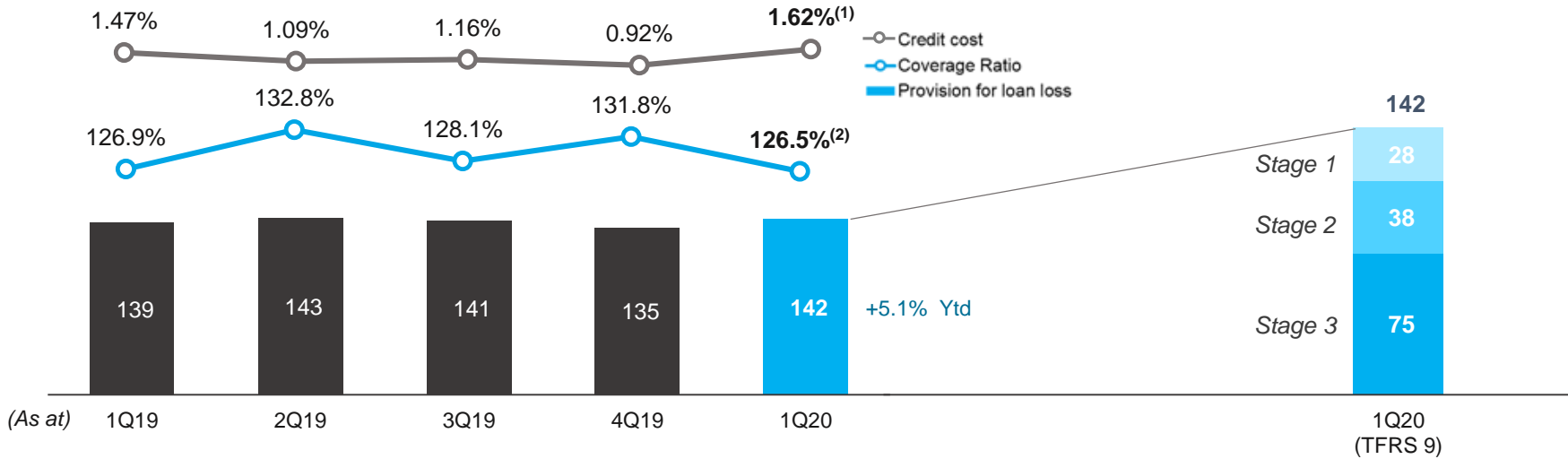
Loan Classification/ Staging (incl. accrued interest)

(THB bn)



Provision for Loan Loss and Staging

(THB bn)



(1) Credit cost = Expected credit losses (exp) / Average loan to customer less deferred revenue
 (2) Coverage ratio = Allowance for expected credit losses (loans) / gross NPLs

