



**Analyst Meeting Presentation
2Q2020 & 1H2020 Financial Results**

2Q20 Highlights: Growing PPOP while Building up Provision with Prudence

	2Q20	QoQ	YoY	1H20	YoY	
Profitability	Net profit (THB mn) ⁽¹⁾	3,755	-41.9%	-54.0%	10,222	-33.9%
	PPOP (THB mn)	20,080	+14.8%	+21.7%	37,576	+10.9%
	ROE ⁽¹⁾	4.54%	-327 bps	-580 bps	6.08%	-391 bps
	ROA ⁽¹⁾	0.48%	-36 bps	-69 bps	0.66%	-48 bps
	Total income (THB mn)	32,441	+4.8%	+7.9%	63,404	-0.4%
	NIM	3.09%	-5 bps	-15 bps	3.15%	-39 bps
	<i>NIM⁽²⁾</i>	<i>2.62%</i>	<i>-52 bps</i>	<i>-62 bps</i>	<i>2.91%</i>	<i>-33 bps</i>
	Non-NII (THB mn)	8,981	+12.2%	+8.7%	16,983	-1.2%
	Cost/income ratio	38.10%	-539 bps	-700 bps	40.74%	-602 bps
	<i>Cost/income ratio⁽²⁾</i>	<i>42.75%</i>	<i>-74 bps</i>	<i>+98 bps</i>	<i>43.13%</i>	<i>+136 bps</i>
Asset Quality & Stability		Jun'20	QoQ	YTD		
	Loan (THB bn) ⁽³⁾	2,286	+7.2%	+9.4%		
	NPL ratio (gross)	4.35%	-1 bps	+2 bps		
	Coverage ratio ⁽⁴⁾	126.5%	-270 bps	-530 bps		
	CAR	19.17%	+46 bps	+16 bps		
Tier 1	15.42%	+39 bps	+18 bps			

2Q20 Highlights:

- **Strong loan growth** (QoQ, YTD) mainly derived from government and retail customers
- **Pressuring NIM⁽²⁾** Amid effective COF management with policy rate cuts (5 times YoY) and lending rate cuts
- **Non-NII improvement** QoQ & YoY due to gain from sale of properties for sale in addition to bancassurance momentum uplift
- **Better C/I** QoQ from lower employees' expenses and YoY given impairment loss on properties for sale in 2Q2019; C/I⁽²⁾ improving QoQ while weakening YoY
- **Continuation on strengthening provision with prudence** based on economic slowdown and uncertainties, including full provision on one of large corporate customers in the public utilities and services – transportation business to reflect its credit risk

(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

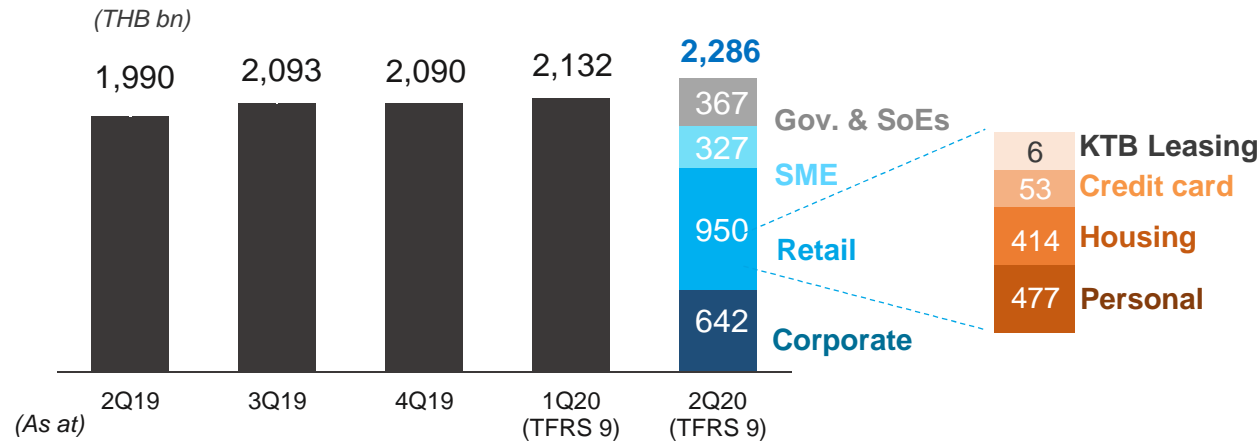
(4) Coverage ratio = Allowance for expected credit losses (loans, interbank & money market items, loan commitments and financial guarantee contracts) / gross NPLs

As at December 31, 2019, Coverage Ratio = Actual provisioning for loan loss / Gross NPLs

Loan

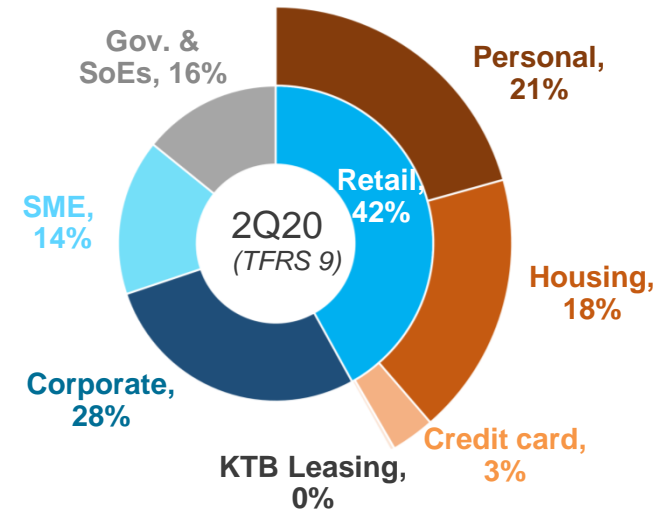
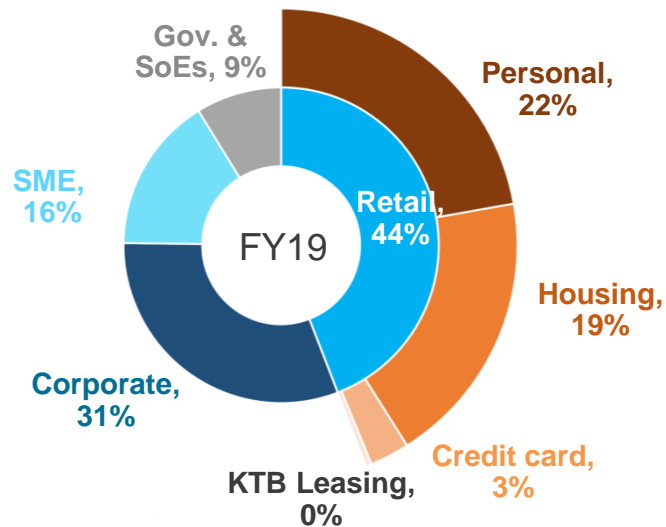
Continuing Growth Driven from Gov. & SoEs and Retail (Housing & Personal)

