

BANK OF AYUDHYA

3Q/10 Financial Performance **Investor Update**

October 2010



KRUNGSRI GROUP

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- **Introduction – The Power to Grow**
- **Financial Performance for 3Q/2010 and 9M/2010**
- **Developments & Integration Progress**
- **Strategies & Objectives for 4Q/2010**



Introduction – The Power to Grow



2010 Summary – The Power to Grow

**Fundamentals now firmly in place...
Ready for acceleration**

NIM	• Maintained at > 5%
Retail Base	• Diversified business with over 43% retail assets
Delinquency	• At historic lows with legacy NPLs continuing to decline
Branding Alignment	• Building common and consistent Krungsri branding
Capital Base	• Strong CAR now at 17.9%
Funding Cost	• Growing low cost deposits with launch of HYSA*

* High Yield Saving Account

Krungsri Group's Profile: Well Positioned for Continued Growth

Leading Position in Key Business Segments

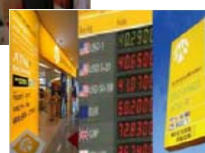
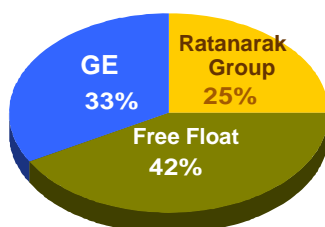
As of Apr 10	Position	Market Share
Consumer		
P-Loan	# 1	16%
Credit Card	# 1	19%
Auto HP	# 2	14%
Corporate	# 5	8%
SME	# 5	7%

Sizeable Network

As of Sept 10	Number
Branches Domestic	580
Branches Overseas	4
ATMs	2,950
Exchange Booths	68
Exclusive Banking Zones	22
First Choice Outlet + Dealers	7,000+
Micro Finance Branches	177
Auto Dealers	4,500+

Shareholding Structure

(as of September 2010)



Financial Performance for 3Q/2010 and 9M/2010

Key Financial Performance

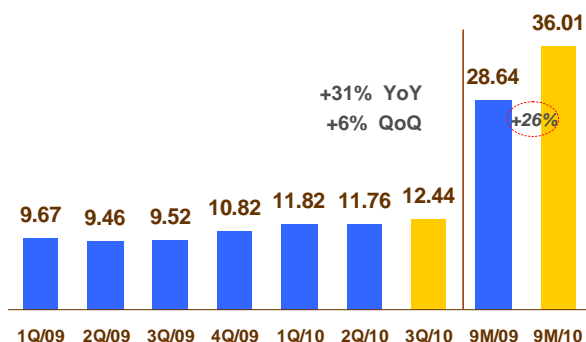
Profitability Improvement	<ul style="list-style-type: none"> Net Profit for 9M/10 increased by 29%
Loan Growth	<ul style="list-style-type: none"> Performing loans grew by +2.8% for 9M/10
NIM Improvement	<ul style="list-style-type: none"> NIM for 9M/10 increased to 5.16% - above 2010 expectations
Fees & Services Income	<ul style="list-style-type: none"> Fees and Services Income grew +46% YoY and +11% QoQ
Cost to Income Under Control	<ul style="list-style-type: none"> Cost to Income Ratio of 55% for 9M/10 in line with 2010 plan
Asset Quality Improvement	<ul style="list-style-type: none"> Baht 5.2 billion NPL sale completed in September 2010 Planning further sale of Baht 3-5 billion NPLs in 4Q/10
Auto Business Performance	<ul style="list-style-type: none"> Auto business volume at all time high
Capital and Liquidity	<ul style="list-style-type: none"> Capital strong with total at 17.9% and tier 1 at 12.2% L/D++ ratio improved to 99%

Income Statement - Interest Accounts

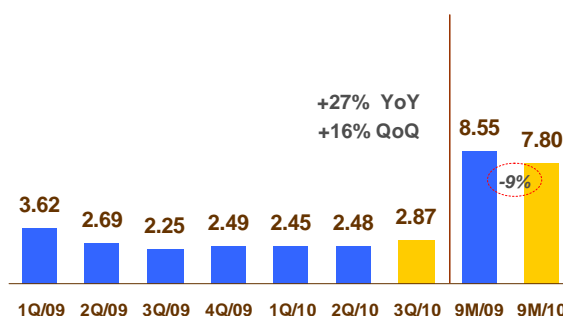
Consolidated
(Baht Billion)