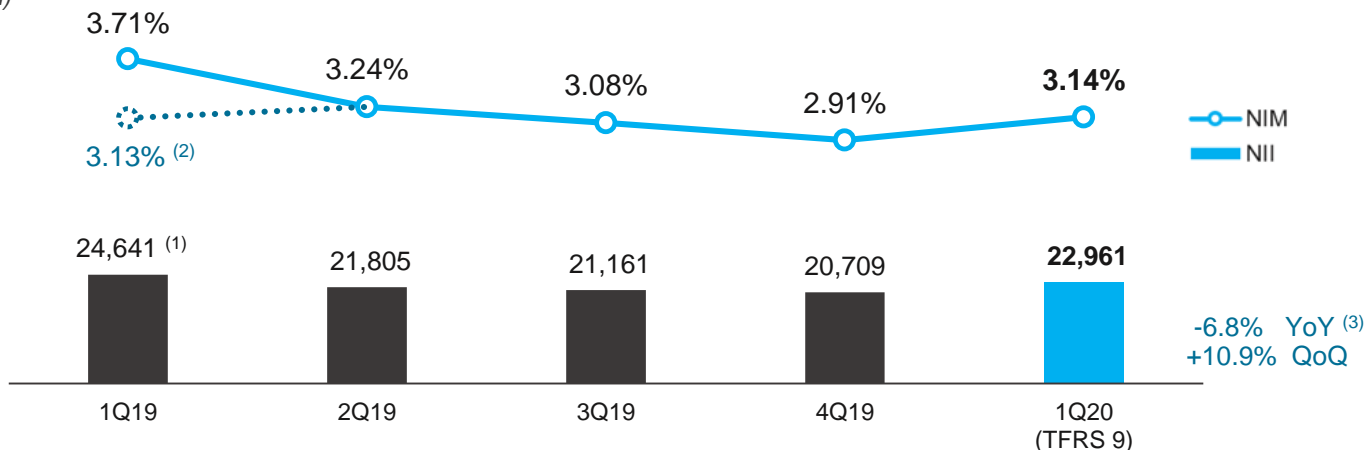
Net Interest Income

Continual improving cost of fund management and FIDF fee-reduction eased pressuring NII from rate cuts

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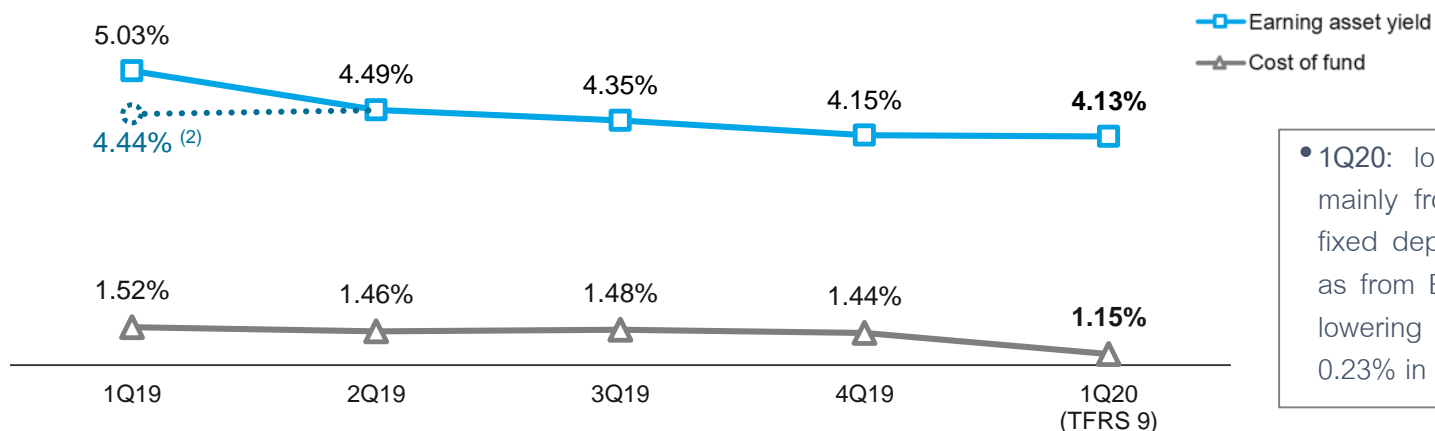
NII vs NIM

(THB mn)



Policy rate change			-25 bps	-25 bps	-50 bps
Lending rates change			MOR -25 bps MRR -25 bps	MLR -25 bps	MLR -25 bps MOR -25 bps MRR -12.5 bps

Yield vs CoF



• 1Q20: lowering cost of deposit, mainly from maturity of high-cost fixed deposit since 2019, as well as from BOT's relief measures on lowering FIDF fee from 0.46% to 0.23% in 2020-2021

(1) Including extraordinary item of interest income due to the partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million in 1Q19

(2) Excluding extraordinary item of interest income due to the partial payment from the auction of mortgaged guarantee assets amounted Baht 3,899 million in 1Q19

(3) If excluding extraordinary item, net interest income in 1Q20 increased 10.7% YoY.