Loan Growth



Loan Growth by Segment	2Q20 (QoQ)	2Q20 (YTD)
Gov. & SoEs	+128.1%	+100.6%
SME	-2.4%	-1.6%
Retail	+2.2%	+2.7%
KTB Leasing	-7.8%	-17.6%
Credit card	+2.2%	-6.4%
Housing	+3.4%	+4.5%
Personal	+1.3%	+2.7%
Corporate	-9.2%	-1.2%
Total	+7.2%	+9.4%

Loan Breakdown

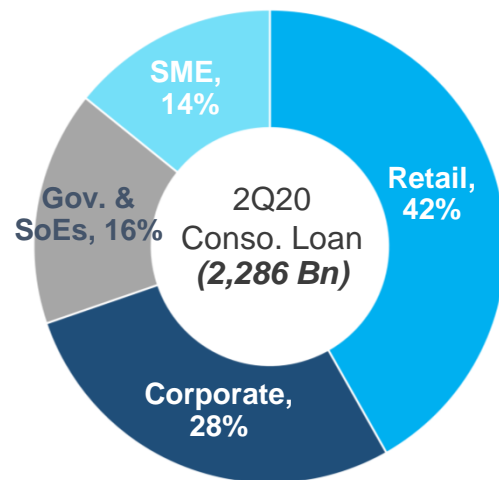




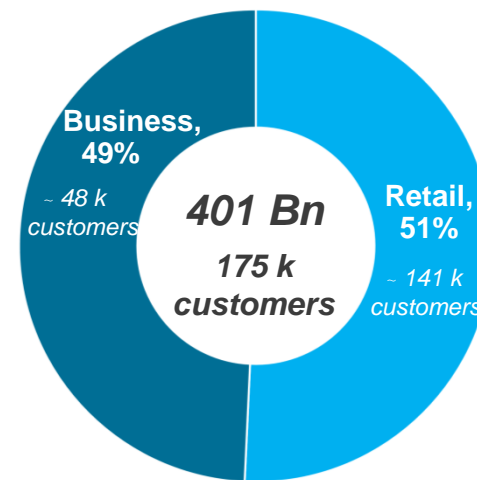
COVID Relief Measures

18% of Loan as of Jun20 was extended to customers effected from COVID-19

Loan Breakdown



COVID-19 Relief Measure Loan



Note: Data as at end-Jun 2020 based on relief measure phase 1

Asset Quality

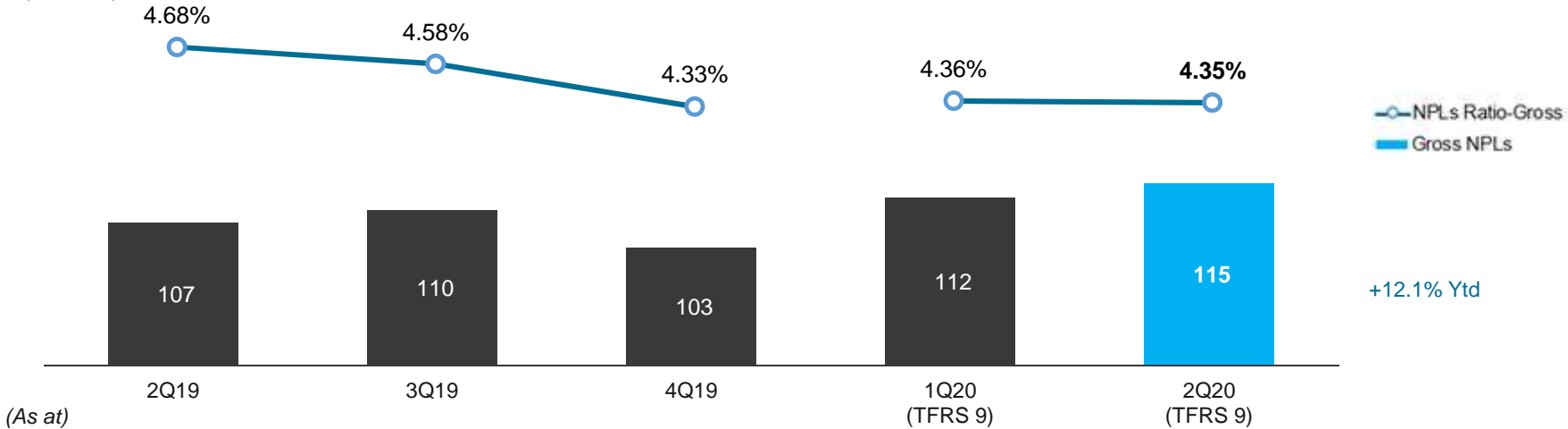
Consolidated



Stable NPL Ratios with Higher Provision Setup in Light of Weak Macro-economic Conditions