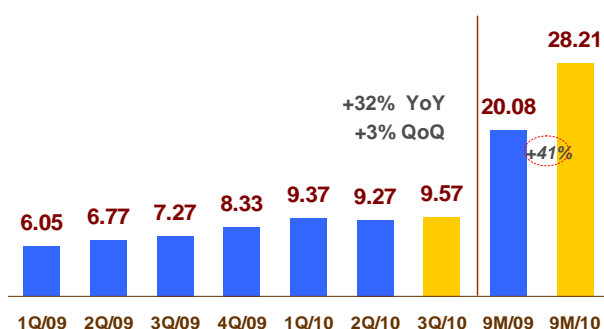
Interest Income



Interest Expense



Net Interest Income



- Interest income increased significantly YoY driven by 2009 business acquisitions
- Cost of funds up from higher market interest rates and an increase in deposits, driven through campaigns
- Overall, net interest income improved 41% on a YoY basis



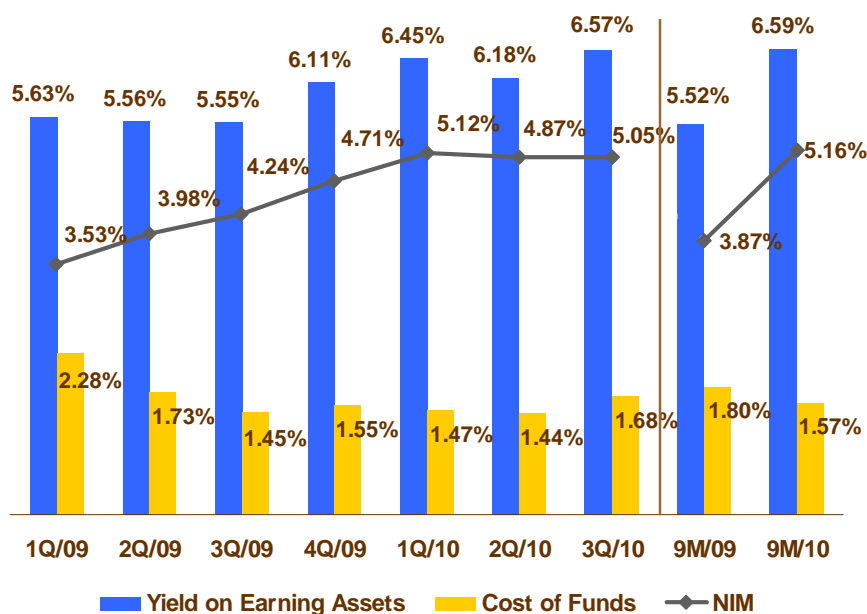
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Net Interest Margin

Consolidated



- NIM for 9M/10 reported at 5.16% - ahead of annual target of 5%



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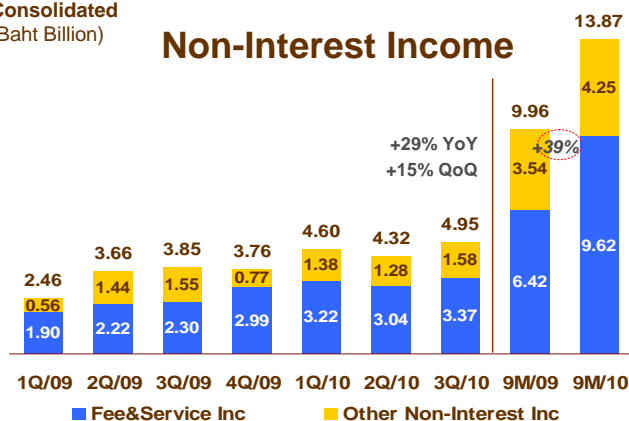


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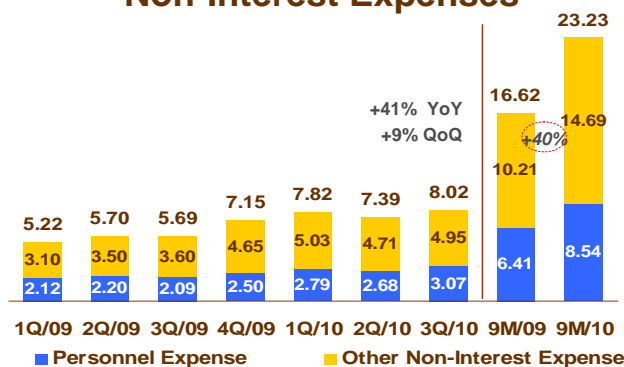
Non Interest Accounts / Fee and Services Income Composition

Consolidated
(Baht Billion)