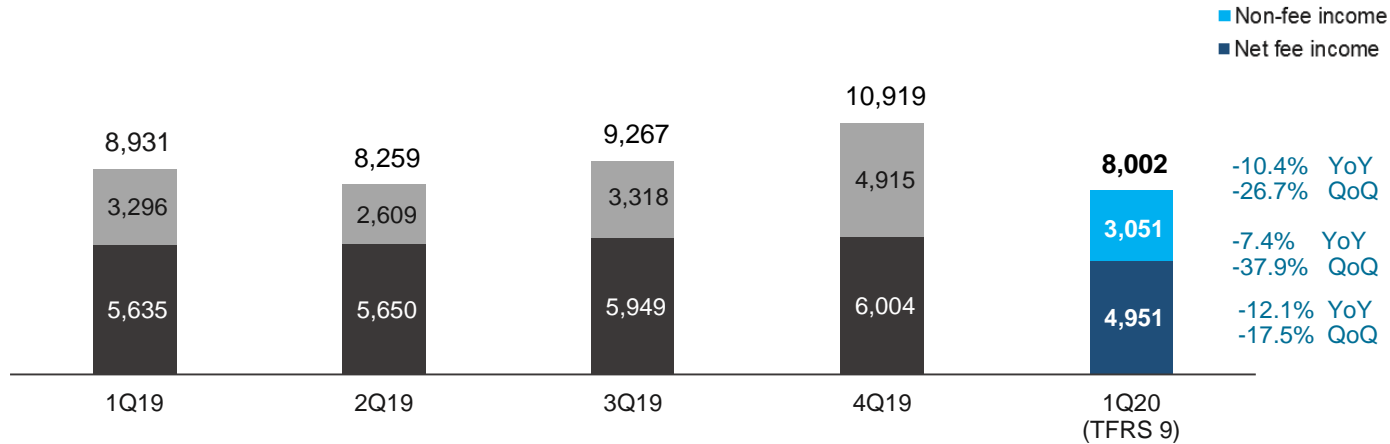
Non Interest Income

Opportunities in bancassurance and fund management

Consolidated

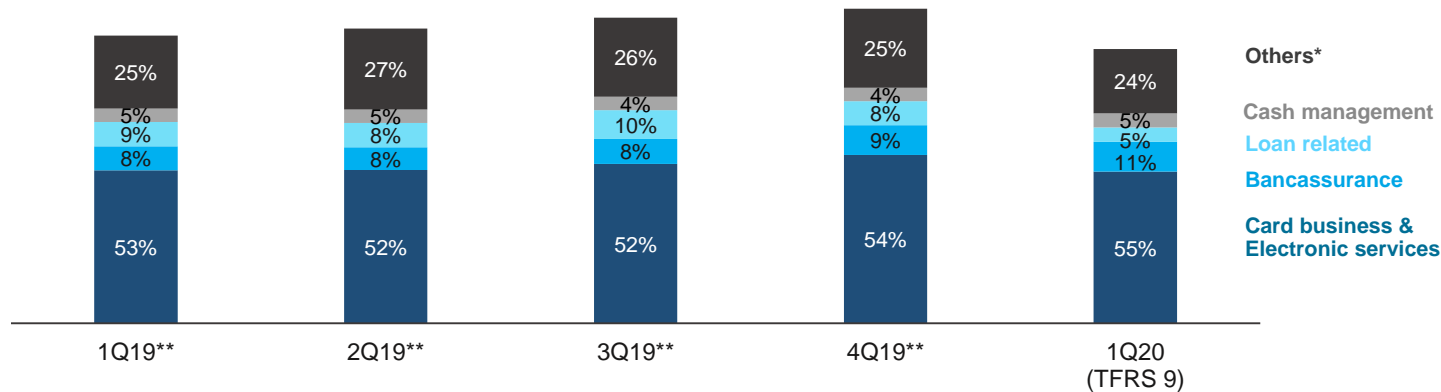
Non-NII

(THB mn)



• 1Q20: Non-fee contraction from financial instruments' mark to market under TFRS 9 and the volatility in capital market

Fee Breakdown (Gross)



• 1Q20: Pressuring fee while having YoY growth on card business, bancassurance & fund management business

* Others includes Fees from Mutual fund, Global Market, and other services
 ** Restated