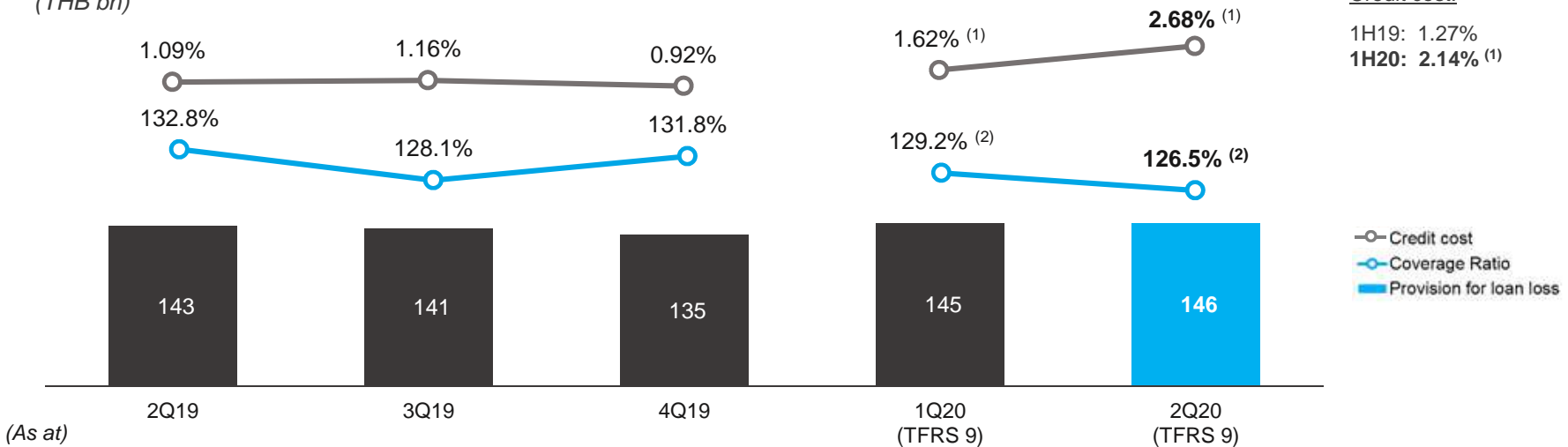
NPL

(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, interbank & money market items, loan commitments and financial guarantee contracts) / gross NPLs