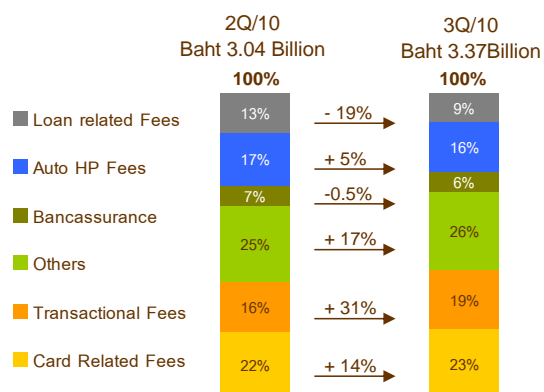
Non-Interest Income



Non-Interest Expenses



Fees and Services Income Breakdown



- Maintaining Cost-to-Income ratio, balancing synergy savings with continued investment
- Fees and services income improved YoY by 46% and QoQ by 11%



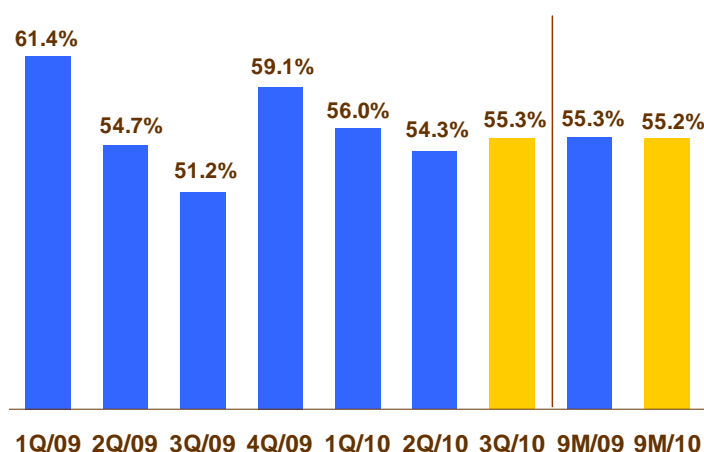
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Cost-to-Income Ratio

Consolidated



- Cost-to-Income Ratio in 3Q/10 in line with annual target
- Significant strategic investment continue in the business



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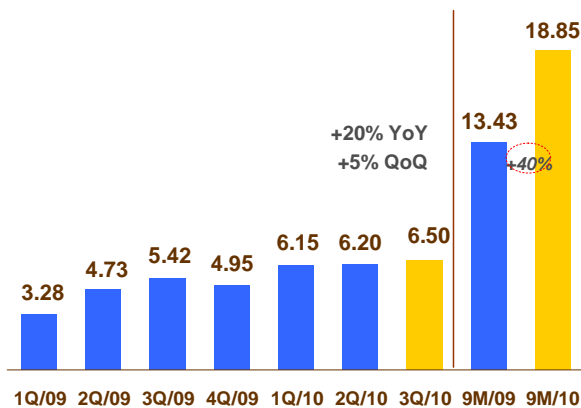


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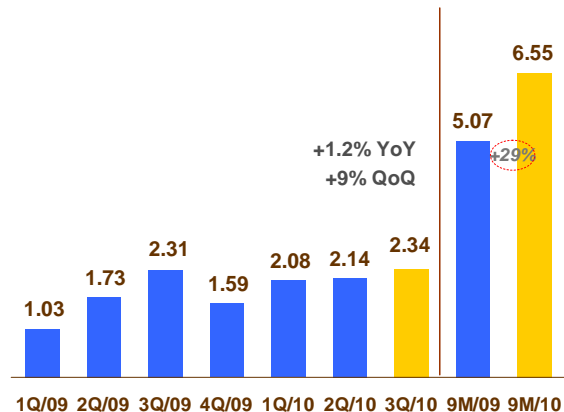
Profit before Provision and Tax and Net Income

Consolidated
(Baht Billion)

Profit before Provision and Tax



Net Income



- Operating performance improved significantly driven by both interest and non-interest income
- Net profit for 9M/10 increased by 29%



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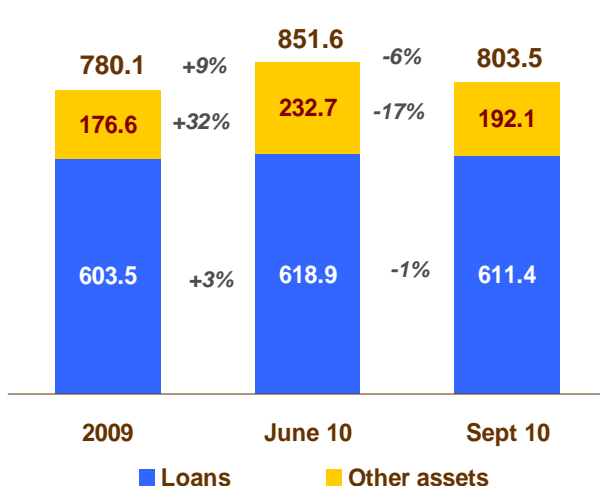