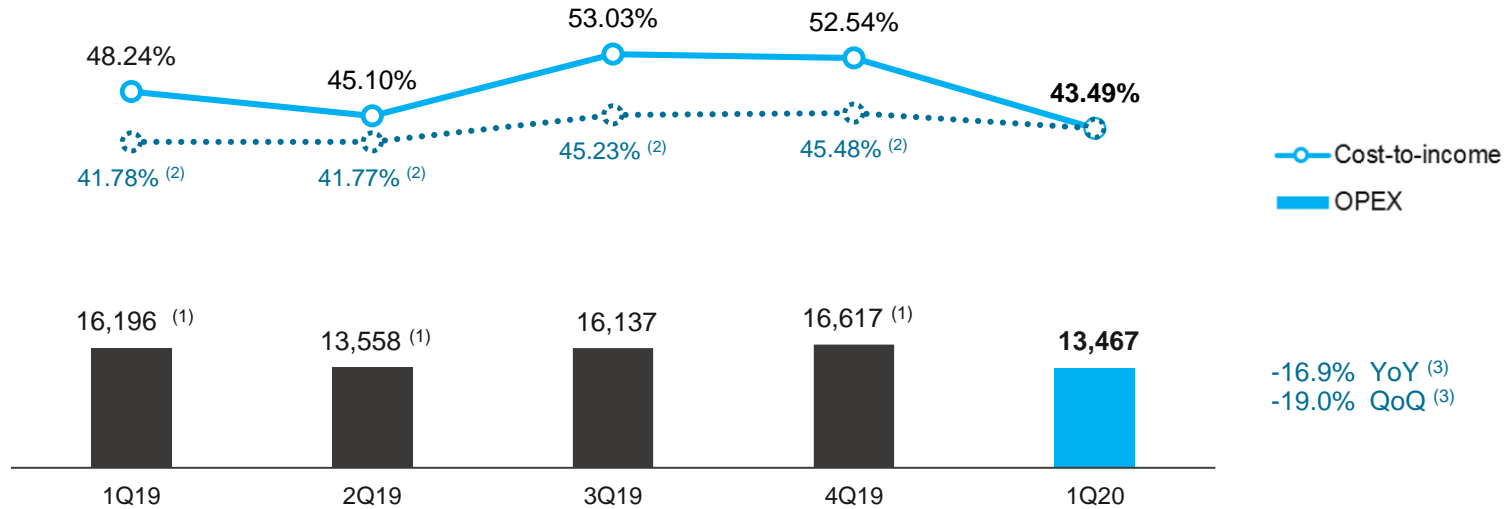
OPEX

Improving C/I% QoQ and YoY from lower NPA provisions than 2019
 Improving C/I% (excluding such item) QoQ despite declining total income

Consolidated

Operating Expense

(THB mn)



OPEX Breakdown



(1) Including extraordinary items i.e. provision on impairment of properties for sale in 1Q19, 2Q19 and 4Q19 and provision on employees' benefits in 3Q19.

(2) Excluding extraordinary items i.e. interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q2019, provision on impairment of properties for sale in 1Q19, 2Q19 and 4Q19 and provision on employees' benefits in 3Q19.

(3) If excluding extraordinary items, operating expenses in 1Q20 decreased 6.4% QoQ and increased 8.6% YoY.

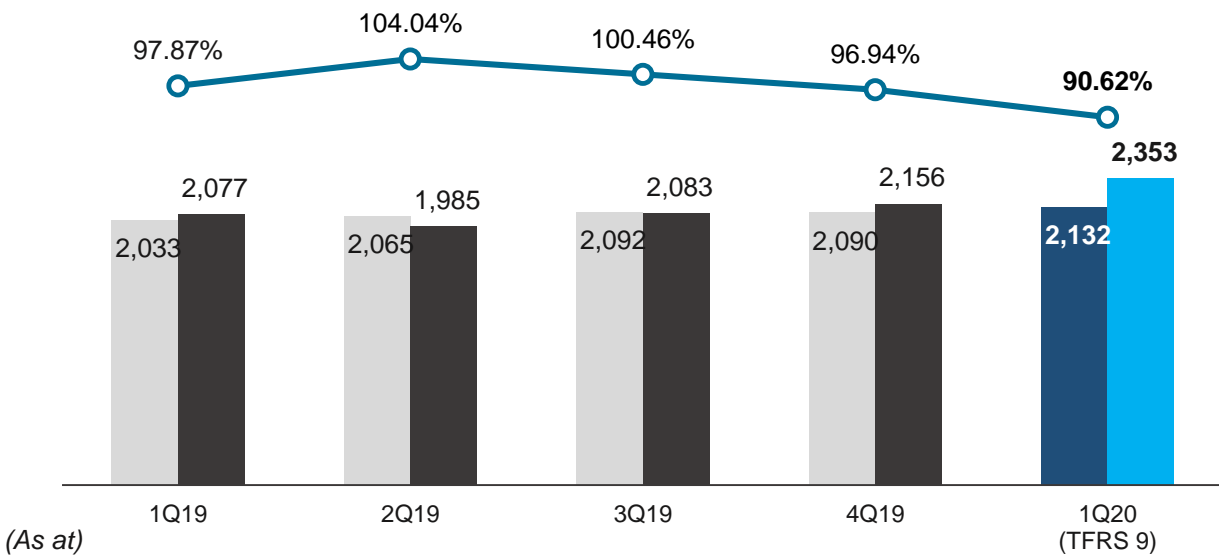
(4) Others including Directors' remuneration