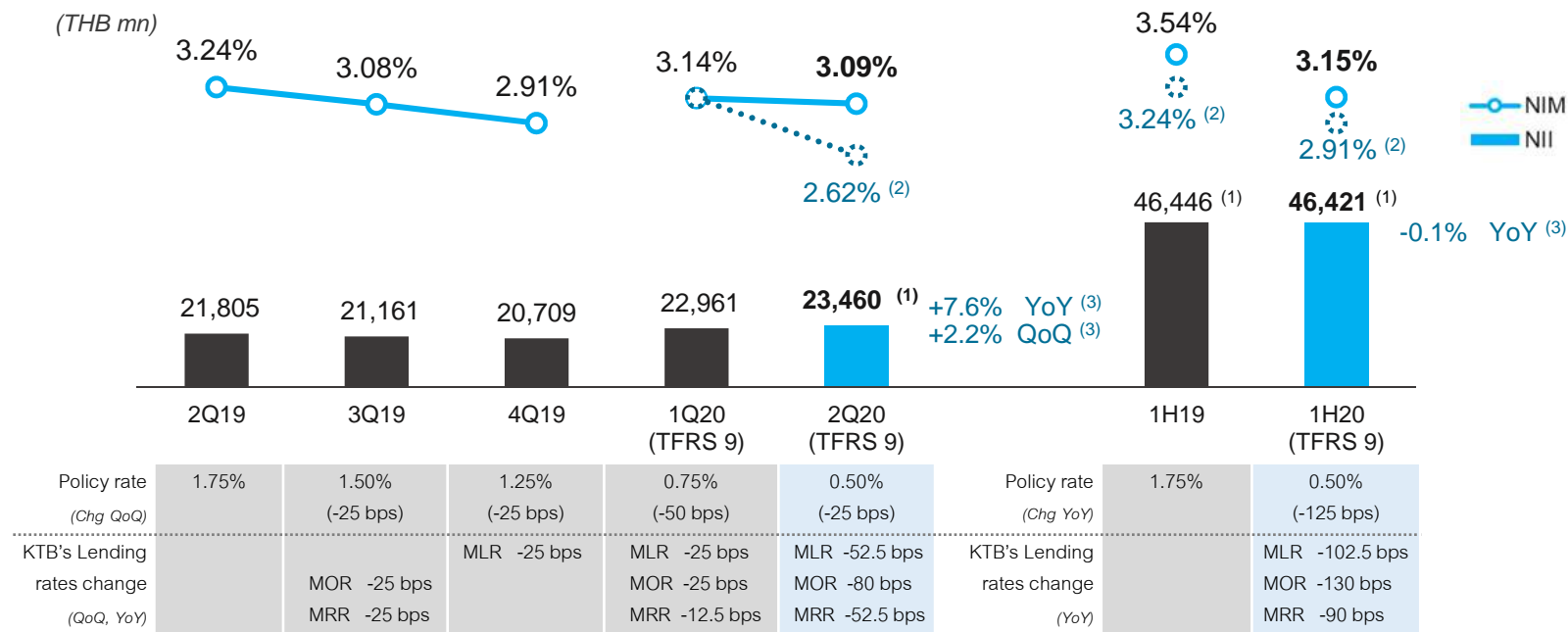
Net Interest Income

Improving CoF Management Alleviated NIM Pressure

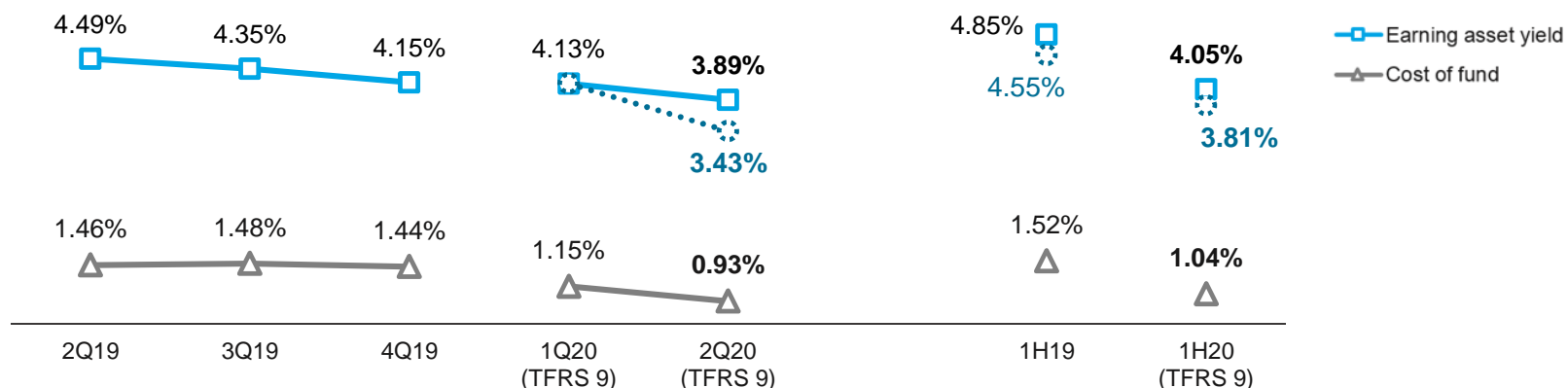


Consolidated

NII vs NIM



Yield vs CoF



(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 and Baht 3,524 million in 2Q20
 (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 and Baht 3,524 million in 2Q20
 (3) If excluding extraordinary item, net interest income in 2Q20 decreased 8.6% YoY and 13.2% QoQ while 1H20 increased 0.8% YoY.

Non Interest Income

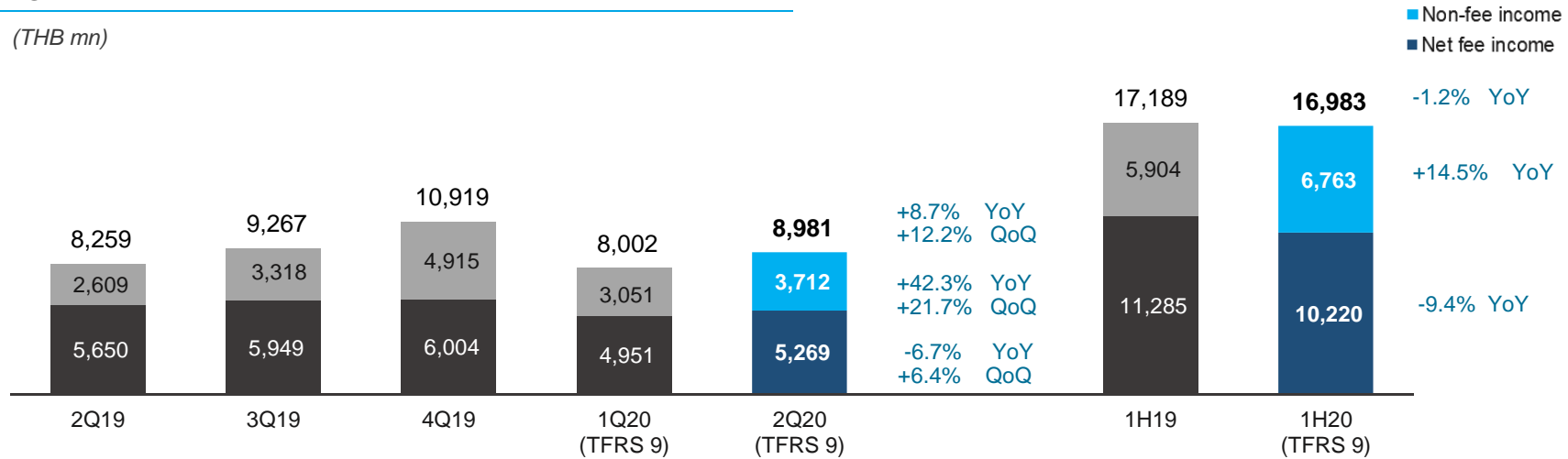
Higher Gain on Sales from NPA Together with Bancassurance Momentum Uplift

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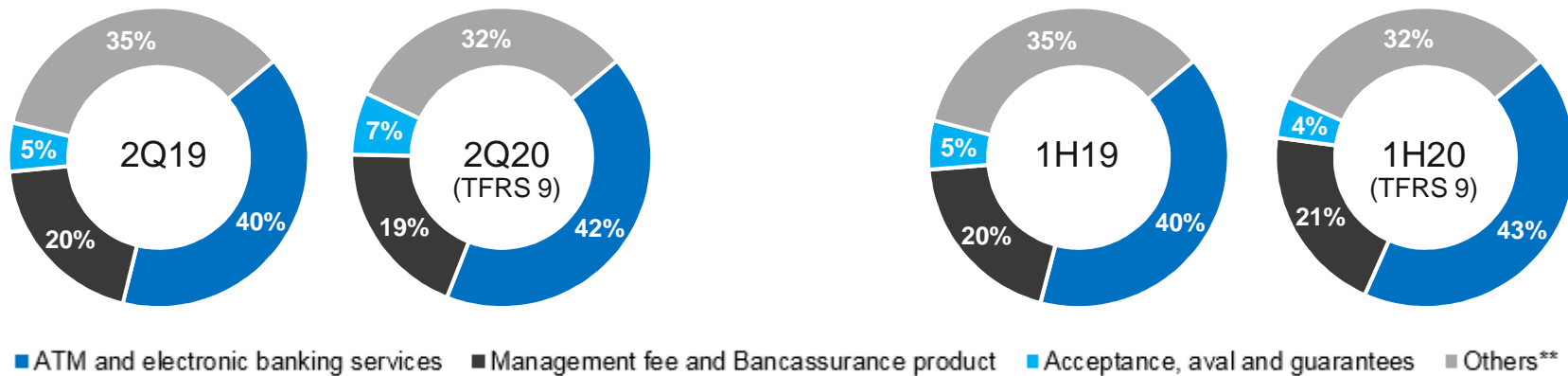


Non-NII

(THB mn)