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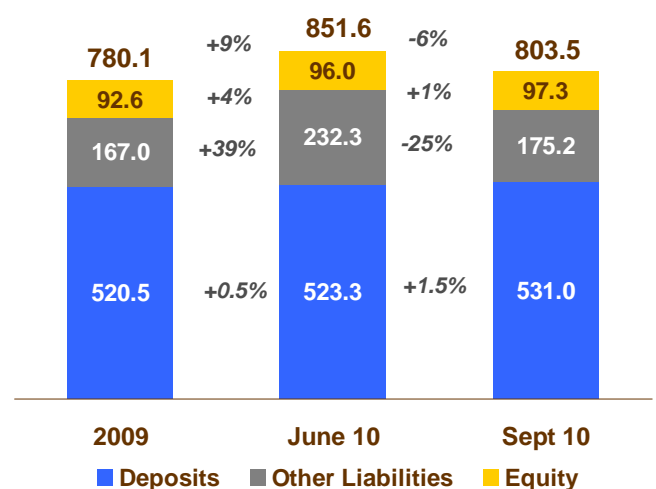
Balance Sheet – Assets, Liabilities & Equity

Consolidated
(Baht Billion)

Assets



Liabilities & Equity



- Assets increased for 9M/10 from interbank & money market items and loan growth but declined in 3Q/10 compared to 2Q/10
- Liabilities increased for 9M/10 mainly from interbank & money market items and borrowings but declined in 3Q/10 compared to 2Q/10
- Equity increased by 5.0% mainly driven by Bank's increased net profit



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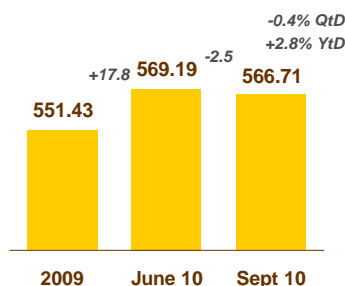
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Loans & Deposits+

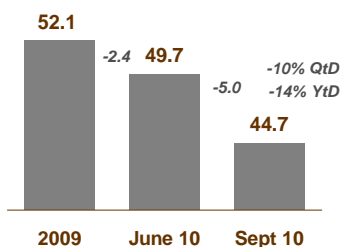
Consolidated
(Baht Billion)



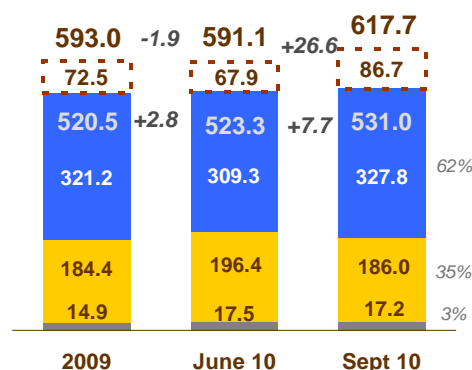
Performing Loans



Non-performing Loans



Deposits+



■ Current ■ Savings ■ Time ■ B/E+Debenture

- **Performing loans** increased organically by 2.8%
Retail showing strongest growth
- **Non-performing loans** declined significantly with sale in 3Q/10
- **Deposits** increased by Baht 10.5 billion
Recent campaigns and product innovations continue to gain traction

	2009	Jun-10	Sept-10
L/D	116%	118%	115%
L/D+B/E+Debenture	102%	105%	99%

- **Loan-to-Deposit +B/E +Debenture** reduced to 99% with additional liquidity from subordinated debt issuance

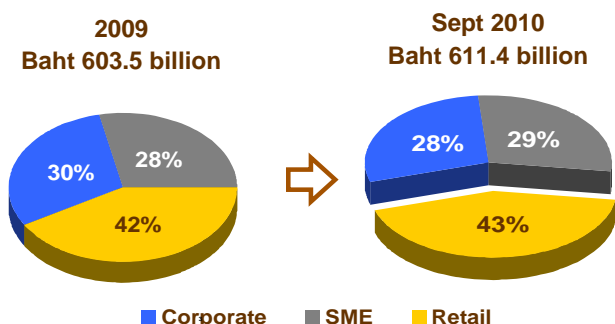


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Loan Mix - Retail Loan Composition