Liquidity

Stronger Deposit Growth Contributing to Better L/D Ratio

Loan vs Deposit (L/D ratio)

(THB bn)



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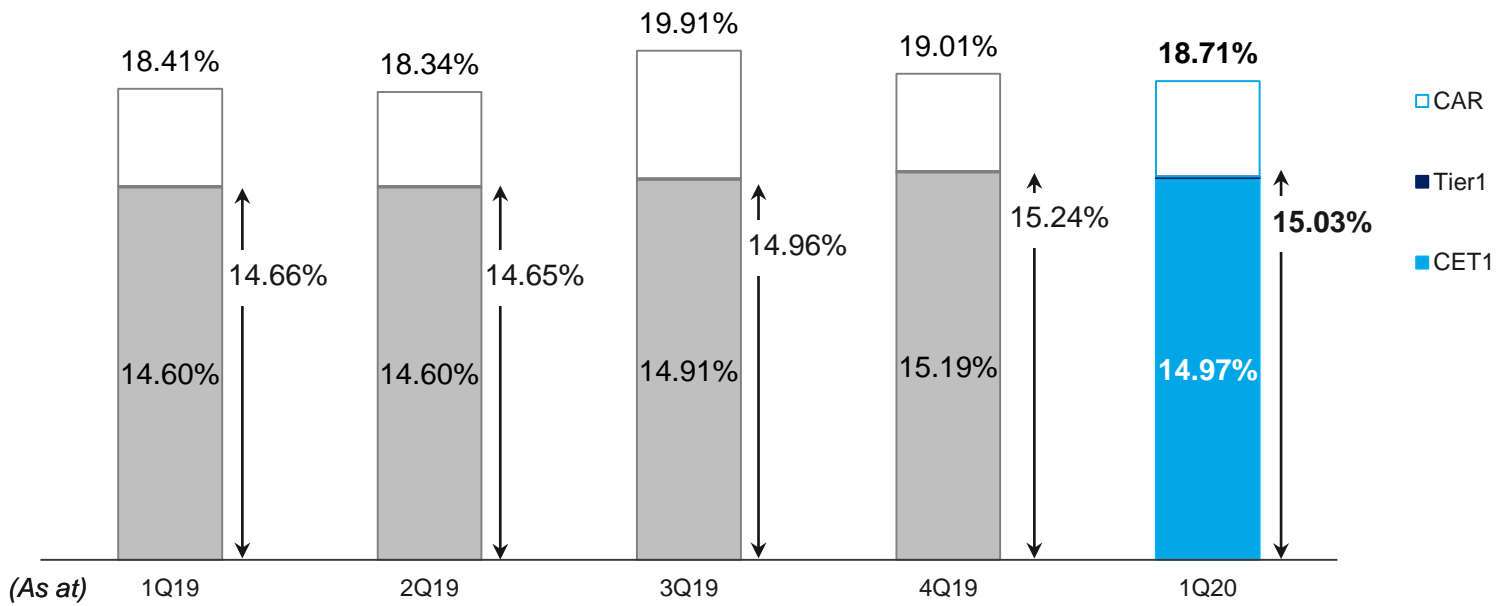
- Loan to deposit ratio
- Loan (less deferred revenue)
- Deposit

Loan:
+2.0% Ytd

Deposit:
+9.1% Ytd

(As at)

CET1 vs CAR Ratios



Disclaimer

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In addition, the information contains projections and forward-looking statements that reflect the company's current views with respect to future events and financial performance.

These views are based on assumptions subject to various risks. No assurance can be given that future events will occur, that projections will be achieved, or that the company's assumptions are correct.

Actual results may differ materially from those projected.

Thank you

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