Fee Breakdown (Gross)*



* Classification per notes to F/S disclosure

** Including fee from KTC, Global Market, and other services

OPEX

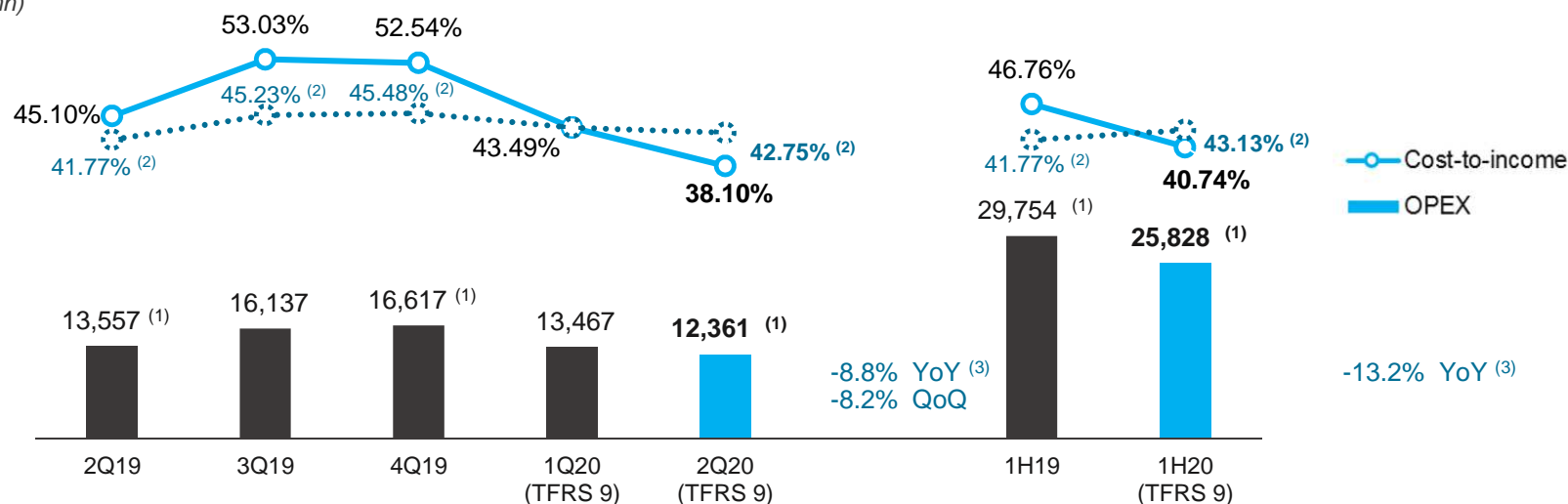
Improving Normalized C/I ratio QoQ in Low Interest Rate Environment



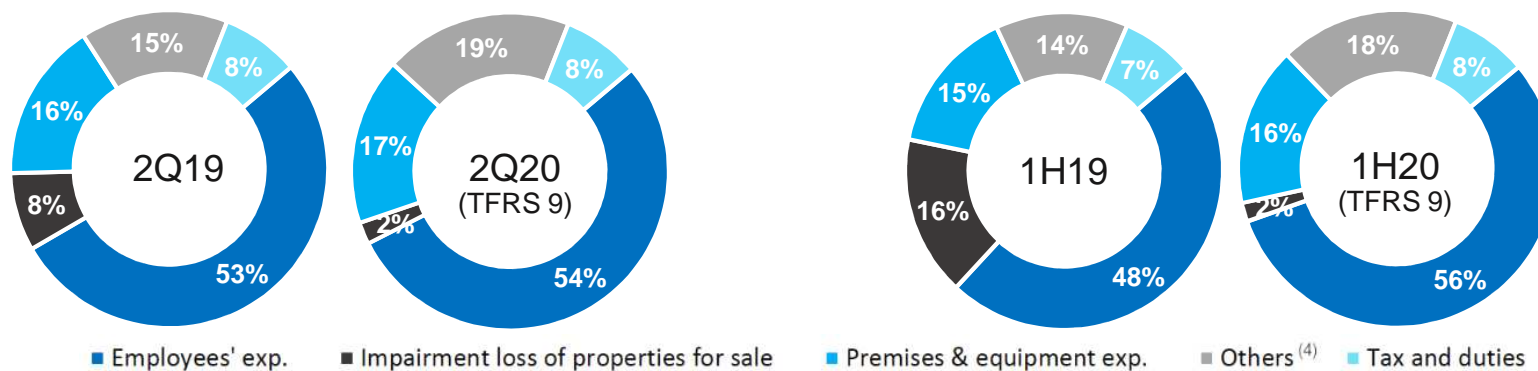
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Operating Expense

(THB mn)



OPEX Breakdown



(1) Including extraordinary items i.e. provision on impairment of properties for sale in 1Q19 and 2Q19, and interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets of Baht 3,899 million in 1Q19 and of Baht 3,524 million in 2Q20.

(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 1Q19 and of Baht 3,524 million in 2Q20; provision on impairment of properties for sale in 1Q19 and 2Q19.

(3) If excluding extraordinary items, operating expenses in 2Q20 decreased 1.6% YoY while in 1H20 increased 3.5% YoY.

(4) Others including Directors' remuneration

Liquidity

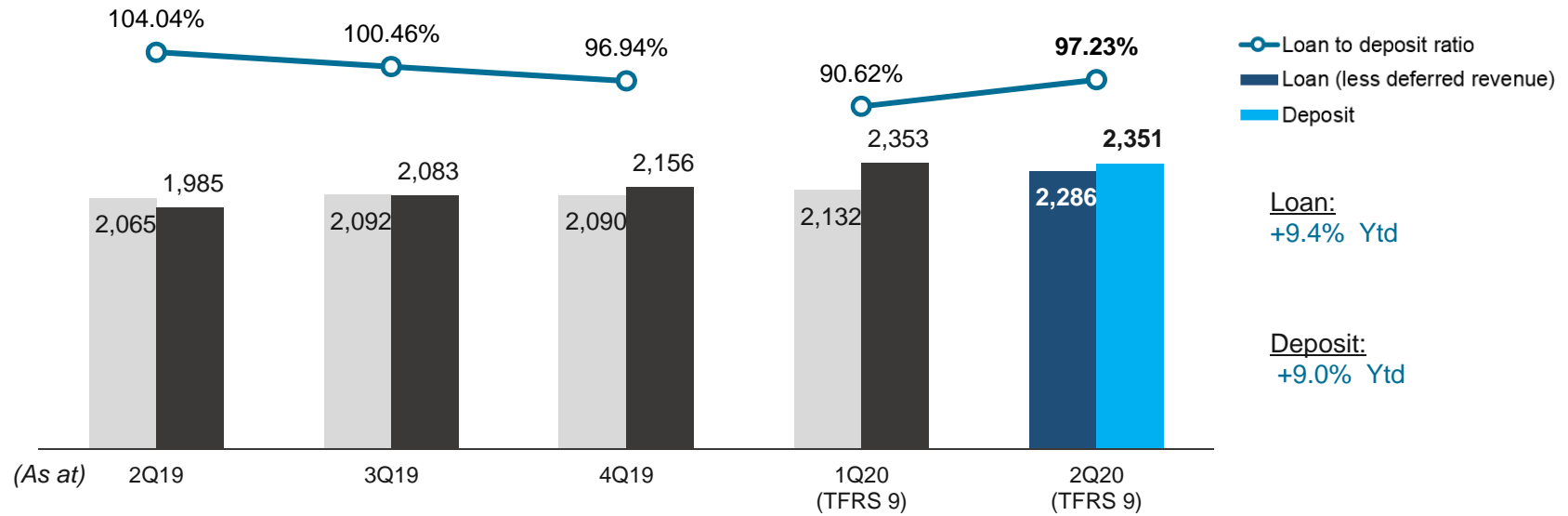
Higher Loan to Deposit Lever amid Strong Loan Growth