Well Diversified Loan Portfolio



- Growth in higher margin Retail and SME segments
- Margin compression continues in corporate segment
- 4Q/10 expected to be biggest growth quarter

	2009		Sept 10		% chg
	Bn	%	Bn	%	
Corporate	181.5	30	173.4	28	-4.5
SME	169.7	28	174.3	29	2.7
Retail	252.3	42	263.8	43	4.6
- Auto HP	111.8	19	119.2	19	6.7
- Mortgage	73.6	12	79.7	13	8.3
- P loan, CC & Others	66.9	11	64.8	11	-3.0
Total	603.5	100	611.4	100	1.3



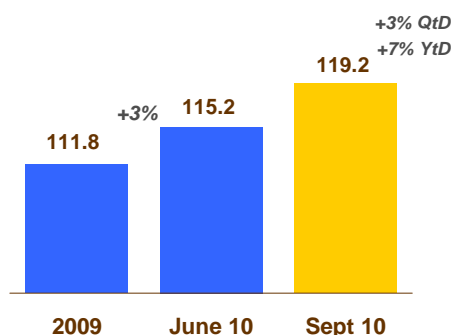
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Auto HP Business Highlight

Consolidated
(Baht Billion)



Net Loan : Total Portfolio



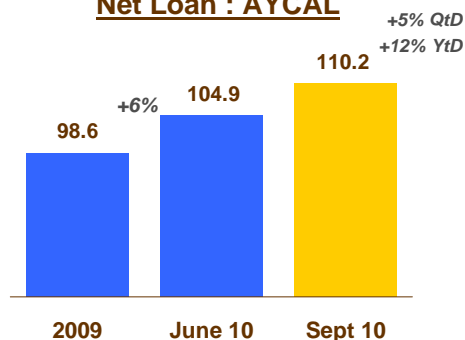
Focusing on used car and refinance market

- New cars	37%
- Used cars	32%
- Refinancing	24%
- Motorcycle	4%
- Others	3%

Balancing volume and profitability

- Delivered volume of >10% through BAY branches
- Continuing strong performance with volume significantly ahead of plan

Net Loan : AYCAL



- Achieved highest ever volume in 3Q/10 since acquisition in 2008
- Launched new 7 day service for loan applications



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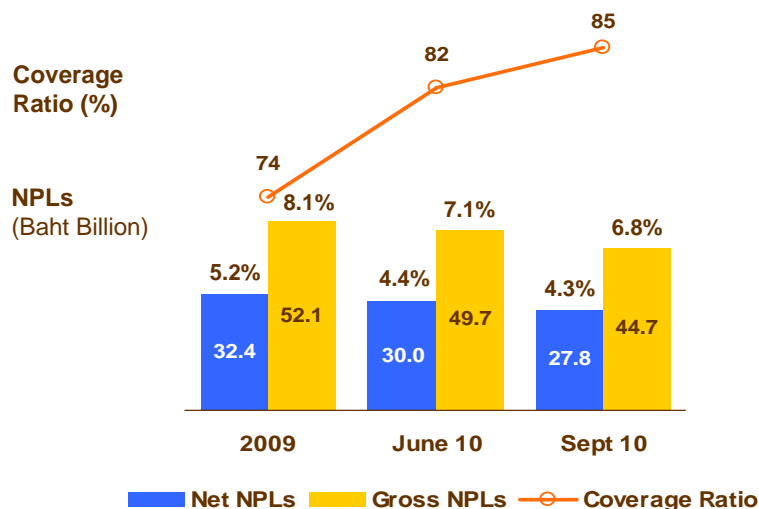
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Continued Asset Quality Improvement

Consolidated

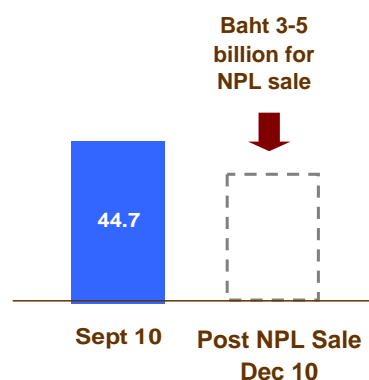


NPL and Coverage Ratio



- Overall asset quality continues to improve
- NPLs reduced significantly with completion of asset sale
- Coverage ratio further improved from 82% to 85%
- Provision at 153% of BOT requirement

Potential Sale in 4Q/10



- Another NPL sale of Baht 3-5 billion planned for 4Q
- Anticipate no P&L impact from the sale