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Loan vs Deposit (L/D ratio)

(THB bn)



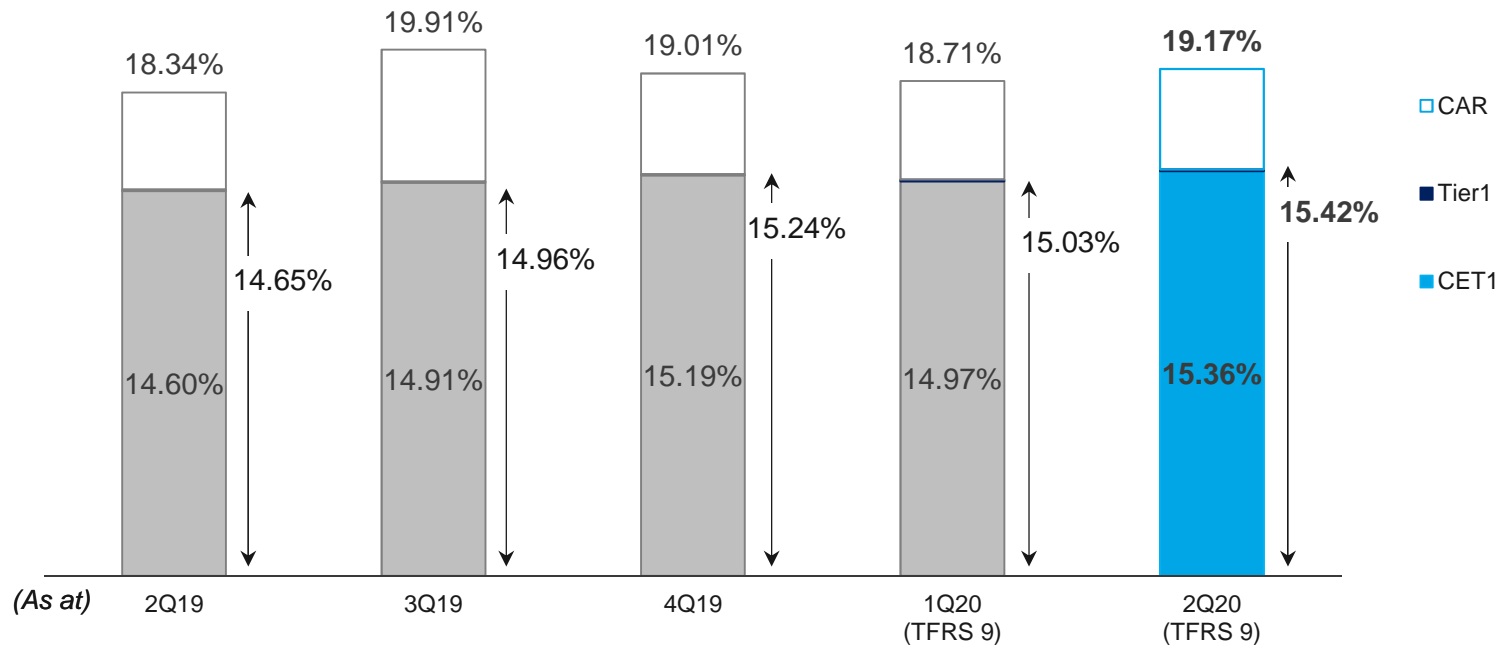
Capital

Maintaining strong capital



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CET1 vs CAR Ratios





Appendix

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

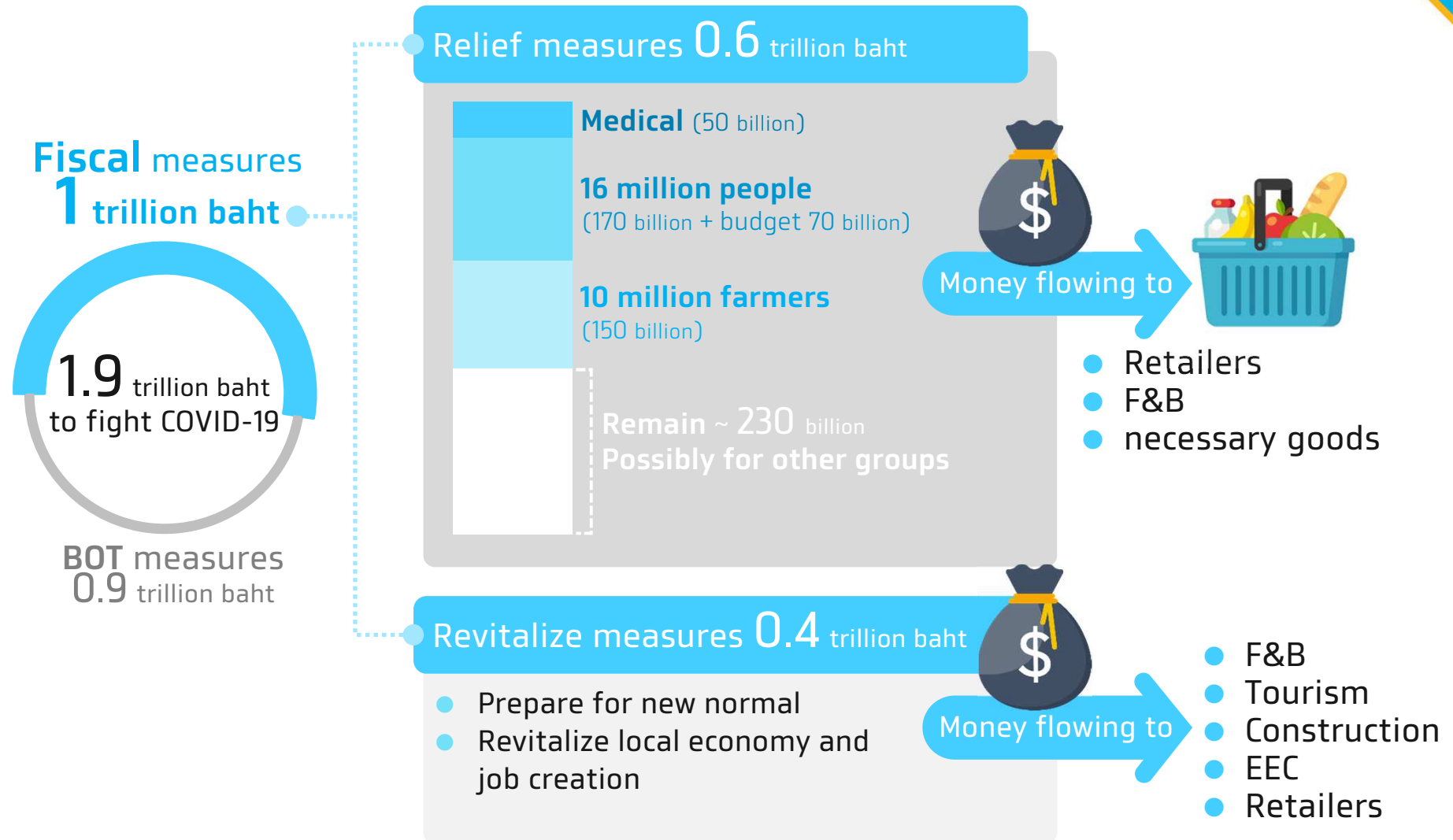


Digital Transformation will accelerate



Business will try to diversify from one particular segment or market

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

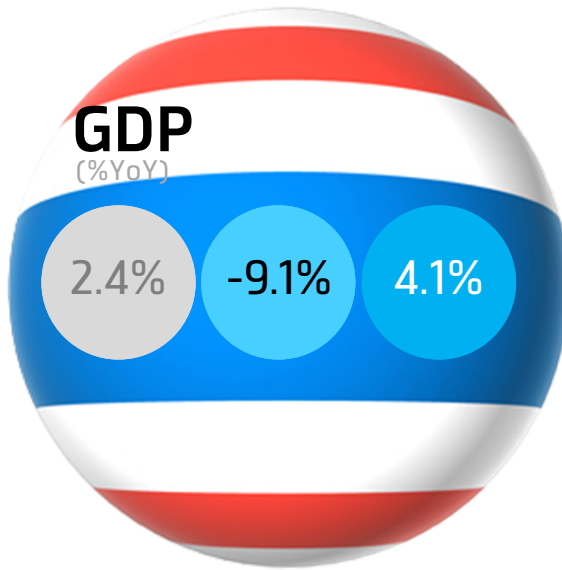


2020 Economic outlook

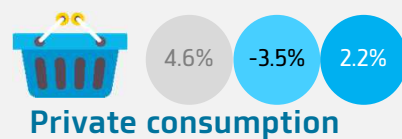
“unprecedented recession”



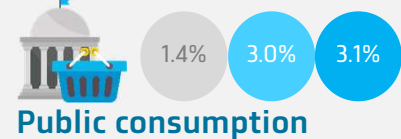
2019 (Actual) 2020F 2021F



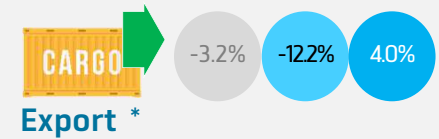
Key Highlights for 2020 Unit: (%YoY)



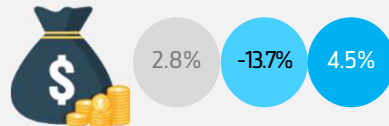
- Loss of labor income significantly affect household spending.
- Economic uncertainty and fading payment holiday schemes cause people to limit spending.



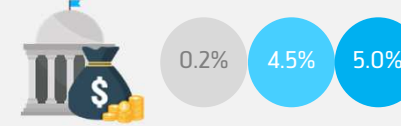
- Increasing in parallel with regular budget disbursement.



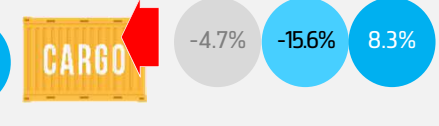
- A sharp decline in external demand particularly major trading partners amid global recession.



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

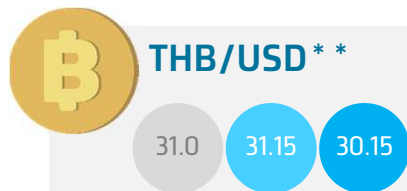


- Potentially affected by budget cut from various ministries to fight the COVID-19 pandemic.



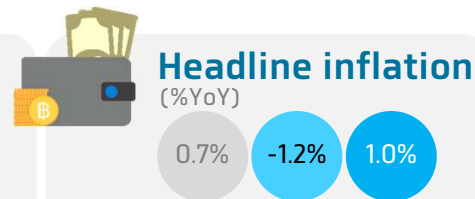
- Weak domestic demand as well as the sharp drop in crude oil price.

Remark: * Customs basis, Value in USD



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

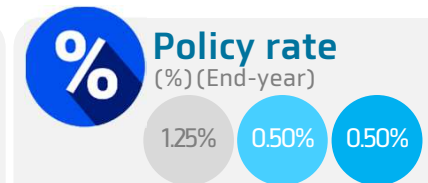
** Annual average



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



- Ongoing outbreak overseas will cause government to discourage foreigners from travelling to Thailand
- Possibility of limited long-stay travelers to be allowed.