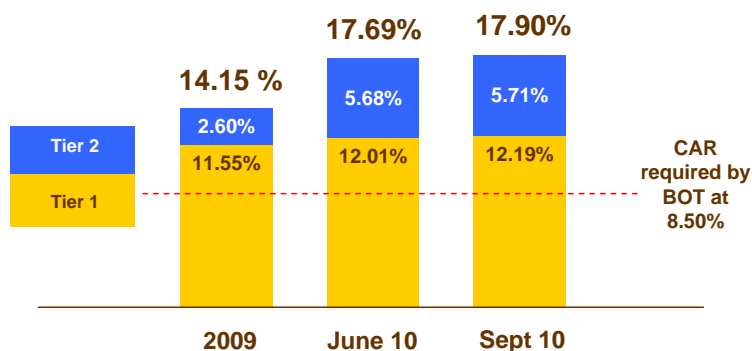


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Strong Capital Base



- CAR increased from last year driven by successful Baht 20 bn sub debt issuance in June
- Liquidity level well above BOT's minimum requirement of 6%
- Dividend policy : Not less than 30% of net profit

Baht Billion	2009	June 10	Sept 10
Tier 1	76.47	79.17	80.30
Tier 2	17.27	37.48	37.56
Total Capital	93.74	116.65	117.86

2010 Key Performance Targets

Consolidated	3Q/09	2009	1H/10	3Q/10	9M/10	2010 Targets
Loan Growth (Net)	+1.4 bn (+0.25%)	+46.4 bn (+8.3%)	+15.4 bn (+2.5%)	-7.5 bn (-1.2%)	+7.9 bn (+1.3%)	n.a.
PL Growth	+1.8 bn (+0.36%)	+49.4 bn (+9.8%)	+17.8 bn (+3.2%)	-2.5 bn (-0.4%)	+15.3 bn (+2.8%)	+48 bn (+8%)
NPL Movement	+0.4 bn (-0.76%)	-3.0 bn (-5.4%)	-2.4 bn (-4.6%)	-5.0 bn (-10.0%)	-7.4 bn (-14.1%)	n.a.
Deposit Mix: Savings and Current	39%	38%	41%	38%	38%	40%
Loan Mix : Retail	36%	42%	42%	43%	43%	42%
L/D Ratio	109%	116%	118%	115%	115%	110%
L/Deposit+Debentures+B/E	96%	102%	105%	99%	99%	94%
NIM	4.2%	4.1%	5.0%	5.1%	5.2%	> 5%
Fee income growth	15%	26%	52%	46%	49%	> 30%
Cost to Income Ratio	51.2%	56.4%	55.2%	55.3%	55.2%	56%
NPLs	55.5 bn	52.1 bn	49.7 bn	44.7 bn	44.7 bn	52 bn
Provisions *	182 bps	169 bps	197 bps	205 bps	201 bps	198 bps
Loan Loss Coverage	68%	74%	82%	85%	85%	70-75%
CAR **	15.6%	14.2%	17.7%	17.9%	17.9%	n.a.
Inorganic Growth	AIG Micro Finance	AIG Retail / Card AIG Micro Finance GE Money				

* Provision included loss on sale of foreclosed properties

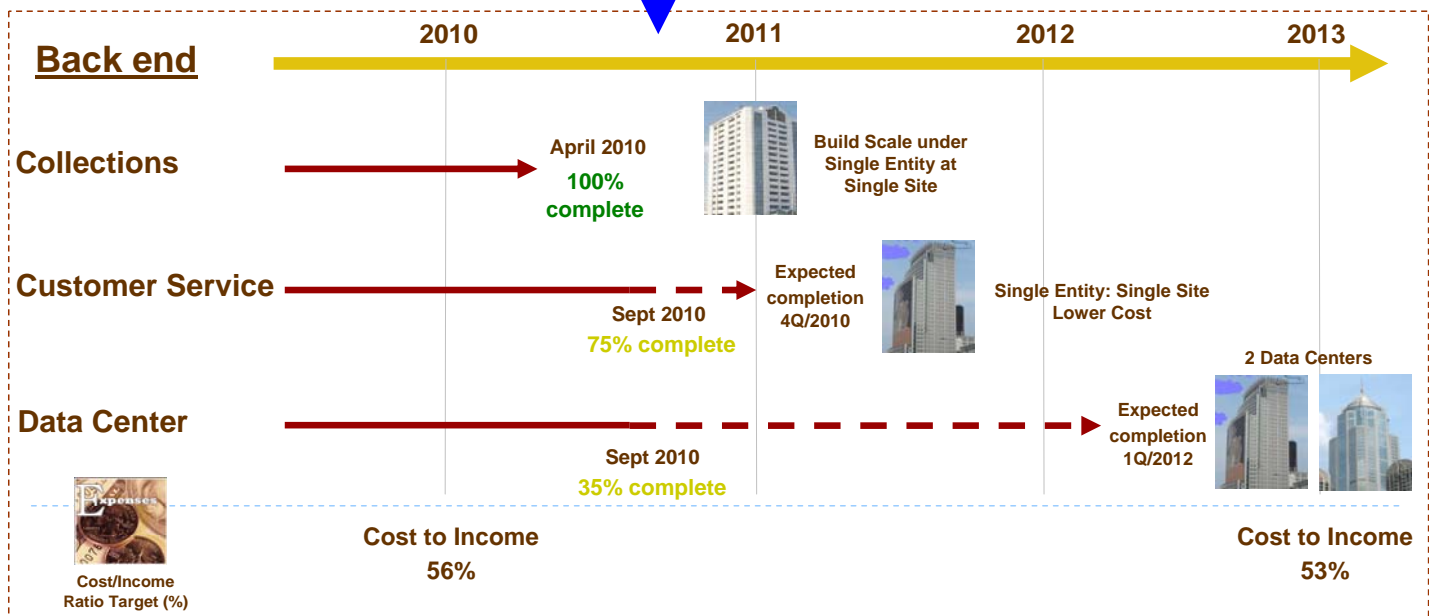
** Bank only, 2009 included DTA

4Q/10 Outlook for Key Financial

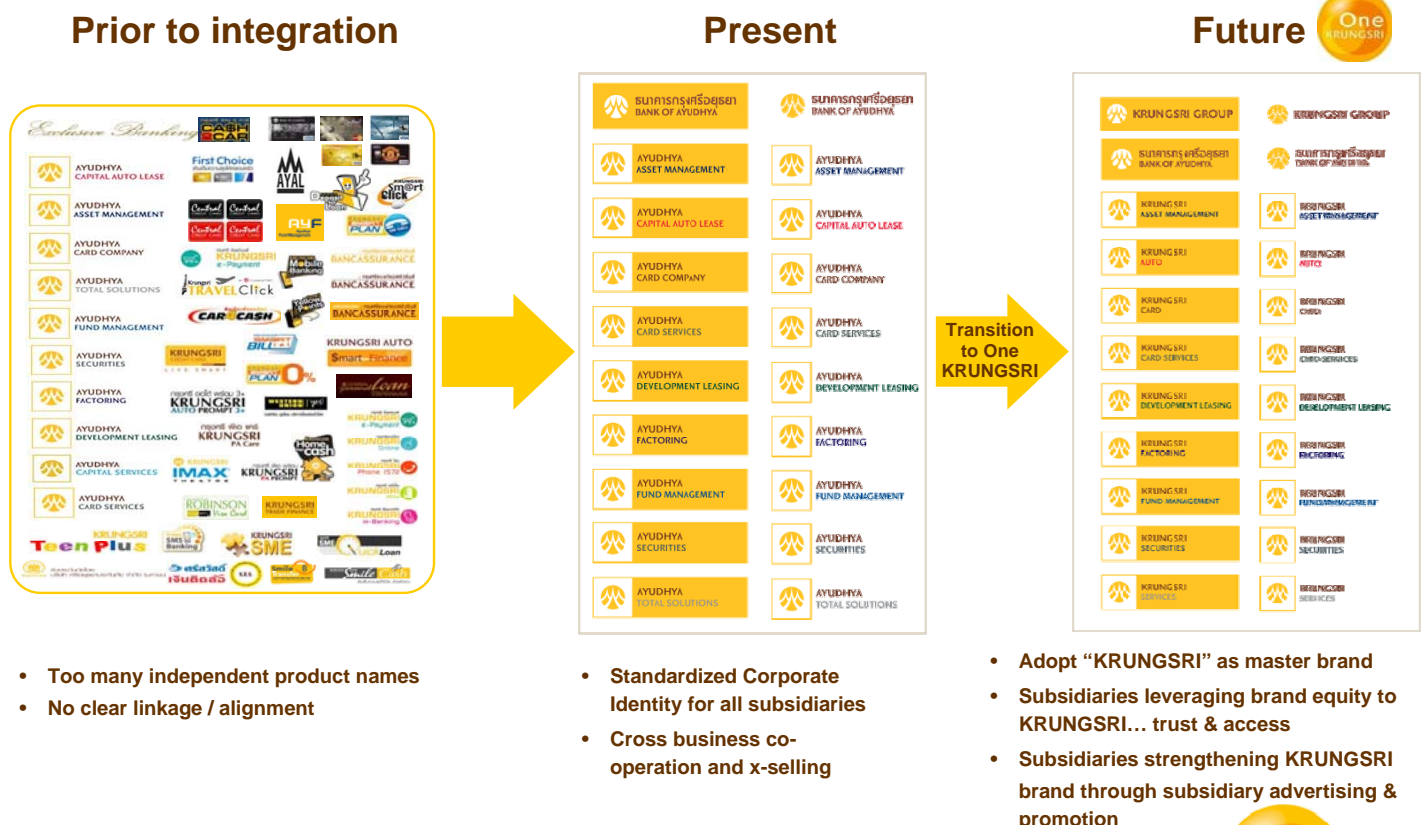
Loan Growth	• Optimistic, strong deal pipeline and approaching retail high season
NIM	• Expected to be in line with plan at 5%
Fees & Services Income	• Fee & services growth trend likely to continue
Cost to Income	• In line with plan for the year
NPL	• Continued reduction.... Likely close below current level following completion of Q4 debt sale
Provision	• Portfolio remains strong. Likely to be in line with expectation
Capital	• Remains strong
Liquidity / Deposit	• Continued improvement in line with product launches and savings focus