- MPC brings policy rate to historic low in 2020 to further ease borrowing cost for households and businesses.
- Another cut is possible if situation significantly deteriorates.

KTB's COVID-19 Relief Measures

Phase I		Phase II	
Individual clients		Individual clients	
KTB's Measure: Retail loan	Personal loan under supervision & Housing loan (≤ 3 MB) <ul style="list-style-type: none"> • Payment holiday on principal & interest: 4-month • Lower interest rate 0.25% (existing): 4-month <hr/> For Personal loan & Housing loan (<i>reduced income proof</i>) <ul style="list-style-type: none"> • Payment holiday on principal: 6-month • Lower interest rate 0.25% (existing): 6-month 	BOT's Additional Measures:	For Credit card and Personal loan under supervision: <ul style="list-style-type: none"> • Reduction on interest rate ceilings, service, fees, and penalties (interest) effective 1 Aug'20 onwards: <ul style="list-style-type: none"> • Credit card: 18% to 16% • Personal loan –revolving credit, installment payment: 28% to 25% • Personal loan – auto title loan: 28% to 24% • Credit limit extension from 1.5x to 2.0x of average monthly income for good customers with monthly income less than THB 30,000 (till 31 Dec'21)
Corporate clients			For retail customers impacted from COVID-19: <ul style="list-style-type: none"> • Credit card: convert into 48 installments or as appropriate per debtor's capability; interest rate $\leq 12\%$/ annum • Personal loan under supervision: reduce min. payment or convert into 48 installments or as appropriate per debtor's capability; interest rate $\leq 22\%$/ annum • Personal loan – installment & hire purchase (automotive): reduce installment at least 30%; interest rate $\leq 22\%$/ annum • Hire purchase: 3-month debt payment holiday (principal & interest) or reduce installment by extending payment period • Housing loan or Home for Cash: 3-month debt payment holiday (principal & interest) or lower interest rate as appropriate or reduce installment by extending payment period
KTB's Measure: Business loan	Business loan ≤ 100 MB (<i>Automatically</i>) <ul style="list-style-type: none"> • Payment holiday on principal & interest: 6-month <hr/> Business loan (medium-size or higher) (<i>reduced income proof</i>) <ul style="list-style-type: none"> • Payment holiday on principal: up to 12-month • Payment extension (P/N & Trade Finance): up to 6-month 		
KTB's Measure: Soft loan	Business loan ≤ 500 MB <ul style="list-style-type: none"> • Credit limit: up to 20% (<i>of 31 Dec'19 outstanding loan</i>) • Interest: 2.0% first 2-year ; Debt payment holiday on principal: up to 12-month ; No interest payment: 6-month (<i>First 6-month interest - subsidize by government</i>) 		
Other Measures		Effective 18 Jun'20:	
BOT's Measure:	<ul style="list-style-type: none"> • Series of policy rate cut • Pre-emptive measures on loan classification • Provisioning: ECL based on drawn portion • FIDF fee reduction from 0.46% to 0.23% (consequently, lowering on lending rates) 	<ul style="list-style-type: none"> • No interim dividend payment base on 2020 performance • No share repurchase • Capital plan for next 1-3 years 	

IFRS 9 Adoption

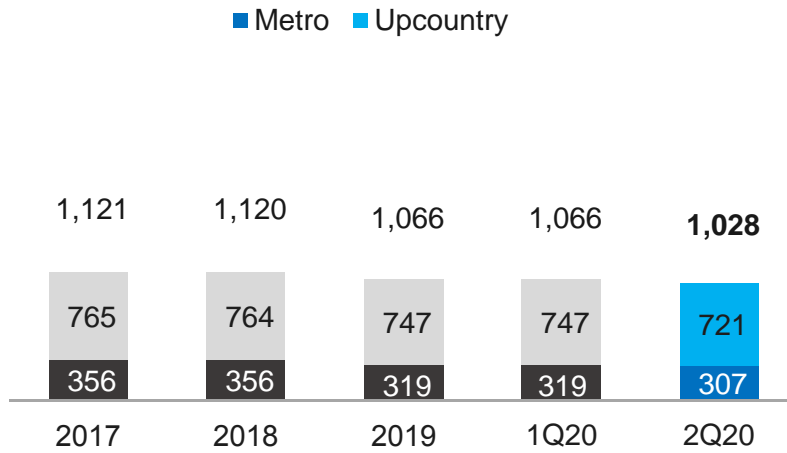
Key concepts	Pre-IFRS 9	IFRS 9	Financial impact
<p>1. Classification & measurements</p> <ul style="list-style-type: none"> ○ Based on business model and cash flow characteristics ○ Amortized cost vs fair value (FVTPL, FVOCI) 	<ul style="list-style-type: none"> • Interest income & fee income <ul style="list-style-type: 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>			

Network



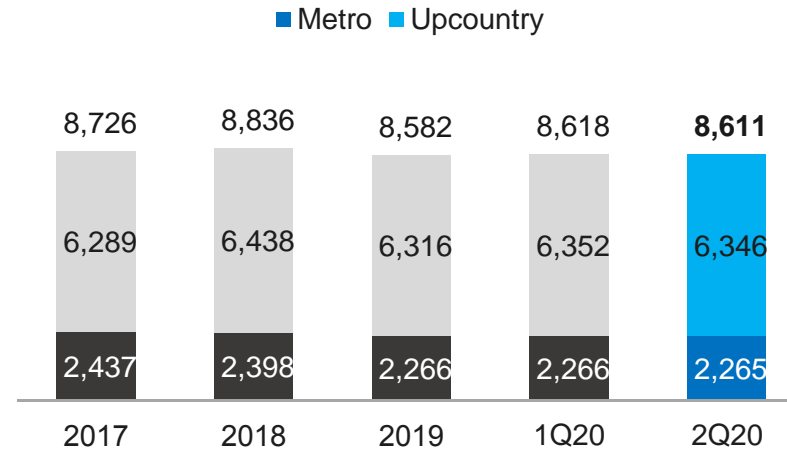
Branches*

(unit: branches)



ATMs

(unit: machines)



* Including Head Office

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

Krungthai Bank PCL

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