Developments & Integration Progress

Back-end Integration Progressing as Planned



Brand Integration – The Power of KRUNGSRI



Integration Progress – Example



Integration Progress – Marketing

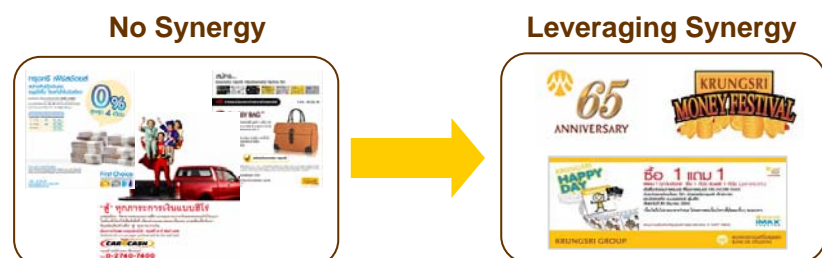
Distribution Channel Synergy



Expanding synergies through:

- Providing full range of Krungsri products
- Accessing business referrals @ branches across One KRUNGSRI group
 - ✓ First Choice ~40% of total apps
 - ✓ Krungsri Card >70% of total apps
 - ✓ Auto >10% of total apps
- Leveraging all customer touchpoints across KRUNGSRI group
- Providing payment channel for subsidiaries

Marketing Synergy



Expanding synergies through:

- Consolidating marketing efforts – joint promotions
- Utilizing entire base via CRM to promote and sell Baht 20 bn sub debt issue in only 3 days
- Consolidating card marketing platform and EDC business
- Aligning marketing communication among KRUNGSRI group

Branch Transformation

- Network Re-Organization : Expanded number of regions from 19 to 43 in order to provide better focus and coverage
- Branch Revamp: Improved technology (EDC, Digital Signage & Core systems)
- Re-building: Enhanced processes, communication & training



New Infrastructure

- Improved branch network: Dual link/Dual provider for all branches/ATMs
- Replaced / upgraded old branch based technology and ATMs



Employees

- Invested in employees through training
- Introduced bi-annual all employee survey. 1st phase completed Q2
- Built "Business Engagement" action plan



People



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Strategies & Objectives for 4Q/2010

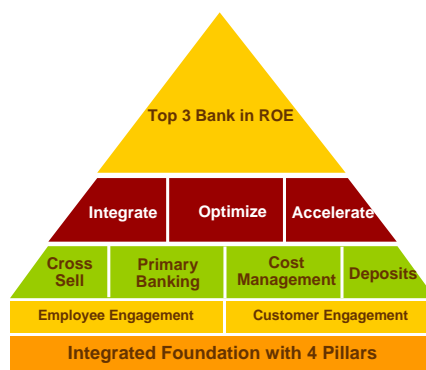


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Major Objectives – 6 Pillars



	<u>Strategy Implementation</u>	<u>Where we are</u>
Cross Sell	Improved infrastructure / Technology Training for employees	Products per customer @ 2 across group
Primary Banking	Branding investment Process improvement at branches	Primary Banking : Number of customers at more than 1 million
Cost Management	Back end integration Rebuilding front end technology	Cost to Income : 55%
Deposits	Expansion of payroll accounts Expansion of each management services	CASA @ 40%
Customer Engagement	Improvement in services Customer experience	Top 3 in the market on engagement score
Employee Engagement	Progress with employee survey and action plan	Completed wave I (First round of survey and action plan in June 2010) Wave II completed in Q4



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